

Louvain School of Management

Which factors trigger the decision to expand abroad for SMEs?

A comparison between Australia and Belgium

Author: Olivia Barrea
Supervisor: Frédéric Pouchain
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Abstract :

This thesis examines the differences and similarities between the factors triggering the decision to expand abroad for small and medium enterprises in Belgium and in Australia. The research question aims to uncover these factors and compare their importance between the two countries.

For this purpose, a comprehensive analysis encompassing both qualitative and quantitative methods is conducted, involving surveys and interviews with companies located in both countries.

The analyses will provide an overview of the characteristics of the internationalization journey of the interviewed companies and their market penetration. It will then compare the importance of external and international factors based on the country where the companies are headquartered.

The conclusion highlights that the internationalization journey differs between Belgian and Australian companies, except regarding their entry strategy. It also shows that the most significant factors, namely spontaneous foreign orders, type of products and/or services provided, and the entrepreneurial orientation of the top management, have a similar importance in the two countries. However, other factors influencing slightly less the decision-making process differ.

UNIVERSITÉ CATHOLIQUE DE LOUVAIN
Louvain School of Management

Place des Doyens, 1 bte L2.01.01, 1348 Louvain-la-Neuve
Boulevard Emile Devreux 6, 6000 Charleroi, Belgique
Chaussée de Binche 151, 7000 Mons, Belgique

www.uclouvain.be/lsm

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I would also like to extend my sincere appreciation to all the interviewees who generously shared their insights and experiences for this research. Without their active participation, this comparative study would not have been possible. I am particularly grateful for their interest in my topic and the time they dedicated, despite their busy schedules, as entrepreneurs, managers, and international employees.

Lastly, I also would like to thank my family, who has been a constant source of motivation and support throughout the highs and lows of this academic journey, both in Belgium and across the globe. A special mention goes to my mother for her unwavering support and Jonathan for his invaluable advice.

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Part 1 – General Introduction

Chapter 1: Current Context

My desire to write this thesis about the internationalization of Belgian and Australian SMEs stems from three factors: My role in a scale-up company whilst studying, an interest in international expansion, and my student exchange program here in Australia.

As a result of my role at a Belgian scale-up, DogChef, I discovered the world of start-ups and scale-ups and was particularly interested in their evolution. The initial aim of the thesis was to study this company's international expansion and provide it with potential opportunities. However, in order to broaden the scope of this thesis, I decided to extend my research to encompass all Small and Medium Enterprises (SMEs), recognizing that everyone could still benefit from and reflect on the results. Studying SMEs would also allow me to slightly fill a gap in the literature because much research has been conducted on Multinational Enterprises (MNEs), and it is essential to recognize that research on MNEs cannot be directly transferred to smaller firms. As Shuman and Seeger (1986) stated: “*Smaller businesses are not smaller versions of big business... smaller business deal with unique size-related issues as well and behave differently in their analysis of, and interaction with, their environment.*” The particular perspective required by the SME environment raised my interest when deciding on a thesis topic.

Secondly, as part of my CEMS curriculum and the International Business course lectured by Pr. Pouchain, I had the opportunity to study companies' internationalization. A company's international expansion is a vast topic, and many influential factors can be explored, some of which include, but are not limited to; strategic partnerships, export performance and other integral factors. Through my preliminary literature research, I have discovered that numerous factors could impact the decision to engage in foreign activities, such as the domestic market situation, the foreign trade agreements, the opportunities to acquire new customers or to reach economies of scale, and also the prior international experience of the executive management team. While the impact on export performance is well studied for specific factors, no existing literature tackles the factors that trigger internationalization.

Finally, thanks to my exchange in Australia at the University of Sydney, I have observed that the way business is performed in Australia is quite similar to that in Belgium, even though the served country and context were very different. During my semester, I discovered that despite the significant geographic and economic disparities between Australia and my home country, Belgium, their business mindset surprisingly shared similarities.

Therefore, the thesis posed as an opportunity to study the similarities and differences regarding the internationalization drivers for Small and Medium Enterprises based in both countries.

Chapter 2: Research Question and Objective

The objective of this thesis is to compare the similarities and differences between the driving factors for a small or medium company to expand its activity abroad when it is based in Belgium or Australia. This paper will try to answer the following research question:

**“Which factors trigger the decision to expand abroad for SMEs:
A comparison between Belgium and Australia.”**

Through this paper, I aim to understand why SMEs aspire to internationalize and if the driving factors are similar from one country to another. Is the expansion abroad primarily due to the limited size of the domestic market, or does it first aim to increase its turnover? Does competition influence its internationalization choice, or do orders from foreign customers trigger it? Given that Australia has the most culturally and linguistically diverse population globally, with more than 65% of its population not belonging to the Australian ethnic group (Figure 1, Statista, 2023c), does this diversity influence a company's decision to internationalize? Can a single factor alone lead to the decision to expand abroad, or is the decision due to a multitude of factors? Such questions have guided my research and analysis, and I hope to provide insights and answers.

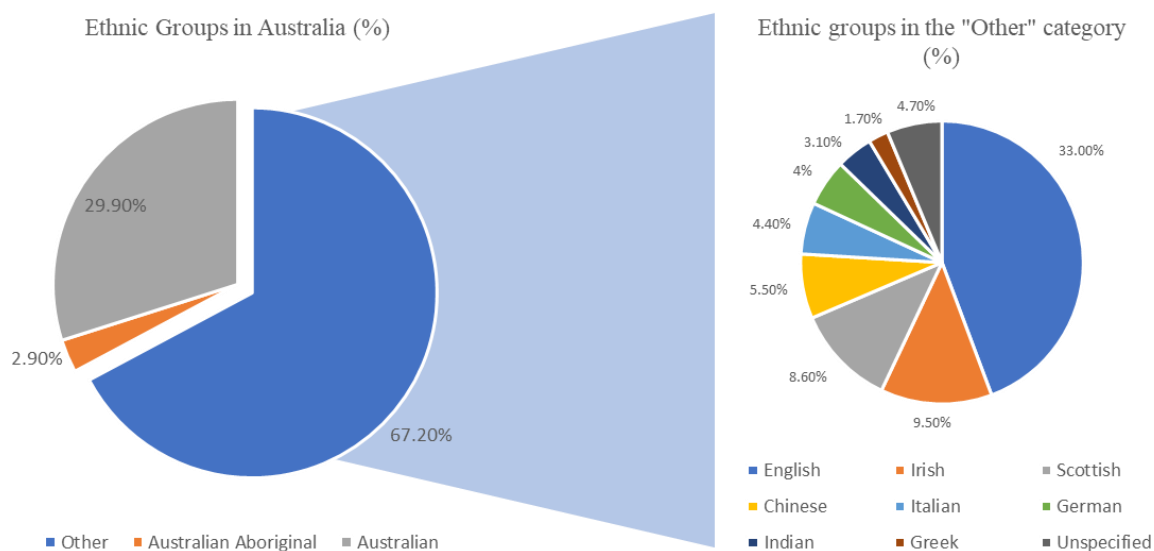


Figure 1 - Ethnic repartition in Australia

This paper is divided into five different parts; General introduction, Literature review, Methodology, Analysis and Discussion, and Conclusions. First and foremost, a literature review will define the main terms of the research question, which are *SME* and *International Expansion*, often also called *Internationalization*. As the SME's definition can vary depending on the country, the organization, or the criteria selected, it is essential to specify the definition used in this thesis. I will then analyze the macroeconomic environment of Belgium and Australia to gain a comprehensive view of the economic landscape, which is crucial for any in-depth study of these countries. I will end by summarizing the internal and external factors influencing the SME's internationalization decision, as discussed in the literature.

As the literature summary may not be exhaustive, an online questionnaire and field interviews will be conducted to supplement it further. These interviews will involve seven companies based in Belgium and five in Australia, helping the reader to understand which factors were more influential in their decision-making processes whilst highlighting similarities and differences in drivers for SMEs to expand. The analysis of the results will be divided into a quantitative analysis to describe the main characteristics of the internationalization journey and foreign market penetration from one country to another and a qualitative analysis to categorize the different factors based on their importance, ranging from very important and strongly influencing the internationalization decision to not important.

Finally, the conclusion will provide a comparative summary of the factors in the literature review and those identified in the interviews. Additionally, it will highlight the differences between the factors triggering SMEs' internationalization in Belgium and Australia, providing answers to the research question. In this final section, the limitations encountered in this work will also be discussed, and potential opportunities for further research or exploration of new ideas will be provided.

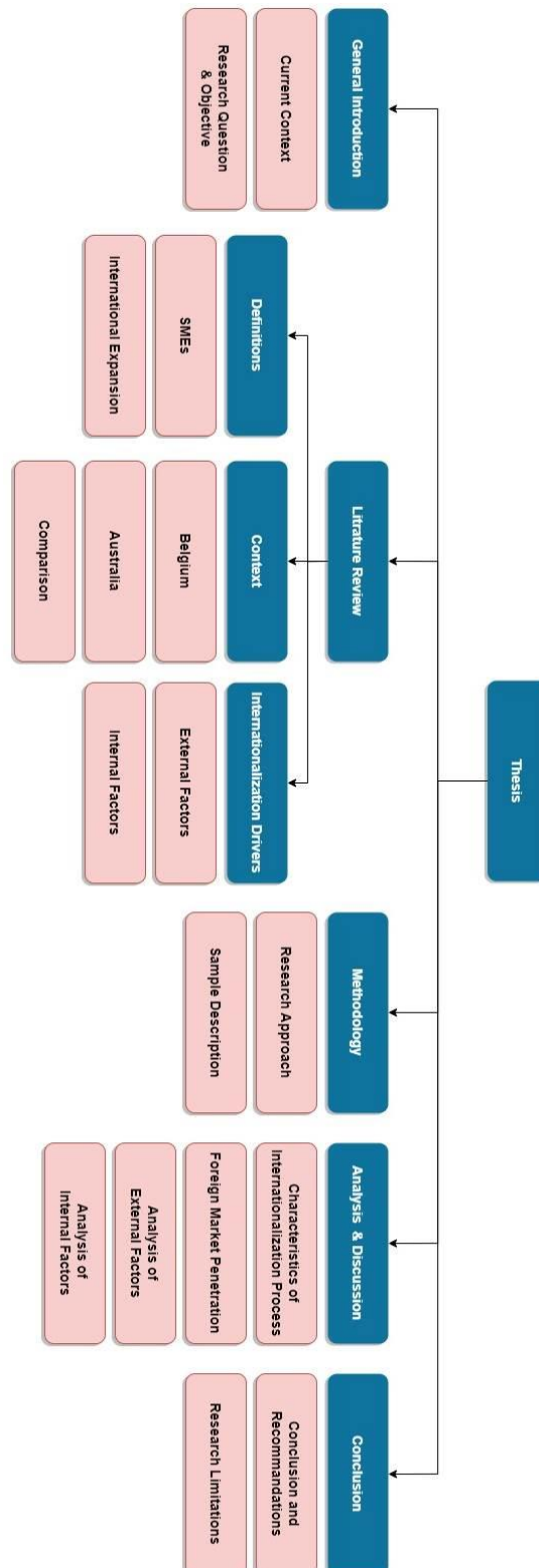


Figure 2 - Thesis' Structure

Part 2 – Literature Review

Chapter 1: Definitions

In this chapter, I will define the terms *SMEs* and *International Expansion* in order to avoid possible misinterpretation and to explain the specific perspective adopted regarding these concepts.

Section 1.1 – SMEs: Definitions

First and foremost, it is worth noting that the term “Small and Medium Enterprise” (SME) generally encompasses a third category, the micro-enterprises, included in the “S”, which stands for “Small”. The SME abbreviation is a shortcut to MSME (Micro, Small, and Medium Enterprises), which is less widely used. Through this paper, I will mainly use the abbreviation SME when referring to the three categories of companies.

In a 2014 report, the International Finance Corporation (IFC) analyzed definitions and data relating to micro, small, and medium enterprises across 155 countries. It revealed that the most common MSME definition is based on the number of employees, with 92% of the analyzed definitions employing this variable. Turnover and assets are the following most frequently used factors, accounting for 49% and 36% of the definitions, respectively. Overall, 11% of the definitions use alternative variables, such as loan size, formality, years of experience, type of technology, and initial investment amount. (Gonzales et al., 2014). Even if two countries use the same variable, different thresholds can also be used to classify companies. Therefore, the definition of a micro, small, or medium-sized enterprise (SME) varies significantly from one country to another.

According to the Organization for Economic Co-operation and Development (OECD), an SME is generally defined as a business that maintains revenues, assets, or the number of full-time employees below a certain threshold (Gonzales et al., 2014). In Australia, the SME definition depends on the organization classifying the companies. The Australian Bureau of Statistics (ABS) uses the number of full-time employees, while the Australian Tax Office (ATO) uses the annual turnover of the company (ASBFEO, 2022). This country is also

considering the adoption of different variables for companies without employees or in the agricultural sector (e.g., sole proprietorships, area of crops sown, number of livestock, etc.) (Australian Bureau of Statistics, 2002). In Belgium, the SME definition follows the European Union (EU) definition, which incorporates two of the three most commonly employed factors: the number of employees and the annual turnover or the total balance sheet. Because the European Union definition is more widely adopted and less subject to one perspective, I have chosen to consider the European Union definition in my analysis.

European Union Definition				Australian Definition (ABS VS ATO)	
Enterprise Category	Staff Headcount	Annual Turnover (EUR)	Annual Balance Sheet Total (EUR)	Staff Headcount	Annual Turnover (conv. To EUR) ¹
Micro Enterprise	Fewer than 10	Up to 2 million	Up to 2 million	Fewer than 5	/
Small Enterprise	Fewer than 50	Up to 10 million	Up to 10 million	Fewer than 20	Up to 6.1 million
Medium Enterprise	Fewer than 250	Up to 50 million	Up to 43 million	Fewer than 200	Up to 152.65 million ²

Table 1 – SMEs Definitions used in the European Union VS in Australia

Section 1.2 – International expansion: Definitions

Expansion through Internationalization is the strategy an organization follows when it aims to expand beyond its national market (Megha, 2016). Internationalization is multifaceted, and its definition varies across fields such as business, economics, education, and public policy. According to the Cambridge Dictionary, Internationalization refers to “*the action of becoming or making something become international*” (“Internationalization,” 2023). In business and economics, Welch and Luostarinen (1988) defined Internationalization as “*the process of increasing involvement in international operations.*” The concept of internationalization encompasses two perspectives: “outward” and “inward” activities. Outwards activities

¹ The currency conversion rate used is AUD1 = €0,61 (on 3rd July 2023)

² Although the Australian Tax Office (ATO) uses the AUD250m threshold (€152,65m) to define a medium-sized business, 80% of the companies in this category have a turnover of less than AUD50m.

correspond to the activities directed outside the company (e.g., sales, exportations, etc.). In contrast, inward activities are directed towards the company (access to knowledge, importations, etc.) along the entire value chain (Office For Official Publications Of The European, 2004). This means a firm can engage in many forms of international activity, including importing, exporting (indirectly and directly through export agents, foreign agents, foreign branches, etc.), franchising, licensing, foreign production, etc. (Miesenbock, 1988).

For reasons of simplification and because I believe that the decision to internationalize is influenced by similar factors, regardless of the specific form of international activity pursued, I have decided to only focus on the drivers that will trigger the expansion into a new market (i.e., any outward activity), no matter the strategy chosen. In this thesis, I will interchangeably use the terms international expansion and internationalization.

Chapter 2: Context

In this chapter, I will describe the most important macroeconomic factors concerning Belgium and Australia. Understanding a country's geographical, political, and economic context before analyzing the drivers of international trade is essential for several reasons. Firstly, a country's geographical location and proximity to neighboring nations can significantly influence the ease of exporting goods and services. Access to foreign markets is essential for companies seeking to expand internationally. Therefore, considering geographical factors becomes essential to assess the potential trade opportunities and challenges. Secondly, a country's political structure and stability often shape its trade policies and international relations. Indeed, political decisions can impact tariff rates, trade agreements, regulatory standards, and foreign investment. Lastly, understanding a country's economic health, industrial composition, and labor market, can provide insight into its competitive advantages and economic resilience.

Section 2.1 – Context in Belgium

Belgium, with Brussels as its capital and Europe's capital, is a country covering an area of 30.28 square kilometers and inhabited by approximately 11.7 million people (World Bank Group, n.d.). It is strategically situated at the heart of Europe and shares direct borders with

five neighboring countries: France, Germany, Luxembourg, the Grand Duchy of Luxembourg, and the Netherlands. The country gained independence on 4th October 1830, after a revolution against the Netherlands, and has three national languages: French, Dutch, and German.

The Belgian political system is a federal state with a complex political structure including multiple levels of government: three Community, three Regional, and ten Provincial levels. Each of these entities has its own areas of competence. On the one hand, the federal state is responsible for topics such as foreign affairs, national defense, justice, finance, social security, etc. On the other hand, economy and employment are competencies at the provincial level. Companies must adhere to all levels of regulations, and they may face different economic environments depending on the province and region in which they operate. This complex repartition of competencies across the different power levels in Belgium may interfere with international trade and the drivers leading companies to expand their activities abroad.

Regarding its economy, Belgium, as part of the Euro Zone, benefits from a shared currency, the Euro (€), with 17 other countries, which significantly facilitates inter-country trade. Compared with other currencies, the Euro's exchange rate is currently €1 = USD1.09 and €1 = AUD1.64³. As a founding member of the European Union, Belgium has strong economic ties with 26 other EU countries regarding international business relations. The European Union operates as a single market, meaning that goods, services, capital, and labor can move freely among member states without paying customs fees. This eliminates trade barriers, making it easier for Belgian businesses to access a larger market of almost 450 million people (World Bank Group, n.d.). In addition to its membership in the EU, Belgium has a bilateral free trade agreement with 29 countries (Nations Encyclopedia, n.d.). It is also a member of the North Atlantic Treaty Organization (NATO), the Economic Co-operation and Development (OECD), the World Trade Organization (WTO), and other international organizations which facilitate international trade (Foreign Affairs, Foreign Trade and Development Cooperation FPS, 2022).

³ Based on Exchange rates of July 3rd, 2023

In 2022, Belgium's GDP amounted to USD 578.6 billion, resulting in a GDP per capita of USD 49,582 (World Bank Group, n.d.). In terms of economic composition, the Belgian GDP in 2021 was made up of 68.78% from the service sector, 31.66% from the industry sector, and 0.66% from the agricultural sector (Figure 3, Statista, 2023b).

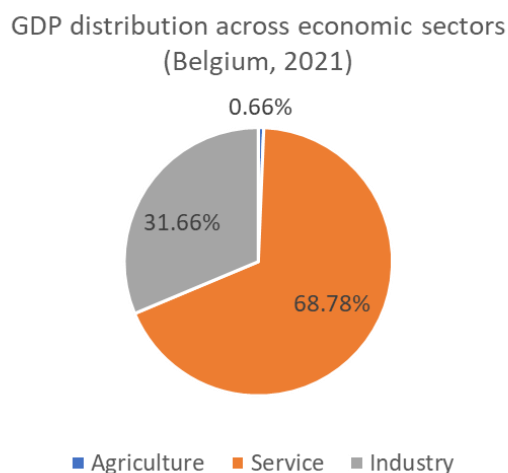


Figure 3 - GDP distribution across economic sectors (Belgium, 2021)

Regarding exports, Belgium exported 95% and 86.86% of its GDP in 2022 and 2021, respectively. Exports are facilitated not only by the country's central location but also by its well-developed transport infrastructure. In terms of air freight, almost 1.83 million ton-kilometers (World Bank Group, n.d.) are transported via Belgian airports. Among them, Liège stands out as the main airport for goods, ranking as the fifth largest cargo airport in Europe and the 23rd in the world (ShipHub, 2023). In addition to its cargo capabilities, Belgium is also a key player for European port traffic, with Antwerp being considered the second busiest port in Europe (after Rotterdam) and the 14th in the world (ShipHub, 2022). It handles 92% of Belgian port traffic, representing 12.02 million TEU out of 13.075 million transported in Belgium (World Bank Group, n.d.). 85% of Belgian exports are concentrated in 20 countries. Of these, three neighboring countries account for almost half of all Belgian exports: Germany (20%), Netherlands (14%), and France (13%). The United States comes next, receiving 7% of Belgian exports, and the leading Asian country, Japan, is in ninth place with 2% (Figure 4, Trading Economics, 2022d). Among the most exported products are mineral fuels, oils and distillation products (20%), followed by pharmaceuticals (17%), and vehicles other than railway, tramway (8%) (Figure 5, Trading Economics, 2022c).

If we now look at the SME's environment, Belgium is home to 1.093 million micro, small and medium companies, representing 99.8% of all the enterprises based in Belgium (SPF

Economie, 2022b). 96.85% of the Belgian SMEs employ less than ten people (82.54% have no employees), 2.63% are classified as small companies, and 0.52% as medium companies (SPF Economie, 2022a). To get an idea of the SME's participation in Belgian GDP, micro, small, and medium-sized companies contributed 24.7, 21.2, and 17.3% in 2018, making a total of 63.3% of GDP (European Commission, 2019).

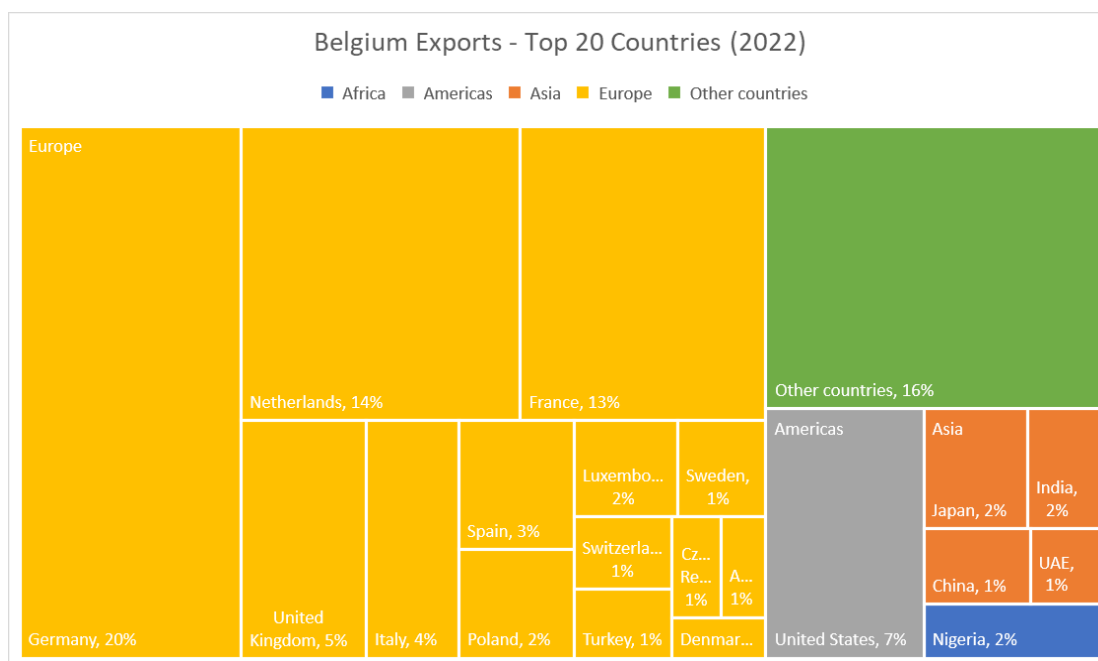


Figure 4 - Belgium Exports per Country (2022) – Top 20 Countries⁴



Figure 5 - Belgium Exports per Product Categories (2022) – Top 20 Categories⁵

⁴ Further details about export data, including the export value (\$ billion), are available in Appendix 1.

⁵ Further details about export data, including the export value (\$ billion), are available in Appendix 2.

Section 2.2 – Context in Australia

Australia is a vast country encompassing an area of about 7.692 million square kilometers and is home to approximately 26 million people (World Bank Group, n.d.). Its capital is Canberra, located in the Australian Capital Territory (ACT) in the southeast of the country. Australia is considered a standalone continent with no shared land borders, situated in the southern hemisphere and bordered by the Indian Ocean to the west and the South Pacific Ocean to the east. Despite being an island, Australia is in close proximity to Southeast Asia, New Zealand, and numerous Pacific islands. By 1860, all the British colonies (New South Wales, Queensland, Victoria, South Australia, and Tasmania), apart from Western Australia, had been granted partial self-government by Britain (Western Australia became self-governing in 1890). Still, it was only on 3rd March 1986, that the Australia Act eliminated the last vestiges of British legal authority at the Federal level. The country gained independence, and English remained the national language (Parliamentary Education Office, n.d.).

In terms of its political system, Australia operates as a federal parliamentary constitutional monarchy with six states and two territories. Each of these entities has its own areas of competence, with the federal government handling matters such as foreign affairs, defense, international trade, immigration, taxation, and social security. The states and territories, meanwhile, are responsible for areas like education, agriculture, and local transport services. However, they can also influence overseas trade by making international trade agreements for that state or territory, while the federal Parliament makes international trade agreements for the whole of Australia (Parliamentary Education Office, n.d.). This multilevel government system can therefore impact both domestic and international trade, influencing how businesses expand their operations.

Economically, Australia has its own currency, the Australian dollar (AUD). The exchange rate is currently AUD1 = USD0.66 and AUD1 = €0.61⁶. Australia has strong economic ties with 30 other countries through its participation in 18 free trade agreements, providing Australian businesses with reduced trade barriers and preferential access to those markets (Department of Foreign Affairs and Trade, n.d.). In addition, Australia is also a member of the OECD, the WTO, the Asia-Pacific Economic Cooperation (APEC), the Pacific Islands Forum

⁶ Based on Exchange rates of July 3rd, 2023

(PIF), and other international bodies that promote trade and economic cooperation. (Foreign Affairs, Foreign Trade and Development Cooperation FPS, 2022).

In 2022, the Australian GDP reached USD 1.67 trillion, with a GDP per capita of approximately USD 64,491 (World Bank Group, n.d.). As for its economic composition, the service sector constituted 65.65% of the GDP in 2021, the industry made up 25.52%, and the agricultural sector contributed 2.31% (Figure 6, Statista, 2023a).



Figure 6 - GDP distribution across economic sectors (Australia, 2021)

In 2021, Australia exported 26% of its GDP (OECD, 2023), and these exchanges are made possible by airport and port infrastructures. In terms of air freight, almost 1.25 million ton-kilometers are transported via Australian airports (World Bank Group, n.d.), with the Kingsford Smith Sydney airport being the busiest for both passengers and cargo, accounting for 45% of air freight (Bodell, 2023). Additionally, Australian ports traded 8.15 million TEU, with Melbourne being the busiest, handling 2.88 million TEU in 2023 (Donnelly, 2022). 91% of Australian exports are concentrated in 20 countries, with 12 located in Asia. Two countries represent more than half the Australian exports: China (34%) and Japan (17%). They are followed by South Korea and India with 8% and 6% of Australian exports, respectively. The United States only ranks fifth, with 4% (Figure 7, Trading Economics, 2022b). Mineral fuels, oils, and distillation products are the most exported goods from Australia, accounting for 43% of exports and followed by ores slag and ash, which represents 24% (Figure 8, Trading Economics, 2022a).

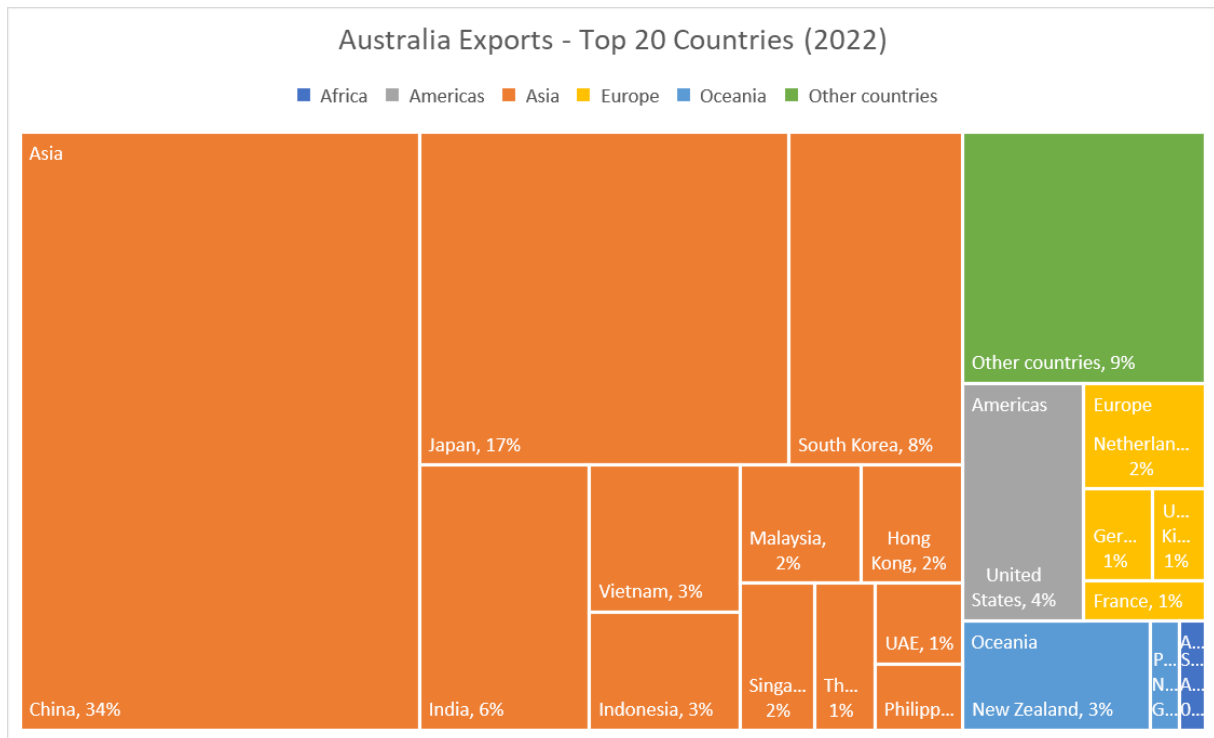


Figure 7 - Australia Exports per Country (2022) – Top 20 Countries⁷

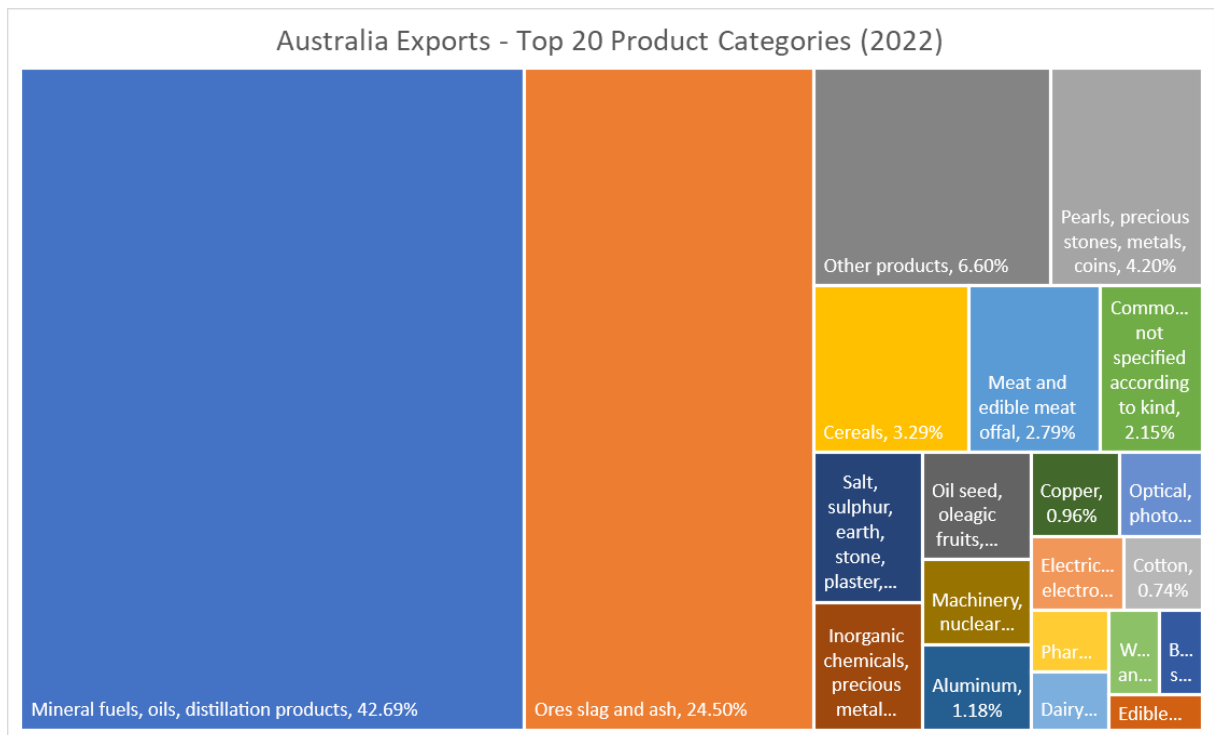


Figure 8 - Australia Exports per Country (2022) – Top 20 Countries⁸

⁷ Further details about export data, including the export value (\$ billion), are available in Appendix 3.

⁸ Further details about export data, including the export value (\$ billion), are available in Appendix 4.

Focusing on the SME environment, Australia houses approximately 2.57 million small and medium enterprises, accounting for over 99.8% of all Australian businesses. Of these, 97.69% are small businesses, and 2.31% are medium-sized (ASBFEO, 2022). These SMEs contributed 54% of Australia's GDP in 2021 (ASBFEO, n.d.), demonstrating their significant role in the Australian economy.

Macroeconomic Factors	Australia	Belgium
Capital	Canberra	Brussels
Independence Date	3rd March 1986	4th October 1830
Languages	English	French, Dutch, German
Population	25.98 million	11.67 million
Land Area (sq.km)	7,692,020	30,280
Neighboring Countries	Island	Netherlands, Germany, Grand Duchy of Luxembourg, France
Political System	Part of the Commonwealth 3 political levels: Federal, States (6) & Territories (2), Local	Part of the European Union 4 political levels: Federal, Communities (3), Regions (3), Provinces (10), Local
Religion	Christianity (43.9%), No religion (38.9%), Islam (3.2%), Hinduism (2.7%), Buddhism (2.4%)	Catholic (58%), No religion (27%), Christian Non-Catholic (7%), Islam (5%), Other (3%)
Currency⁹	Australian dollars (AUD) (AUD1 = USD0.66 = €0.61)	Euros (€) (€1 = AUD1.64 = USD1.09)
GDP (USD)	1,675.4 billion	578.6 billion
Exportation (% GDP)	26% (2021)	95% (2022) & 86.86% (2021)
# SMEs	2.57 million (97.69% Small, 2.31% Medium)	1.093 million (96.85% Micro, 2.63% Small, 0.52% Medium)
SMEs (% enterprises)	99.8%	99.8%
SMEs' contribution to GDP (% GDP)	54% (33% Small, 21% Medium, 2021)	63.3% (24.7% Micro, 21.2% Small, 17.3% Medium)

⁹ Based on Exchange rates of July 3rd, 2023

# Countries with Free Trade Agreements	18 FTAs with 30 countries	EU + 29 countries
Trade Organizations	OECD, WTO, APEC, PIF	NATO, OECD, WTO
Freight (ton-km)	1,245 million	1,827 million
Port Traffic (TEU)	8.153 million	13.075 million

Table 2 – Comparison of the macroeconomic environment of Australia and Belgium

Section 2.3 – Comparison of macroeconomic factors between Australia and Belgium

Three main comments can be made from the description of macroeconomic factors in Belgium and Australia: The description of macroeconomic factors in Belgium and Australia leads to three main observations: Firstly, Australia is a much larger country than Belgium and even Europe, but its population density is comparatively lower. Secondly, Australia and Belgium share cultural similarities, but Belgium boasts numerous complementary economic agreements. Finally, despite the absence of a trade agreement with the USA, Belgium outperforms Australia in terms of exports, including to the US market.

First, the Australian continent covers an area 254 times the size of Belgium and more than twice that of the European Union. However, the population is only 2.5 times that of Belgium, which is surprising for such a large country. As a matter of fact, Australia's population density is three people per square kilometer, compared with 381 in Belgium (World Bank Group, n.d.). A larger country with a larger population naturally generates a higher GDP (three times the Belgian GDP) and has a greater number of businesses, including SMEs (2.5 times more SMEs than in Belgium).

Then, Australia and Belgium are quite similar in some respects. They both share complex and multilevel political systems, which could then complicate national and international trade. The proportion of SMEs among companies in both countries is identical and shrinks almost to the totality of companies based in the country. Regarding the culture, it is worth adding that the Australian mindset is closer to the European one than the American or Asian business mindset and lifestyle. For instance, the religious composition of Australia and Belgium is really similar. Christianity is the predominant religion in both countries, followed closely by individuals who do not identify with any particular religion. Islam and other religions

collectively account for approximately 3 to 5% of the population in each country (Table 2). On the subject of free trade agreements, one might think that the two countries are similar because they have a similar number of agreements. However, Belgium has the advantage of being part of the European Union, which gives it a considerable advantage in terms of exports and free markets. Its membership in the EU also promotes Belgium with 41 additional agreements with 72 countries (European Council, n.d.), whereas Australia only has agreements with 30 countries, mainly located in Asia, such as Japan, New Zealand, Singapore, etc. Unlike Belgium, Australia benefits from a free trade agreement with the United States, giving it free access to a market of 333.29 million people, compared with 447.96 million in the European Union (World Bank Group, n.d.). A new free trade agreement between Australia and the UK came into force on 31st May 2023, and an agreement with the EU is currently being negotiated (Department of Foreign Affairs and Trade, n.d.).

Finally, the point that surprised me most was the huge difference between the two countries' levels of exports. Belgium is exporting almost as much as its GDP while it is only a fourth of Australia. In terms of export drivers and international expansion, it would, therefore, be very interesting to analyze any similarities or differences. Regarding the export destination and composition, the results are also surprising. Belgium export \$216.46B to its closest neighbors but still exports \$31.47B (7% of the total export) to the United States (Appendix 1, Trading Economics, 2022d), while it has no free trade agreement with this country, unlike Australia. Australia export mainly to Asian countries: a total of \$198.82B is sent to China, Japan, South Korea, and India, representing 66% of its export. The United States, despite their free trade agreement, only receives \$12.37B of products from Australia (Appendix 3, Trading Economics, 2022b). Mineral fuels, oils, and distillation products are the most important category of product exported, representing 20% of Belgian exports (\$93.33B) and 43% of Australian exports (\$175.16B) (Appendix 2; Appendix 4, Trading Economics, 2022a; Trading Economics, 2022c).

From this comparison, I am surprised by the difference in exports and, therefore, would like to understand why Belgian companies export so much. Is it due to its advantageous location, which gives it quick and easy access to foreign markets, or is it due to a too-small domestic market? While exports seem more difficult in Australia, I would also like to understand what triggers companies to trade internationally despite some logistical and political obstacles. The countries to which Belgium and Australia export are also intriguing. Is this due to their

proximity and the size of their market, or what are the factors that motivate them to choose these countries in the first place?

Chapter 3: Internationalization drivers in the literature

When it comes to entering and developing sales in new markets, it has often been argued that SMEs can be at a disadvantage compared to large multinationals due to a lack of resources and constraints linked to their size or age. Motivations for exporting must therefore be sufficiently strong to compensate for these difficulties. However, since the late 1990s, many authors have questioned whether larger firms would export more or would be more likely to export (Reuber & Fischer, 1997). While some studies have shown a direct relationship, several others have found no significant relationship between firm size and export performance (Calof, 1993). This inconsistency of results led Cavusgil and Zou (1994) to conclude that the relationship between firm size and export performance has become one of the most challenged in international business literature. What are the main factors in understanding export performance if firm size and age are no longer the main factors?

In a comprehensive review, Gemünden (2013) noted that more than 700 explanatory variables can be used as determinants of export performance. For example, according to Onkelinx et al. (2016), factors such as managerial commitment, international experience, prior business ownership, entrepreneurial orientation, strategy, attitudes, as well as general human capital elements like foreign language skills and international business knowledge, have all been shown to play significant roles in the internationalization process. For their part, Miesenbock (1988), as well as Oviatt and McDougall (1994), found that, for newer and smaller firms, the skills and knowledge of the top decision-maker(s) are likely to have a more significant impact on the patterns of internationalization than the resources available to the company. Many factors can therefore influence a company's decision to internationalize, and this chapter aims to explain the main factors identified in the literature.

While numerous studies have examined the influence of one or more of these determinants on export performance, most adopt either an internal perspective (focusing on managerial and/or organizational factors) or an external perspective (considering environmental). Very few studies consider both perspectives simultaneously (Stoian et al., 2011). In order to be as

extensive as possible, this literature review will successively consider both aspects. Nevertheless, only the factors most frequently addressed in the literature will be mentioned, and this review will, therefore, not be exhaustive. The interviews conducted later could potentially highlight factors not mentioned in this literature review.



Figure 9 - Categories of Internationalization Drivers

Section 3.1 – External Factors

In this section, I will explain the external factors that can motivate a company to export or internationalize. External factors refer to elements outside the company's immediate control that can significantly impact its operations in international markets. This includes both domestic market factors that drive companies abroad (e.g., small domestic market, export incentives, etc.) and foreign market factors that can attract companies to a particular country.

It is worth noting that the impact of external factors on the decision to expand abroad and export performance is often less studied in the literature than internal factors' influence. The main reasons for this are twofold. Firstly, studies by Kirpalani and Macintosh (1980) and Madsen (1989) have demonstrated a weak relationship between environmental factors and export success, particularly in comparison to internal factors. Secondly, some authors, such as Bijmolt and Zwart (1994), still consider that the business environment constitutes a constraint for small or medium enterprises because of their limited access to resources. For those authors, SMEs have thus less power to influence their environment.

This section is divided into two parts: the domestic market and the foreign market. Since this thesis aims to study the factors that drive companies to internationalize, factors related to the domestic market will tend to “push” companies abroad, while factors related to the foreign market will tend to “pull” companies.

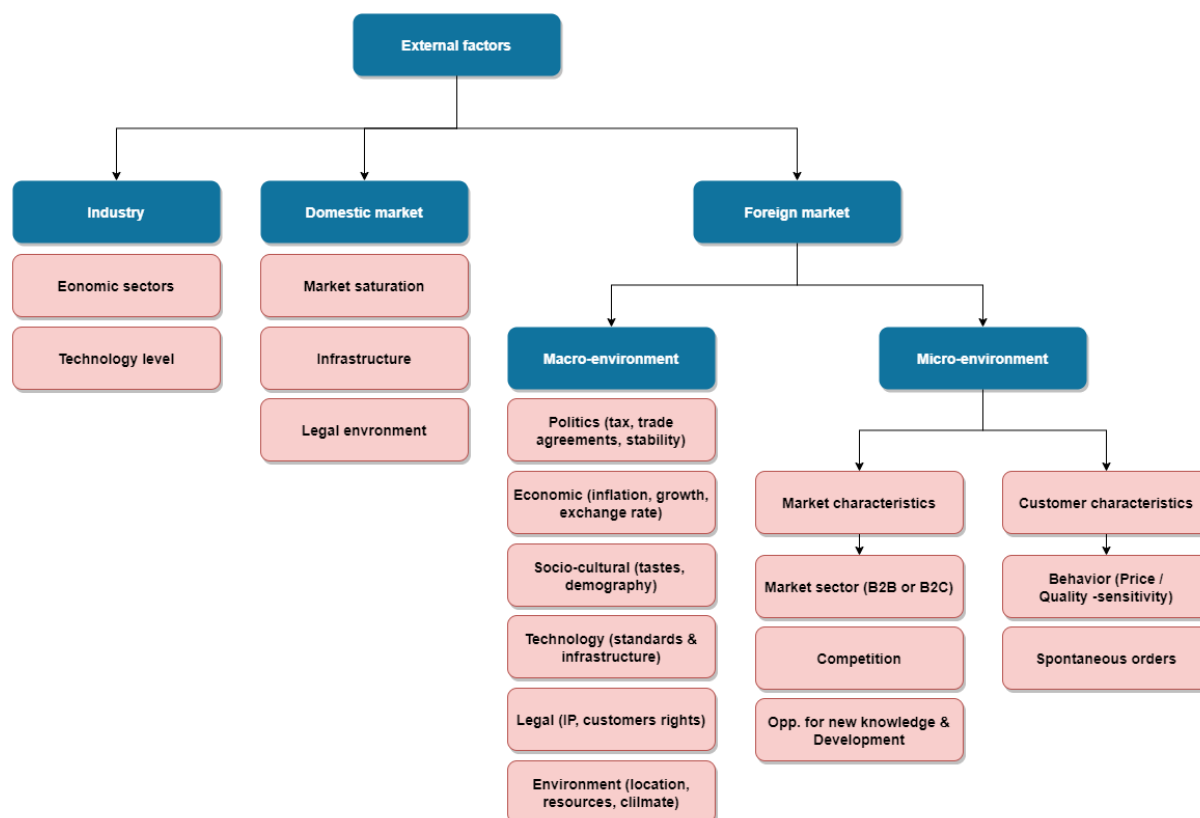


Figure 10 – External factors influencing internationalization’s decision.

Subsection 3.1.1 – Domestic market

Regarding the domestic market, the literature highlights market saturation as the first key factor motivating companies to expand their activities abroad. Market saturation can arise from either a small market size, where a company may exhaust its pool of potential customers, or a highly competitive market, where competitors fight for the remaining market share. For Onkelinx et al. (2016), internationalization offers strategic and operational advantages to small firms, particularly those from countries with smaller domestic markets, and they may seek expansion abroad to tap into new markets and increase their customer base.

The second factor mentioned is the infrastructure of the country and, more specifically, the transport infrastructure. Modern, efficient transport networks are considered essential for international competitiveness, as recognized by the EU policy on trans-European transport networks (European Commission, 2009). Investment in transport infrastructure reduces the cost of distance and enables firms to establish contacts over larger distances (Albarrán et al., 2011). In its study, Albarrán et al. (2011) found that when road accessibility time to an international market is reduced by 30 minutes, the probability of exporting increases by

between 0.5% and 1.5% for SMEs. Given its central location and easier access to foreign markets (thanks to neighboring countries, ports, and cargo airports), Belgium's infrastructure is likely to be a stronger internationalization driver than Australia's.

The third and last aspect linked to the domestic market is the legal environment and the level of support from the government or other institutions, which can also influence export behavior. The legal system may facilitate (e.g., through export tax advantages, sponsoring financing, etc.) or complicate (e.g., due to foreign exchange regulations) international business operations Miesenbock (1988). Certain governments or organizations may also organize delegations to enable companies to discover new markets, or to promote their products abroad, as is the case, for example, with AWEX in Belgium or the Export Council in Australia.

Subsection 3.1.2 – Foreign market

The foreign market can be analyzed through two perspectives: the macro-environment and the micro-environment. The macro-environment in business refers to the broader conditions or forces influencing an organization's decision-making process, business strategies, and performance. It includes various external factors that a company does not control but affect its operations. These factors typically fall into six categories, commonly known as PESTEL analysis: Political, Economic, Social, Technological, Environmental, and Legal. The micro-environment corresponds to the internal and immediate external factors that directly influence a company's operational activities and decision-making processes. It typically includes factors that a business can control or influence, such as the company characteristics, the customers, the competitors, etc.

❖ Macro-environment

Regarding the first factor of the Pestel analysis, politics, foreign government policy, regulations, political stability or instability, tax policy, and foreign trade regulations, including free trade agreements, can shape a company's expansion plans. Factors such as tariff and non-tariff barriers, import and export regulations, and the ease of doing business can make a market attractive for expansion. It is worth noting that the Uppsala model (Johanson & Vahlne, 1977) advises caution in environments where national entry barriers have

historically been high, even as they progressively decrease. Belgium's exports to EU member countries are facilitated by its membership in the European Union, which offers a standardized and relatively stable environment, and they are also facilitated outside the EU because of the entity's worldwide recognition and power in the economic world.

The economic factor includes variables such as economic growth or decline, inflation rate, interest rate, exchange rate, unemployment rate, etc., of the foreign country. It is important to consider because it helps gauge economic stability, consumer purchasing power, and market demand, which impact the viability and profitability of a business expansion. Exchange rates can significantly affect cost structures and profits, which in turn influence the decision to export.

With regards to the sociocultural aspect of a foreign country, Johanson & Vahlne (1977) stated that international behavior is driven by psychic distance, meaning that decision-makers would choose to enter foreign markets with successively greater psychic distance in terms of cultural, legal, and political differences as compared to the headquartered country. In their view, it would be easier to enter a country similar to the country of origin as a result of similarities between business processes. Furthermore, the demands and expectations of consumers in both countries would likely align which would require less adaptation of products or services. Sociocultural factors also include demographics, the age of the population, growth rates, etc.

A foreign market's technological standards and infrastructure also profoundly influence a company's operations. Advanced technological capabilities and high standards in a country can facilitate the seamless integration of technological services. In contrast, lower technological standards may require substantial investment in establishing the necessary infrastructure, affecting the decision to expand. The technology also encompasses, more broadly, the infrastructure required for all export-related logistics. Companies with high-tech capabilities may also be more inclined to enter markets where their technology aligns with local market needs or where intellectual property rights are strictly enforced. Copyrights, patents, as well as customer rights all fall under the legal factor of the Pestel analysis.

Geographic and environmental factors, such as location, climate, time zones, and natural resources can significantly impact a company's decision to expand abroad. Proximity to key

markets or suppliers, favorable operational climate, and the availability of natural resources can all play a role in determining the choice of a specific region for expansion.

It is important to reiterate that there are further factors that could influence a company's decision to expand abroad, and which have not been explicitly explored. Additionally, the impact of the mentioned factors may vary depending on the specific circumstances of each situation and company. For example, Manolova et al. (2002) think that companies in sectors highly dependent on local resources (like agriculture or mining) might be less likely to expand abroad due to logistical or cost reasons. In contrast, companies in sectors such as manufacturing or services might find international expansion more advantageous due to lower labor costs, tax benefits, or larger markets. The economic health and development level of sectors in potential expansion areas are also important considerations; for example, a growing tech sector in a foreign market might attract a software company. Because of their specific characteristics, it is generally considered that industrial markets have a higher level of globalization than consumer markets (Knight & Cavusgil, 1996).

❖ Micro-environment

The micro-environment can be further divided into two categories: the factors arising from customers in the foreign market and those originating from the foreign market itself.

Regarding factors emerging from foreign customers, regardless of the domestic market situation or available information on opportunities abroad, their behavior and the foreign market significantly influence a company's export performance and decisions regarding internationalization. One such factor is spontaneous foreign orders (Stoian et al., 2011). If a company receives unsolicited orders from a foreign market, it indicates existing demand for its products or services, which could motivate the company to expand into that market to seize the opportunity. The characteristics of foreign customers may also influence the strategy chosen for international expansion. For example, if customers in the target market are highly price-sensitive, the company can compete on price by offering lower-cost options. Alternatively, if customers prioritize quality, the company may focus on providing high-quality products or services, even at a higher price point. The chosen strategy will enable the company either to diversify by adapting its product and/or services to the needs of foreign customers or to strengthen its position in a global niche market.

The internationalization drivers emerging from the foreign market are threefold: the market sector and its strategy, the foreign competition, and the opportunity for new knowledge and development.

The nature of the market sector can dictate the decision and strategies used by a company to expand abroad. For instance, in a B2B market, building business relationships and networking may be paramount, while in a B2C market, understanding consumer behavior and preferences becomes crucial. This factor is intrinsically linked to the macro-environment because the size and growth potential of the sector also plays a significant role.

The level and nature of competition in the foreign market are vital considerations. A highly competitive market can present challenges but may also indicate high demand. Conversely, a market with low competition could offer opportunities for market dominance, yet it may also indicate low demand or high entry barriers. The decision to expand abroad can arise from various circumstances. A company may seek a competitive advantage by being a first mover in the market, or it may be driven by the need to respond to the threat of a competitor already gaining significant market share or the entrance of a new competitor into the market.

Capitalizing upon new knowledge, technology, or business practices can strongly incentivize international expansion. This could involve learning advanced manufacturing techniques, adopting new business models, or gaining insights into innovative products or services. Learning from foreign markets can also provide further opportunities to develop existing products and processes.

In addition to those main factors, it is crucial to note that other micro-environmental factors, such as resource availability (materials or local labor) and strategic partnerships, can influence a company's internationalization decision.

Section 3.2 – Internal Factors

Internal drivers refer to elements under the company's control and originate within the organization. These factors often include the company's strategy, resources, capabilities, and culture.

An integrative review of the existing literature conducted by McDougall et al. (2003) is supported by many authors. It identified several internal factors that foster or facilitate the early internationalization phenomenon. These factors include; global managerial vision from the outset, extensive prior international experience among executive leadership personas, strong management commitment, effective use of personal and business networks (networking), market knowledge and commitment, unique intangible assets based on knowledge management, high-value creation through product differentiation, cutting-edge technology products, technological innovativeness (often associated with increased utilization of information technology), and quality leadership. Additionally, Miesenbock (1988) highlighted excess capacity and unique firm advantages (such as technological or marketing).

Various authors have proposed different classifications of similar factors. For instance, Penrose (1959) and Stoian et al. (2011) identify three sets of resources within a firm's resource domain: managerial or organizational, entrepreneurial, and technological resources. In this paper, internal factors will be categorized into two groups: product characteristics and company resources. The company resources will be further divided into tangible resources, i.e., physical assets that a company owns and can use to create value, and intangible resources, i.e., assets that are non-tangible and more difficult to quantify. This classification is based on the observation that managerial and entrepreneurial resources may overlap depending on the authors' classification.

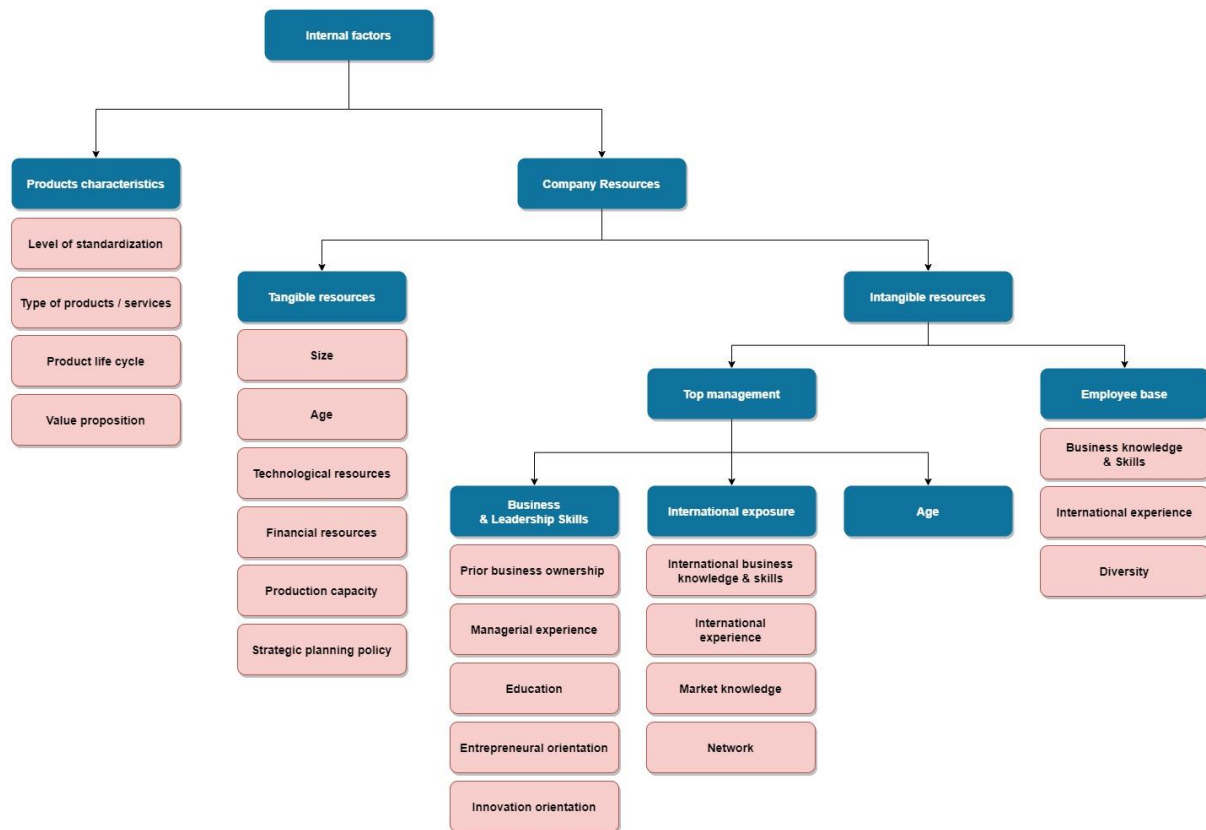


Figure 11 - Internal factors influencing internationalization's decision.

Subsection 3.2.1 – Product characteristics

A critical factor in the quick internationalization of Born Global firms is their ability to standardize production, marketing, and distribution in a global niche rather than developing customized products (McKinsey & Co, 1993; Rasmussen & Madsen, 2002). The case of Born Global companies is worth mentioning here, as they are expanding rapidly and globalized. Companies wishing to internationalize may therefore need to adopt certain characteristics. The degree of product standardization or adaptation for different markets can significantly influence a firm's decision to expand. High standardization can lead to cost savings and consistency across markets, while adaptation may be necessary to meet local tastes, needs, or regulatory requirements. However, high customization may involve increased costs or complexity. Cultural specificity should also be considered as products closely tied to a particular culture may face challenges in foreign markets with different cultural norms and preferences. Globalized online firms typically produce and/or commercialize highly standardized products with low cultural specificity, targeting transnational consumer segments with similar needs and desires (Gurau & Merdji, 2008).

The type of product or service sold is also crucial. On the one hand, digital services or products can be delivered remotely, reducing internationalization costs or providing direct access to a foreign country. On the other hand, physical products require complementary distribution systems such as postal delivery, direct export, or distribution through local agents or subsidiaries, making exports more expensive and complex. De Chiara and Minguzzi (2002) have also shown that the internationalization of SMEs is significantly influenced by the level of support services required by different consumer segments.

The product life cycle is another consideration for firms when deciding to expand abroad. A company may be driven by the need to extend the lifecycle of one of its products by introducing it to a foreign market when it is already in the mature or declining stage in another market. The product life cycle model suggests a sequential process from domestic innovation and production to exporting and foreign direct investment (Vernon, 1966). It posits that production initially occurs in the parent firm, then in foreign subsidiaries, and finally in any global market with the lowest costs.

Lastly, a product's uniqueness and value proposition can drive foreign demand and influence international expansion. If a product offers benefits or solves problems in a way that competing products in the foreign market do not, it may create an opportunity for successful expansion. Unique features or benefits not found in competing products can provide a competitive advantage and the potential to capture significant market share.

Depending on the type of company, only some of the product's characteristics may be relevant or significantly influence the internationalization of SMEs, or these may need to be combined with other factors to form a decisive whole. For example, Gurau and Merdji (2008) highlighted that the level of standardization, cultural specificity, customer service, and delivery, combined with the international orientation of the manager, significantly influence the level of internationalization of online SMEs.

Subsection 3.2.2 – Company Resources

The Resource-Based View (RBV), a prominent theoretical perspective in the business strategy literature, considers that a firm's resources are the foundation of its competitive advantage. Barney (1991) defines "*competitive advantage*" as implementing a value-creating

strategy that current or potential competitors do not simultaneously pursue. He also emphasizes that sustained competitive advantage stems from valuable, rare, difficult-to-imitate, and non-substitutable resources. Consequently, the RBV suggests that a wide range of individual, social, and organizational phenomena within a firm can serve as sources of sustained competitive advantage.

❖ Tangible resources

Building upon the insights of the RBV, Stoian et al. (2011). Argue that a firm's export performance is determined by its organizational resource base. Firm size is often used as a proxy for the availability of organizational resources in the international business literature. The empirical findings by Moini (1995) suggested that larger firms are better export performers because they are believed to possess greater human and financial resources, production capacity, and economies of scale and perceive lower levels of risk in foreign markets and operations Stoian et al. (2011). However, Calof (1993) did not find a significant relationship between firm size and export performance. In his study, Calof (1993), on the contrary, discovered that small and medium-sized firms have the capability to enter the same markets as larger firms. His finding suggests that size is not a barrier to internationalization, although it may restrict the number of markets a firm can serve. This finding is supported by other authors who have also concluded that sales abroad are unrelated to firm size (Cavusgil, 1980; Edmunds & Khoury, 1986; Ali & Swiercz, 1991; Julien et al., 1994).

From a resource-based perspective, firm age and international experience can also be considered proxies for a firm's knowledge of domestic and overseas markets, mainly through experiential learning. It is also interesting to note that when looking at firm age, some scholars observed a significant positive relationship with a company's export intensity (Majocchi et al., 2005), while others reported that younger firms obtained better export results in terms of intensity and sales (Baldauf et al., 2000). For Andersson et al. (2004), the firm's age could explain export growth, but not why firms were internationalized. For them, older small firms have more international activities than younger firms.

Regarding technological resources, the digital revolution has facilitated the development of SMEs, even in remote areas like Australia. With the emergence of the internet and online markets, internationalizing SMEs, similar to multinational corporations (MNCs), can now

establish relationships with local and distant customers, partners, and even competitors. The consensus is that the internet provides a low-cost option, allowing SMEs to overcome resource limitations that traditionally restrained them from international trade. It has also lowered some entry barriers. Firms with a strong technology orientation may be more capable or interested in entering international markets. Their cutting-edge products or processes can provide competitive advantages in foreign markets. Additionally, companies with high-tech capabilities may be inclined to enter markets where their technology aligns with local market needs or where intellectual property rights are strictly enforced.

Lastly, a well-defined and strategic export or internationalization planning policy can help firms anticipate potential challenges, understand their capacity to meet foreign demand and identify the best market entry strategies. Such a policy can facilitate decision-making by providing a clear roadmap for expansion and setting realistic expectations.

It is also important to note that although the RBV emphasizes the role of organizational resources in determining a firm's export performance, this does not diminish the significance of the external environment, as access to market and relational resources complements the RBV approach (Ibeh & Wheeler, 2005).

❖ Intangible Resources

Ruzzier et al. (2006) emphasize that resource-based models acknowledge the importance of intangible knowledge-based resources in generating a competitive advantage. These models consider the ownership of resources and the dynamic ability of organizational learning required to develop new resources.

As mentioned previously, some authors consider that small firms encounter distinctive challenges in their internationalization process, stemming from their age or size and resource constraints, but research by Manolova et al. (2002) revealed that personal factors could compensate for deficiencies in other resource areas. As a result, human capital can emerge as a substantial source of "differential advantage" for small firms seeking to internationalize.

With regard to human capital, the literature strongly emphasizes top management's influence on the decision to expand foreign activities while recognizing that employees in an SME can

sometimes influence decisions by sharing their experiences. For Stoian et al. (2011), the role played by the manager(s) in the typical SME becomes of utmost importance, as decision-making and, consequently, the firm's activities and commitment to exporting are likely to be determined by one individual or a small management team. On the other hand, human capital or personal factors may help overcome inadequacies in resource stocks and constitute a potential source of differential advantage for the internationalized small firm. Thus, drawing on the RBV insight, company leaders may represent some of the most valuable, unique, and difficult-to-imitate resources. This perspective is also shared by Miesenbock (1988), for whom a key variable in small business internationalization is the firm's decision-maker. He or she is a key component in a firm's decision to initiate, cease, increase or decrease international activities. The decision-maker is responsible for highlighting the goals associated with exportation as well as key risk areas to help determine organizational commitment.

Therefore, it is only natural that this section should consider both factors, the top management and the employee base in turn. The top management section is divided into three parts: the business and leadership skills of the top management team, its international exposure, and its age.

a. Top management

Numerous authors have emphasized the importance of excellent managerial skills and leadership in SME internationalization. They unanimously agree that human capital attributes, including education, experience, prior business ownership, knowledge, and skills, play a critical role.

According to Wheeler et al., 2008, the importance of an entrepreneur's specific human capital, particularly prior experience of business ownership, relative to other external environmental factors of the entrepreneur, firm, and country, is generally overlooked. Experienced entrepreneurs can leverage their human capital and the broader social capital developed through prior exposure to business ownership to access critical resources for exporting. Entrepreneurs who report long experience of business ownership may have had more opportunities to accumulate and exploit their specific human capital. Thanks to prior experience, said entrepreneurs may already have internationalized or exported for another

company or may have accumulated the necessary resources and knowledge, thus, facilitating the process and decision to expand internationally and motivating a company to start its activities abroad.

Besides the prior ownership experience, early studies, such as Ogbuehi and Longfellow (1994), identified managerial ability, measured by management education and personal experience, as distinguishing between exporting and non-exporting firms. This managerial ability includes management control, the supportive attitude of top management, and personal experiences. Maintaining effective management control during international expansion is crucial. If a company's management is confident in its ability to control and coordinate foreign operations, it can positively influence the decision to internationalize. This may involve creating effective communication systems, implementing performance monitoring mechanisms, or ensuring cultural adaptation in management practices. Business leaders also play a crucial role in fostering effective employee engagement in innovation and international activities. There is suggestive evidence that effective people management, team development, and project management contribute significantly to the success of both innovation and international initiatives, thereby positively impacting SME successes and decisions (Macleod & Clarke, 2009). Evidence also highlights the crucial role of management and leadership through favorable supportive attitudes (including perceptions, motivations, and commitment) towards exporting and the quality of managerial resources, including management education and background (Wheeler et al., 2008). While commercial and managerial experience help firms become international, for Ganotakis and Love (2012), it is the level of managerial education that significantly influences internationalization decisions and success.

Another decisive characteristic regarding the top management's influence over the internationalization decision is its entrepreneurial orientation. As defined by Miller (1983) and Lumpkin and Dess (1996), entrepreneurial orientation emphasizes a firm's innovation, proactiveness, and risk-seeking behavior. Firms with a high entrepreneurial orientation are more willing to expand internationally, as they are inclined to take risks associated with such expansion and proactively seize opportunities in foreign markets. Under certain circumstances, entrepreneurial management is also advantageous, enabling quicker decision-making, greater flexibility, and responsiveness to customer needs (Andersson et al., 2004; De Chiara & Minguzzi, 2002), but sometimes, the impact of entrepreneurial culture, centralized behavior, and country-specific factors can hinder small firms' international development

(Calof & Viviers, 1995; Caruana et al., 1998; Minguzzi & Passaro, 1997). Bijmolt and Zwart (1994) also found that manager attitudes toward export were critical for SME export success. More recently, Manolova et al. (2002) examined four aspects of founder human capital and uncovered that the founder's environmental perceptions and self-assessed strengths in international business skills significantly influenced export performance and the decision to take the step.

In addition to the entrepreneurial orientation, research by Love and Roper (2015) indicates that SMEs with prior innovation experience are more likely to export, achieve successful export outcomes, and generate more growth than non-innovating firms. The concept of "innovation" encompasses technological and non-technological dimensions and radical and incremental changes. In-house research and development (R&D) capability plays a crucial role in generating new knowledge, which can serve as the basis for proprietary intellectual property (IP) and innovation (Blackburn, 2003). Studies consistently show a strong positive link between R&D capability and innovation outputs, particularly in research-intensive industries (Love et al., 2009; Roper et al., 2008).

The factor related to the top management that influences a firm's decision to expand its activities abroad the most is its international exposure. Various characteristics have been found to predict the propensity for, or success in, internationalization. These include the extent of the manager's foreign travel, the number of languages spoken, and whether the top decision maker has a background of being born, living, or working abroad (Miesenbock, 1988; Reid, 1981). Such experiences provide a better understanding of foreign markets, a broader network, and enhanced international business skills.

Reuber and Fischer (1997) suggest that the impact of international experience on decision-making and the internationalization process can be analyzed from two perspectives: the individual experience of the highest decision-maker or the collective experience of the top management team. They argue that management is a collaborative effort shaped collectively by the dominant coalition within an organization rather than being solely influenced by the CEO. In the context of SMEs, the role of the founding team is particularly crucial. McDougall et al. (1994) further demonstrated in a study that firms that are international from their inception are typically founded by a team of individuals with international experience.

Additionally, Chaganti and Sambharya (1987) suggest that the background of the most powerful top managers shapes the organization as a cohesive.

The top management team (TMT) can be seen as the knowledge hub within an organization, integrating and institutionalizing information into decision-making (Luo et al., 2005). This team significantly influences shaping and developing the firm's strategy (Hambrick & Mason, 1984), which depends on the executives' experience base (Boeker, 1997). Since a TMT's strategic decisions align with their cognition, which is influenced by values and experience, the team's international experience is likely to be associated with international strategic moves (Reger & Huff, 1993).

The top management's international business knowledge and openness are strongly related to their ability to speak foreign languages. Foreign languages proficiency can play a crucial role in establishing social and business contacts abroad. It can also improve communication with overseas customers, enhance understanding of foreign business practices, and facilitate effective planning and control of export activities (Leonidou et al., 1998). Speaking a foreign language will not in itself trigger a company's international expansion, however it assists in removing potential obstacles and make for easier execution. Moreover, it shows a certain openness to other cultures and countries, which is crucial for international expansion. For example, Miesenbock (1988) found that exporters are more likely to be proficient in multiple languages compared to non-exporters.

Regarding the international experience of a top management team, Reuber and Fischer (1997) conducted a study that further examined its role as a driver for internationalization. Their findings indicated that firms with greater international experience in their management team were more likely to engage in international expansion. This aligns with earlier research that highlighted the influence of the founder's foreign experience on the international expansion of small high-tech firms (McDougall et al., 1994). Managers with extensive international experience may be more confident in leading their firms into foreign markets. Additionally, a manager's exposure to foreign cultures, gained through living, working, or studying abroad, allows for the accumulation of experiential knowledge about international market characteristics (Leonidou et al., 1998). Recent research suggests that decision-makers who travel abroad are better equipped to study international markets, identify foreign business opportunities, and engage with potential overseas clients (Leonidou et al., 2007). Although

foreign travel has been identified as a significant factor favoring exporting, the duration of these travel activities does not appear to be significant (Topritzhofer & Moser, 1979).

Understanding the dynamics of a foreign market is also critical for internationalization. Firms with extensive market knowledge can better anticipate customer needs, adapt their products or services to local preferences, understand the competitive landscape, and navigate regulatory requirements. This knowledge reduces the perceived risk of entering a new market, facilitating the internationalization decision. For Eriksson et al. (1997), having more knowledge about a foreign market can reduce the perception of the costs associated with expanding activities in that country and lead to an increased commitment from the company in that market.

While some knowledge (e.g., objective knowledge) can be taught, experiential knowledge can only be acquired through personal experiences. This is why there is a strong emphasis on the drivers associated with international experience. *“Experience itself can never be transmitted; it produces a change – frequently a subtle change – in individuals and cannot be separated from them”* (Penrose, 1959). Different types of knowledge can be distinguished, such as knowledge about opportunities and challenges, relevant aspects of the market environment, and the firm’s performance across various activities. A direct relationship between market knowledge and market commitment can be established if knowledge is considered a resource (or a dimension of human resources) because the better the knowledge about a market, the more valuable the resources become and the stronger the commitment (Johanson & Vahlne, 1977). The consideration of market commitment serves two purposes. Firstly, it is assumed that commitment to a market affects the firm’s perception of opportunities and risks. Secondly, it relates to the level of resources invested. According to Johanson and Vahlne (1977), the greater the investment in the market (including investments in marketing, organization, personnel, and other areas), the greater the commitment.

Despite the availability of digital information and the ease of travel, knowledge about foreign markets can still be challenging to acquire, especially when dealing with geographically distant countries. The concept of psychic distance represents the lack of knowledge and information, which increases the uncertainty and coordination costs associated with engaging in overseas business activities, and the greater cultural difference that may exist. This, in turn, influences the decision to expand internationally (Luo et al., 2005). As a result, firms may

choose to target and enter foreign markets that exhibit significant similarities in terms of economic, cultural, and political systems with their domestic country.

The U-Model, inspired by the work of Johanson and Wiedersheim-Paul (1975) and later developed by Johanson and Vahlne (1977, 1990), suggests that international behavior is driven by psychic distance. According to this model, decision-makers tend to enter foreign markets with successively greater psychic distance in terms of cultural, legal, and political differences compared to their home country. The concept of psychic distance encompasses various factors, including business customs, language, religion, societal structure, politics, legislation, values and attitudes toward work, achievement, wealth, and science. When two countries or cultures exhibit significant similarities in these factors, the psychic distance is considered low, while increasing differences result in a higher psychic distance.

The prior international experience of a top management team can also enhance the utilization of strategic partnerships by leveraging their existing business networks and their ability to identify, attract, and engage partners (Reuber & Fischer, 1997). Their experience in foreign countries also equips them with the skills to negotiate effectively with firms from different languages and cultures. For SMEs, partnerships serve as an excellent option to expand their activities as they allow them to access and control resources without the need for ownership, which, according to some authors, is constrained by their size and is a primary barrier to internationalization. For Ruzzier et al. (2006), networks play a crucial role for SMEs, particularly in catch-up economies, as they help overcome knowledge, technology, and capital accumulation challenges. Bonaccorsi (1992) demonstrated that small firms engage in trade and information exchange within their social networks, leading to mutual imitation and accelerated export entry. It is through networks that entrepreneurs gain access to resources and information necessary for entrepreneurial actions. According to Miesenbock (1988), the external contacts of decision-makers appear to be one of the most significant objective characteristics regarding to the international experience of the top management team.

Lastly, the age of the decision-maker or founder is said to be a significant factor in the decision to expand a firm's activity abroad, but the authors found contradictory impacts. On the one hand, Westhead et al. (2001) found that older founders usually have more resources, denser information, better contact networks, and considerable management know-how and thus were significantly more likely to become exporters, especially where industry-specific

knowledge and experience were important. On the other hand, Andersson et al. (2004) found that the young age of the Chief Executive Officer (CEO) could explain why smaller firms decide to expand their international activities. For them, the younger CEOs see the world as their marketplace and push for increased international activities. An explanation may be that the younger generation of CEOs may have been much more exposed to the international arena due to, for example, development in information technologies that reduce limits of time and space and increase opportunities to enroll in schools in other countries. The mere exposure to the international arena that younger CEOs have impacted their understanding of and familiarity with foreign market conditions and the creation of international business opportunities.

b. Employee base

Previous research on human capital in SMEs has primarily focused on the human capital at the top of the organization. Rialp et al. (2005) concluded in their analysis that most studies employ empirical methodologies, such as surveys or case studies, that collect information from key individuals (founders, CEOs, managing directors) who are primarily responsible for international decision-making processes within their respective firms.

However, it is important to recognize that the collective knowledge, skills, abilities, and competencies of all employees form the foundation for firm-level capabilities, which contribute to gaining and sustaining competitive advantage in the international arena (Love & Roper, 2015)

In smaller firms, employees play a crucial role in the company's decision-making process and expansion. They contribute by providing valuable insights, sharing their experiences, and advising the manager. This finding reinforces the inconsistent findings regarding the impact of firm size on performance and internationalization (Moini, 1995; Calof, 1993), leading Cavusgil and Zou (1994) to suggest that the quality of the employee base, rather than its sheer size, influence the export intensity of SMEs. Furthermore, an entrepreneur can compensate for personal human capital deficiencies by attracting individuals with diverse human capital to join the ownership team as co-investors. This allows for the integration of different skill sets and expertise, enhancing the overall human capital profile of the firm.

Part 3 – Methodology

After having carried out a thorough review of the literature on external and internal factors influencing the decision to expand activities abroad, this research will now attempt to examine whether the findings align with the realities observed in the field. Key questions to be addressed include, for example: Did the factors identified in the literature review influence the internationalization decisions of Belgian and Australian SMEs? Are there any important factors presented in the literature but not in practice? And are there any factors that are missing from the existing literature?

To achieve such answers, a quantitative and qualitative approach will be adopted, focusing on comparing and describing the different triggers for international expansion between Australia and Belgium, as well as the difference between the theory and the reality on the field.

Chapter 1: Research Approach

A comprehensive analysis will be conducted using both quantitative and qualitative methods. Descriptive statistical analysis based on a questionnaire distributed to companies will be performed using Excel. Simultaneously, the qualitative analysis will center on interviews conducted with small and medium-sized companies in Australia or Belgium. These interviews will delve into the context and history of each company's internationalization journey, aiming to identify the factors influencing their decision to expand abroad. The analysis will encompass macro- and micro-economic factors that impact these companies.

The companies interviewed and analyzed were chosen based on specific criteria. Firstly, they had to be headquartered in either Australia or Belgium. Secondly, they had to be involved in exporting products or services abroad or have established offices or subsidiaries abroad. Thirdly, they had to meet the criteria of an SME as defined by the European Union (Table 1). Companies were identified through various channels, including personal networks, contact with professors at UCLouvain or The University of Sydney (Appendix 5) and posts on LinkedIn (Appendix 6). Websites dedicated to exporting companies or those seeking

international expansion were also utilized, such as AWEX¹⁰, the Export Council of Australia¹¹, and SME Export hubs¹², and contacts from chambers of commerce and the Department for Business and Industry were approached to gather additional contacts. The identified companies were then contacted via e-mail (Appendix 7) or LinkedIn message, reaching out to individuals in strategic positions such as CEOs, Sales Managers, or Area Managers. The email and messages included an information sheet (Appendix 8) detailing the research stages and expectations.

The research was comprised of two main stages with each company. Initially, respondents completed an online questionnaire created through Microsoft Forms (Appendix 9). This quantitative survey gathered general information about the company, its internationalization journey, and the triggering factors. The questionnaire covered, in its first part, topics such as company name, date of creation, type of business (B2B, B2C, or B2G), industry, number of employees, headquarters location, annual turnover, countries in which the company operates, percentage of workforce abroad, and the revenue distribution between domestic and foreign markets. The second part of the questionnaire focused on shortlisting the main factors influencing their international expansion, which was then used as a basis for the subsequent interviews.

The second stage of the research involved online Zoom interviews, lasting approximately 45 minutes to an hour. These semi-guided interviews were structured into four parts: Company Introduction, Internationalization Journey, Influence of External Factors, and Influence of Internal Factors (Appendix 10). While an interview guide was prepared, respondents had opportunities to fully express themselves and delve deeper into the topics most relevant to their situation.

To ensure data privacy and respect consent from respondents, interviewees were given the option to decide whether they wanted their company to be named or represented under their industry sector at the end of the questionnaire. This consent was reconfirmed at the end of the interview. For companies choosing to remain anonymous, sensitive information, such as company names, client or supplier names, and specific details, were removed upon request.

¹⁰ <https://www.awex-export.be/fr/accueil>

¹¹ <https://export.org.au/>

¹² <https://business.gov.au/>

Once all the information was gathered from the questionnaires and interviews, the analysis was conducted in two steps. Firstly, a quantitative analysis was carried out to describe the main characteristics of the internationalization journey and foreign market penetration, comparing them between Belgium and Australia.

Regarding the internationalization journey, the studied elements included the moment of internationalization in the company's life (early or late internationalization), the speed of internationalization (rapid or gradual), the main reasons for entering foreign markets, and the entry strategy. For market penetration, the analysis focused on the number of countries each company had entered and their geographical distribution across continents, aiming to identify similarities and differences between Belgian and Australian companies.

Secondly, using a coding analysis approach, a qualitative analysis was performed to highlight company experiences related to the different factors studied in theory, (Appendix 11). The factors analyzed in the literature review were categorized into four color-coded categories:

- Very Important (Red): These factors were the most compelling reasons a company decided to expand activities abroad (as shown in Table 3) or were given higher importance than other factors or other companies.
- Considered (Yellow): These factors were taken into account in the decision to expand activities abroad but were seen as secondary, with their impact being less significant than the red factors.
- Not Important (Green): These factors were mentioned by the companies but were not deemed influential in their decision to expand activities abroad.
- Not Applicable (N/A): These factors were either mentioned as not applicable by the companies for various reasons or were not brought up during the interviews.

The ranking of the factors was based on the interviewees' explicit specification of their importance in decision-making. In cases where the importance was not explicitly stated, the ranking was established through personal interpretation, considering the interview context, the company studied, and the expressions used.

Subsequently, the factors of interest were discussed in light of the explanations provided in the interviews (Appendix 12). These external and internal factors were successively examined for agreement with the authors' perceptions as presented in the literature review, disagreement, or indications of differences between Belgian and Australian companies.

Chapter 2: Sample Description

The table below provides an overview of the main characteristics of the companies participating in the research. It includes the company name (if agreed to share), the industry, the headquarters location, the range of the number of employees (to estimate company size), the 2022 turnover in euros, and the interview duration.

For Australian companies, the turnover has been converted to euros using the currency rate: AUD1 = €0.61¹³. In cases where the information was unavailable, estimates were made using publicly available online information. It is worth noting that Company 8 exceeds the €50 million limit defined by the European Union (Table 1) but still meets the balance sheet criterion.

Legend: Companies from Belgium ; Companies from Australia

Participant	Company	Industry	Based in	Number of Employees	Turnover	Duration
Company 1	Anonymous	B2B - Medical devices (Orthoses & Prosthetics)	Brussels (BEL)	11 - 50	€600k	45:00
Company 2	Anonymous	B2B - Infectious healthcare waste management	(BEL)	51 - 249	€10m	51:00
Company 3	MMGY TCI Research	B2B - Travel Data Intelligence	Brussels (BEL)	1 - 10	€1.45m	55:00
Company 4	Eutronix	B2B - ICT	Wavre (BEL)	11 - 50	€25.68m	45:00

¹³ Based on Exchange rates of July 3rd, 2023

Company 5	Netaxis Solutions	B2B - Software for the Telecom industry	Brussels (BEL)	11 - 50	€4.5m	45:00
Company 6	Horse Remedy	B2C - Equine Industry	Beauvechain (BEL)	1 -10	€250k	56:00
Company 7	Millesime Chocolat	B2B - Food industry (chocolate)	Liège (BEL)	1 - 10	€900k	65:00
Company 8	Anonymous	B2B - Paper and Packaging Board	Sydney (AUS)	11 - 50	€61m (BS €27.5m)	46:00
Company 9	Doq Pty Ltd	B2B - Advertising and Marketing	Sydney (AUS)	11 - 50	€3m (est.)	35:00
Company 10	Anonymous	B2B - AI Software technology	Sydney (AUS)	51-250	€3 to 9m	35:00
Company 11	Street Guardian	B2B - Car Safety products	Sydney (AUS)	1 -10	€732k	40:00
Company 12	Anonymous	B2B - Crowdsourced retail data analytics	Sydney (AUS)	11 - 50	€750k (est.)	47:00

Table 3 - List and information about participants in the interviews

The study was carried out from a selection of 12 companies located in Australia and Belgium. In Australia, five companies were included, all headquartered in Sydney. Belgium contributed to the sample with seven companies, divided between Wallonia (five companies) and Brussels (three companies). This geographical distribution, particularly within Belgium, could potentially influence the level and nature of regional support available to these companies.

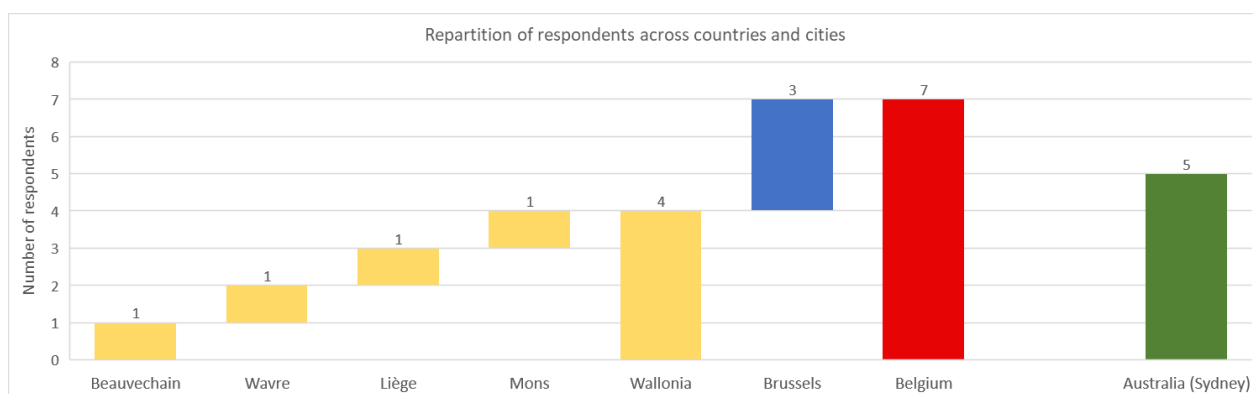


Figure 12 - Repartition of respondents across countries and cities

Based on the type of customers they serve, the companies surveyed operate mainly in the B2B sector, focusing on service to other companies. However, there is one notable exception

in the sample, "Horse Remedy", a company that caters to the B2C market, i.e., directly to end consumers.

The research was conducted with a cross-industry approach. From service providers to product exporters, the sample provides a comprehensive view, presenting varied experiences across a wide range of sectors. However, because of this broad representation, the sample cannot claim to completely represent of any particular sector, given that each sector is represented by just one company.

All the companies studied correspond to the European Union's definition of a small or medium business (Table 1). In Australia, the breakdown by size is as follows: there is one "micro" company with fewer than ten employees, three "small" companies with 11 to 50 employees, and one "medium" company with more than 50 employees. In Belgium, the distinction based on headcount reveals three "micro" companies, three "small" companies, and a single medium-sized company.

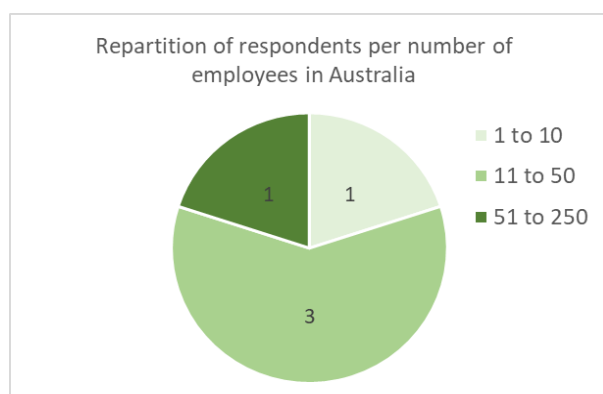


Figure 13 - Repartition of respondents per number of employees in Australia

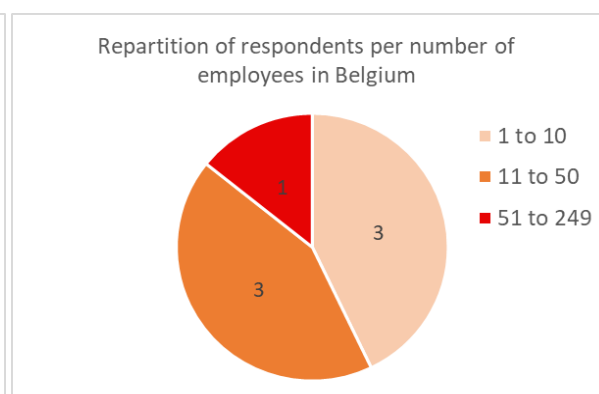


Figure 14 - Repartition of respondents per number of employees in Belgium

Considering the turnover criteria (2022, in euros), among the Australian firms, two are classified as 'micro', and another two as 'small'. One company, despite exceeding the typical turnover parameters for medium-sized enterprises, maintains its 'medium' classification because its balance sheet for 2022 is below the threshold of 43 million euros. In Belgium, the turnover-based categorization includes four "micro" companies, two "small" entities, and one medium-sized company.

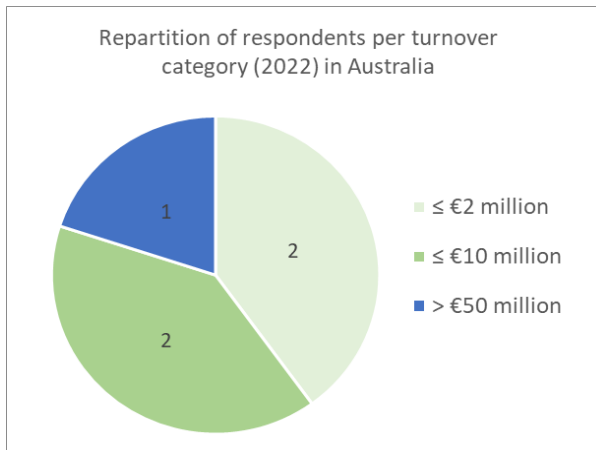


Figure 15 - Repartition of respondents per turnover category (2022) in Australia

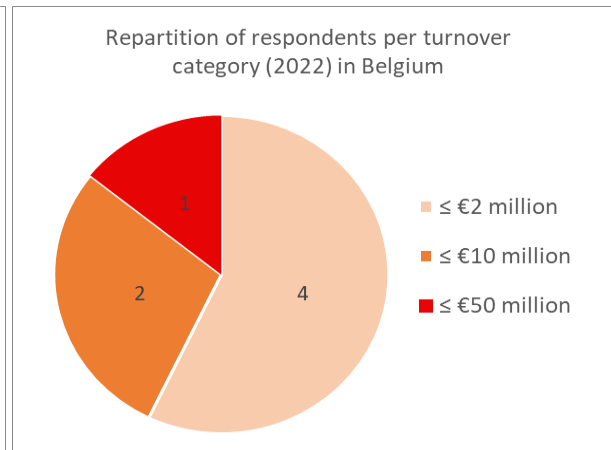


Figure 16 - Repartition of respondents per turnover category (2022) in Belgium

Part 4 – Analysis and Discussion

This section, focusing on analyzing and discussing the questionnaire and interview results, is divided into four chapters: Characteristics of the internationalization journey, Foreign market penetration, Analysis of external factors, and Analysis of internal factors. Firstly, we will present and summarize the main results obtained regarding the internationalization process of the surveyed companies, and we will also discuss these results in relation to the companies' origins. Next, we will analyze the companies' penetration of foreign markets based on various variables such as the location of countries entered, the distribution of turnover between domestic and foreign markets, the number of countries entered compared to the proportion of employees located abroad, and the turnover from foreign markets in comparison to this same proportion. These analyses will allow us to explore possible trends in specific country-to-country relationships. Subsequently, we will examine the external factors identified during the interviews and assess whether they align with the literature review, considering both their presence and impact. Finally, we will conduct a similar analysis concerning internal factors.

Chapter 1: Characteristics of the internationalization process

The main characteristics of the internationalization process of the companies surveyed are presented in Table 4. The first piece of information (When?) concerns the moment of internationalization in the life of the company and the speed of its expansion. Early expansion indicates that the company founder had international ambitions from the outset and sought to expand during its first months of existence. On the other hand, some companies may begin their international expansion only after establishing a stronger presence in their home market and reaching a stage of maturity after a few years. Expansion can also be described as rapid, involving entry into several foreign markets simultaneously or in quick succession, or gradual, with penetration of one market at a time, leading to slower expansion.

The main reasons for international expansion are explained in the second column (Why?). This column highlights the most influential factors, although the decision may be influenced by a combination of other factors.

The next information set describes how the company expanded abroad, as internationalization modes can vary. This may involve employees working remotely in another country, distributors, or wholly owned subsidiaries in foreign markets.

The final piece of information concerns the company's sector of activity, as this factor can also influence the internationalization process.

Legend: Companies from Belgium ; Companies from Australia

Company	When?	Why?	How?	What?
Company 1	Early & Rapid	Better acceptance abroad Seeks market size Scalable product Growth opportunities	Remote employees	Digital software for medical devices
Company 2	Industry switch (25y ago, mature) & Rapid	Inaccessible domestic market (law) Need for growth due to sales business	Few remote employees & commissioned dealers	Infectious waste treatment machines
Company 3	Early & Rapid	Take value Grow with a scalable product Become a global reference	Representatives & commissioned dealers	Digital tourism indicators
Company 4	Early after buyout & Gradual	Existing commercial opportunity Opportunities provided by suppliers or clients	Company buyouts & Wholly owned subsidiaries	ICT hardware
Company 5	After 2 to 3 years & Gradual	Small domestic market Scalable product Opportunities provided by partners	Wholly or partly owned subsidiaries	Software for the Telecom industry
Company 6	Early & Gradual	Better interest in products abroad Small domestic market Opportunities via AWEX	Parcel shipping & Dealers	Equine Industry
Company 7	After 1.5 years & Gradual	Increasing sales in a niche market World-renowned product Interest and new opportunities	Importers and distributors	Food industry (chocolate)
Company 8	After 25y (company mature) & Gradual	Opportunities provided by suppliers & employees moving Small domestic market Seek for growth	Offices & Remote employees in legal entities	Paper and Packaging Board

Company 9	International since day 1 but office abroad after 6 years	Nature of business: Cross-border marketing agency Leverage personal skills & network	Wholly owned subsidiaries	Advertising and Marketing
Company 10	After a few years & Gradual	Seek for growth Opportunities provided by clients	Remote employees in legal entities	AI Software technology
Company 11	After a few years & Gradual	Interest in the products Seek for growth	Franchises & 100+ Dealers	Car Safety products
Company 12	After 2 to 3 years & Gradual	Opportunities provided by clients	Remote sales	Crowdsourced retail data analytics

Table 4 - Summary of the internationalization process

This summary shows that five of the 12 companies had an early internationalization, all located in Belgium (Company 1, 3, 4, 6, and 7). Four companies, one in Belgium (Company 5) and three in Australia (Company 10, 11, and 12), initiated their international activities after a few years, typically two to three years. The remaining three companies (Company 2, 8, and 9) took longer to expand their activities abroad, which can be attributed to different reasons.

Company 2 underwent a significant transformation in its core business after more than 50 years and shifted towards a new activity, which led to a delayed start in its international expansion. Company 9, a cross-border marketing agency, operated internationally from the beginning but only opened a second office after six years. Company 8 waited until it reached a sufficient level of maturity and identified suitable opportunities before expanding abroad.

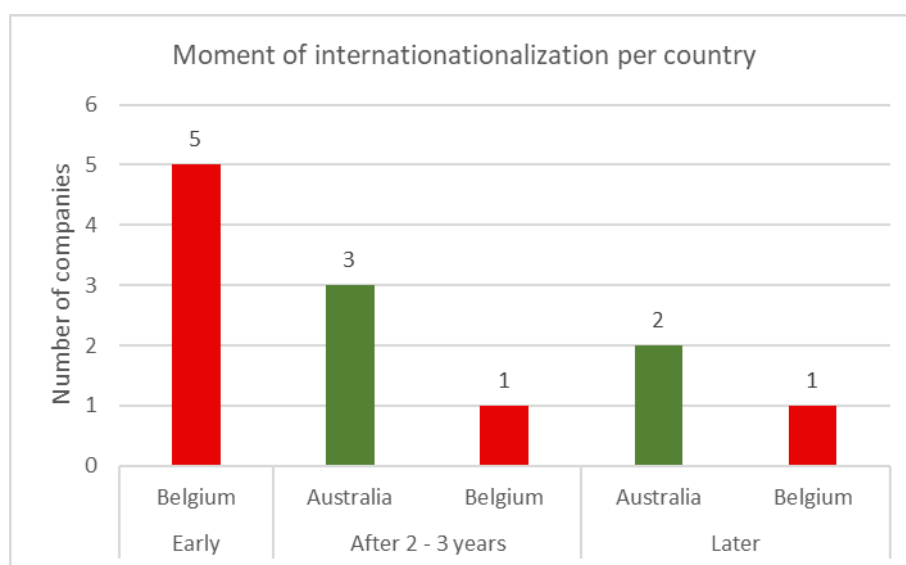


Figure 17 - Moment of internationalization per country

Regarding the speed of internationalization, only three companies had a rapid expansion, and all three are based in Belgium. Two of these companies (Company 1 and 3) provide digital services, which could have facilitated the export of their services. The third company (Company 2) underwent the industry shift, making the domestic market inaccessible due to the current Belgian regulations not yet allowing the solutions it offers.

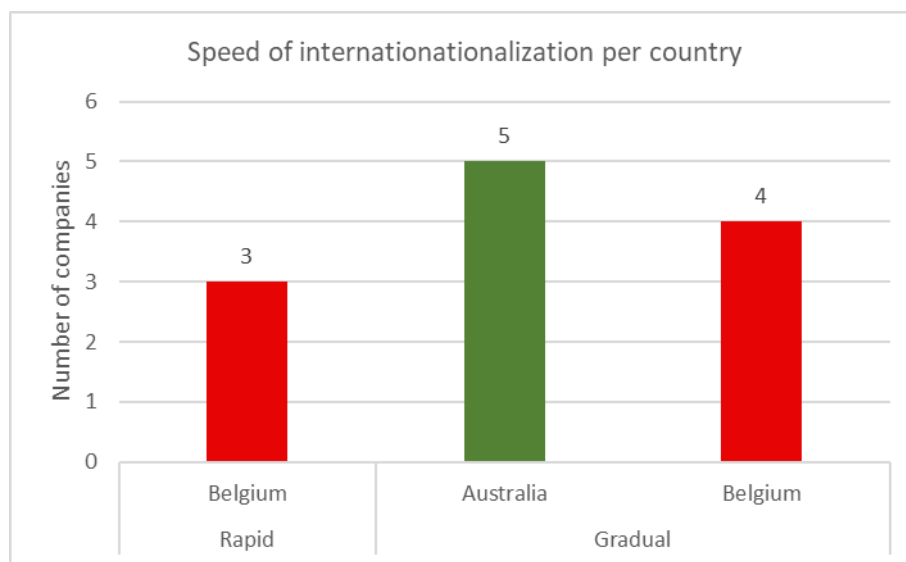


Figure 18 - Speed of internationalization per country

Regarding the main reasons for international expansion, three Belgian companies (Company 1, 5, and 6) and one Australian company (Company 8) stated that their domestic market was too small. Five companies, two from Belgium (Company 4 and 5) and three from Australia (Company 8, 10, and 12), initiated their international activities mainly due to opportunities presented by third parties such as partners, clients, or suppliers seeking to expand collaboration to other countries. Four companies, three from Belgium (Company 1, 6, and 7) and one from Australia (Company 11), decided to expand their activities because they perceived a strong interest or better acceptance for their products and/or services in foreign markets. Seven companies, four from Belgium (Company 1, 2, 3, and 7) and three from Australia (Company 8, 10, and 11), explicitly expressed the need or desire to grow as the main factors driving their internationalization. However, it can be assumed that growth is a goal pursued by all companies.

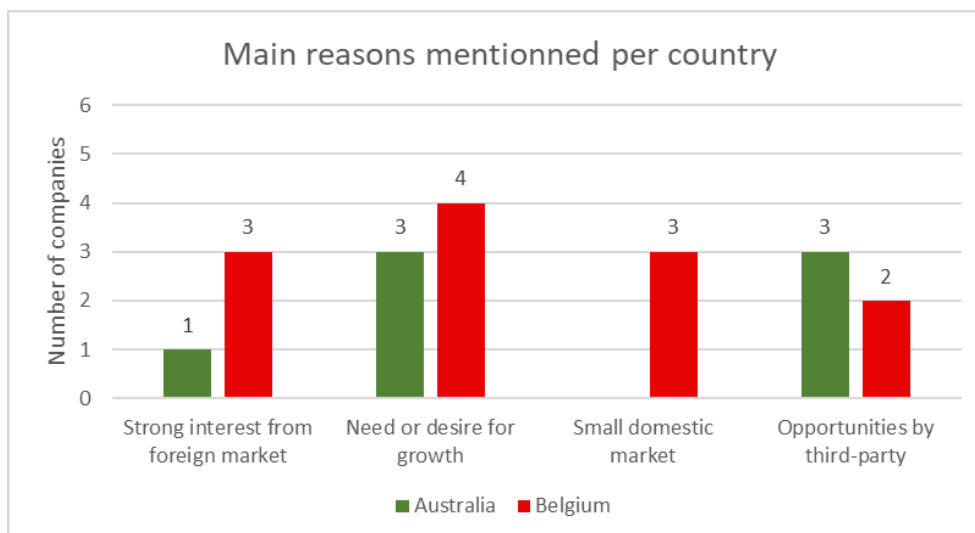


Figure 19 - Main reasons mentioned per country

Regarding the entry strategies into foreign markets, four companies, two in each country (Company 1 and 2 in Belgium, Company 8 and 10 in Australia), used remote employees. Five companies, two from Belgium (Company 4 and 5) and three from Australia (Company 8, 9, and 10), extended their activities abroad by opening wholly owned subsidiaries or legal entities. Two companies, one Belgian (Company 7) and one Australian (Company 12), directly sell abroad from their headquarters. All other companies utilized third parties to manage international activities, such as dealers, representatives, or distributors.

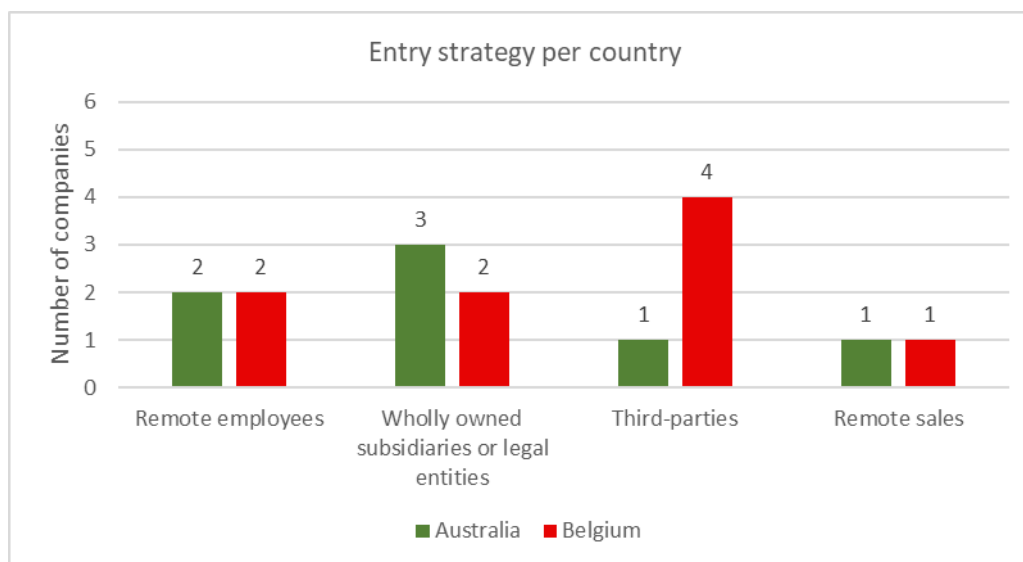


Figure 20 - Entry strategy per country

It is worth mentioning that several options may have been selected by the same company for both motivations and entry strategies.

In conclusion, the main findings of this preliminary analysis reveal that among the companies studied, Belgium stands out as the only country with early and/or rapid internationalization. The reasons for internationalization are similar in both Belgium and Australia and do not seem significantly influenced by the companies' country of origin. However, it is worth noting that Belgian companies more frequently mention the small size of the domestic market and the interest in their products and/or services emerging from foreign markets. On the other hand, the entry strategy into foreign markets does not appear to be influenced by the country of origin or the company.

Chapter 2: Foreign market penetration

This section will examine the companies' expansion into foreign markets and explore potential patterns in specific country-to-country relationships. First, we will focus on analyzing the location of the countries entered. Then we will analyze the distribution of turnover between domestic and foreign markets. Lastly, we will compare the number of countries entered and the turnover from foreign markets to the proportion of employees located abroad.

To begin, the analysis concerning the location of the countries entered is conducted continent by continent, as shown in Table 5. On the European continent, three Belgian companies have established more than one office in Europe, with Company 3, 4, and 5 having one, two, and four offices, respectively, in addition to their headquarters. Compared to Australian companies, it is more common for Belgian companies to export products and/or services to Europe. Among the Australian companies, only Company 8 has a remote employee in Europe, while Company 10 manages European clients from its office in Sydney, and Company 11 operates through dealers and franchises.

Moving to the American continent, only two companies, one from each country (Company 5 in Belgium and Company 10 in Australia), have an office in the United States. Additionally,




Company 1 (from Belgium) and Company 10 (from Australia) also have remote employees in the US and Canada. Two companies are selling in more than two countries in the Americas (North and South combined); one Australian company (Company 10) is managing these activities from a closer office, and the other, a Belgian company (Company 3), from Europe.

In Africa, two Belgian companies (Company 4 and 5) are managing their clients from Europe, while one Belgian company (Company 2) is present via a remote employee, and another Belgian company (Company 7) is using distributors. From Australia, only Company 8 has a presence in Africa and has an office there.

All Australian companies have a presence in Asia, with two of them (Company 9 and 10) having an office and/or remote employees, while almost all Belgian companies are present, except Company 4, but only one has a remote employee on this continent (Company 2). However, a noticeable difference lies in the number of Asian countries entered. Three Australian companies (Company 8, 11, and 12) are present in four and five Asian countries, while from Belgium, only Company 3 and 7 are present in two countries. Company 2 is present in more than 70 countries throughout the world, but the distribution across continents is unknown.

Regarding Oceania, three of the five Australian companies (Company 8, 11, and 2) are also present in New Zealand, but only Company 8 has a remote employee in this country.

Legend:  Companies from Belgium ;  Companies from Australia

 Number of countries where the company has an office or a legal entity;  has remote employees;  sells its products and/or services.

If the figure is not present, the exact information is not available.














































































Continent Company	Europe			Americas		Africa		Asia		Oceania				
														
Company 1	 1		 12		 2	 2					 1			
Company 2	 1		 +70			 +70	 1	 +70		 1	 +70		 +70	
Company 3	 2		 7			 5					 2		 1	
Company 4	 3		 20					 2						
Company 5	 5		 10	 1		 1		 5			 1			
Company 6	 1	 1	 2								 1			
Company 7	 1		 13			 1		 1			 2			
Company 8		 1	 1				 1	 3			 4	 1	 1	 2
Company 9									 1		 1	 1	 1	
Company 10			 1	 1	 2	 6			 1	 1	 1	 1	 1	
Company 11			 8			 2					 4	 1	 2	
Company 12						 1					 5	 1	 2	

Table 5 - Foreign market penetration

Two main conclusions can be drawn regarding the distribution of turnover between the domestic and foreign markets for both Belgian and Australian companies, Firstly, over 70%

of all company turnover comes from abroad, except for Company 6. This indicates that the majority of companies are primarily selling outside of their domestic market, and their international expansion plays a significant role in their business.

Secondly, the distribution of turnover between domestic and foreign markets is almost identical for companies based in Belgium and Australia, suggesting that there is no significant difference linked to the country of origin of the company.

Company 6, the smallest company in the sample and with the lowest turnover (€250k), is the only one selling B2C products. The products are based on naturopathy and lithotherapy, targeting a very specific, niche clientele. Providing extensive advice and regular follow-up support is integral to their business model, which becomes more challenging in foreign markets due to language barriers and a lack of resources for additional staff.

Company 2 and Company 10 are both located in one country but entirely rely on international markets for their turnover. Company 2 explained that this situation is linked to Belgian legislation not yet allowing the solution they provide. Company 12 (in Australia) has been excluded from this analysis due to unknown data.

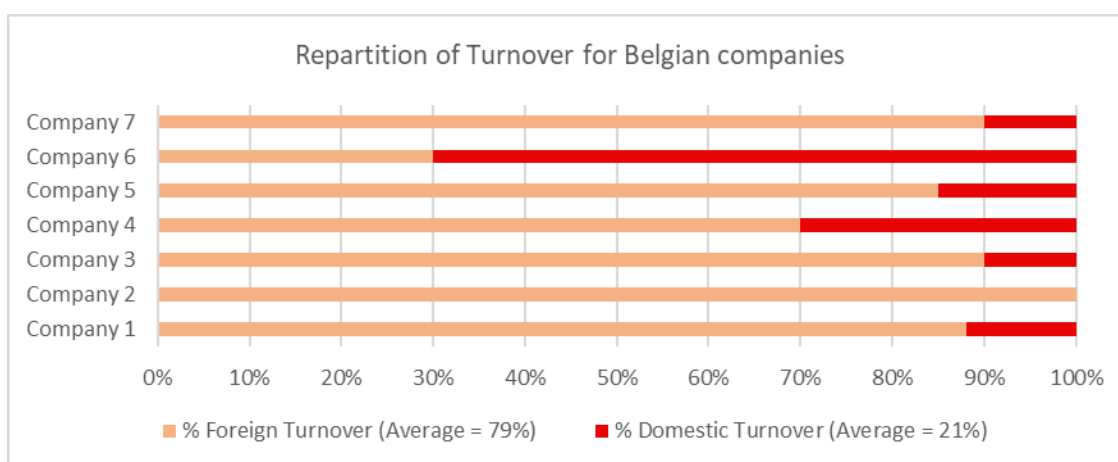


Figure 21 - Repartition of Turnover for Belgian companies

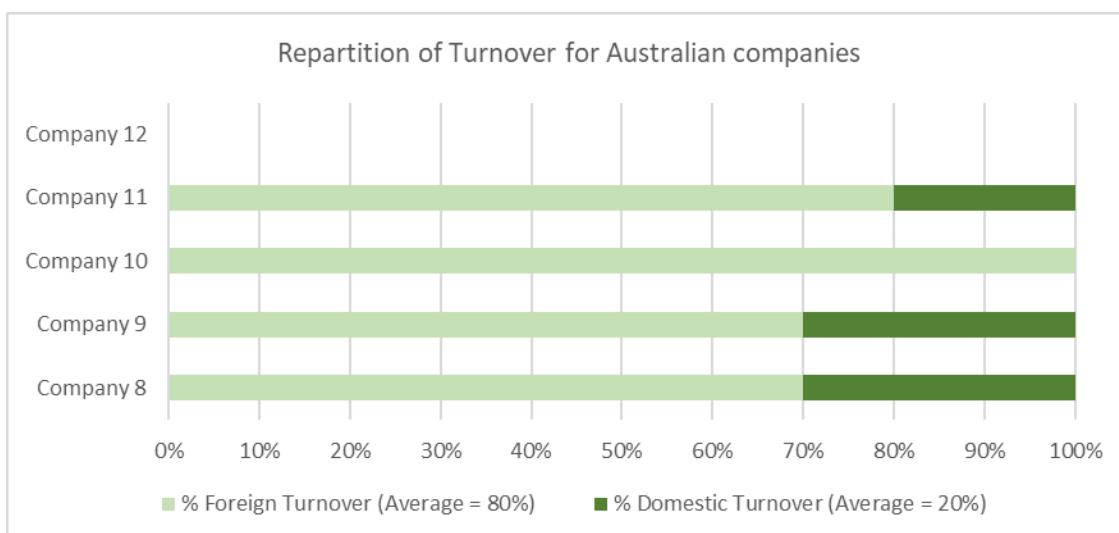


Figure 22 - Repartition of Turnover for Australian companies

The comparison between the percentage of turnover coming from foreign countries and the percentage of the workforce located abroad can provide valuable insights into the entry strategies adopted by companies and their influence on turnover.

When a company has a high percentage of turnover from foreign countries, but a low percentage of the workforce located abroad, it may suggest that it has successfully penetrated international markets with a minimal physical presence abroad. This could be attributed to efficient global distribution networks, strategic partnerships, or a relatively small number of employees working abroad compared to those based in the country of the headquarters.

Conversely, if the percentage of the workforce located abroad is high, it indicates that the company has a stronger physical presence in foreign markets, which could offer advantages such as local knowledge, local language proficiency, and direct communication with suppliers and clients.

Figure 23 and Figure 24 show that the presence and distribution of the workforce abroad vary among companies, implying different global strategies and market focuses. The range typically falls between 20% and 80%. A general trend that emerges in both countries is that as companies have more employees based abroad, their turnover from foreign markets tends to be higher, and vice versa.

However, two exceptions stand out in Belgium for Company 2 and Company 7. These companies have successfully implemented a strategy involving commissioned dealers,

distributors, or importers, allowing them to generate a significant percentage of their turnover from foreign markets. Company 2 also has two remote employees in strategic countries, representing 5% of its workforce.

For the purpose of this analysis, Company 12 was excluded due to the lack of information.

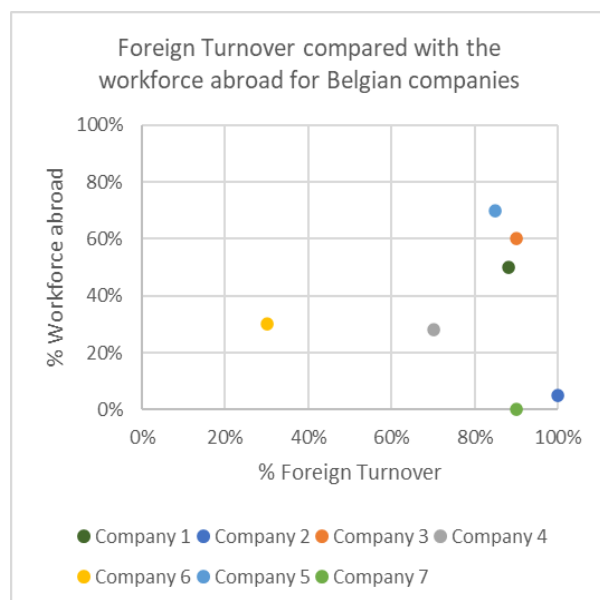


Figure 23 - Foreign Turnover compared with the workforce abroad for Belgian companies

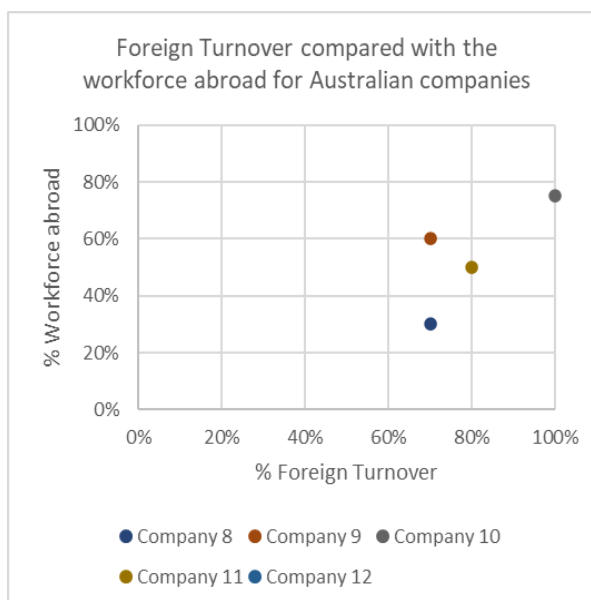


Figure 24 - Foreign Turnover compared with the workforce abroad for Australian companies

The final analysis regarding foreign market penetration compares the number of countries entered with the percentage of the workforce located outside the country of the headquarters. First, it can be concluded that the percentage of the workforce located abroad does not appear to influence the number of countries entered. For instance, in Belgium, Company 6 has 30% of its workforce abroad and operates in two to five countries, while Company 2, 4, and 7 have 5%, 28%, and 0% of their workforce abroad, respectively, and are active in more than ten countries.

Similarly, in Australia, companies present in two to five countries (Company 9 and 10) have more workforce abroad than those present in more than ten countries (Company 8 and 11). However, since information for Company 12 is not available, it is not taken into consideration for this analysis.

Furthermore, Belgian companies seem to enter relatively more countries than Australian companies. Approximately 86% of Belgian companies interviewed do business in more than ten countries, compared to only a third of Australian respondents.

Combining this analysis with the previous one regarding the percentage of turnover from foreign markets in relation to the workforce located abroad, we can infer that having a higher proportion of employees working from abroad does not necessarily mean that a company operates in a higher number of countries. Instead, it indicates that they may focus more on developing the countries where these employees are located, and their general orientation is towards international business.

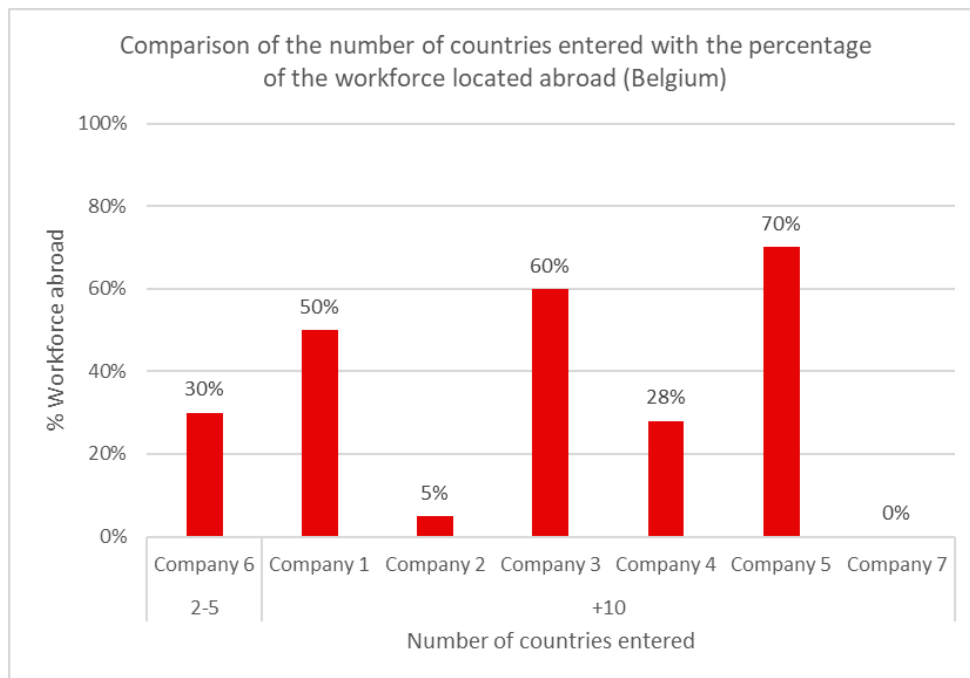


Figure 25 - Comparison of the number of countries entered with the percentage of the workforce located abroad (Belgium)

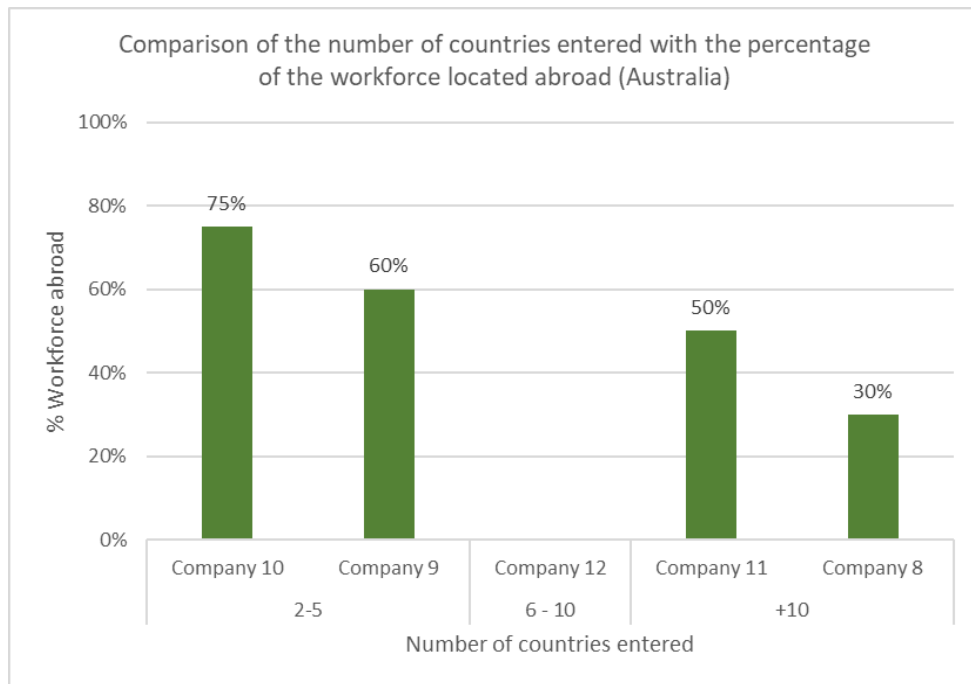


Figure 26 - Comparison of the number of countries entered with the percentage of the workforce located abroad (Australia)

In conclusion, the analysis of the distribution of countries entered reveals that Belgian companies tend to extend their activities more in Europe than Australian companies, whereas Australian companies have a stronger presence in Asian countries.

Regarding the distribution of turnover between domestic and foreign markets, a consistent trend is observed in both countries: the majority of turnover for almost all interviewed companies comes from abroad. Additionally, a correlation is observed between the percentage of the workforce located abroad and the higher turnover from foreign markets. However, it is not necessarily indicative of entering more countries.

Chapter 3: Analysis of external factors

After conducting interviews, analyzing, and categorizing the external factors influencing the decision to expand activities abroad for Belgian and Australian companies, some key findings have emerged. Table 6 provides a summary of the number of companies in each country that assign a certain level of importance to each factor.

The most significant factor for both countries is foreign spontaneous orders, with a total of seven out of 12 companies considering it very important (three in Belgium and four in Australia). Spontaneous orders are one of the main reasons that encourage companies to extend their activities abroad, as mentioned in the main characteristics of the internationalization journey (Figure 19). These orders can directly arise from clients or be brought by suppliers, local partners, or any other third party involved in the business. While it is a critical factor for some companies, others consider it slightly important and prefer to combine it with proactive prospecting. Expanding through spontaneous orders is a cheaper and less risky way to enter a country, as suppliers or customers may finance or support the expansion to a specific market.

In Belgium, the three most important factors are foreign spontaneous orders, domestic market saturation, and the technological standards and infrastructure of the foreign country. Almost all Belgian companies, except the one without access to the market (Company 2), find the Belgian market too small, with limited or small clients, motivating them to expand into larger markets. Companies taking into consideration the technological standards and infrastructure of the foreign market in their decision mentioned that the countries they are entering or the clients they are selling to must have a positive perception or be open and ready to adopt the technology provided. Market maturity is essential, especially for companies selling digital products or services, as they tend to focus on more technologically developed countries.

In Australia, only foreign spontaneous orders stand out as the most important factor, followed by foreign politics, which two companies consider very important, particularly the procedures to open a legal entity abroad and the transfer pricing agreement.

This later factor of foreign politics is the most considered factor for Belgian companies, even though it is not classified as very important. The overall trend observed among Belgian companies is that doing business in Europe is relatively easier due to harmonized regulations and simplified procedures, despite some specific differences between countries (e.g., recycling logos, medical insurance reimbursement levels, etc.). Expanding outside of Europe is said to be more complex and requires additional efforts, but companies are still willing to pursue such expansion. The American market has been identified as one of the most challenging to penetrate due to the obligations of creating a legal entity, visa procedures, and

compliance with specific product norms. However, some companies find this market too important to ignore and are willing to undertake the extra work required.

Moving forward, the next most considered factors in the decision to expand activities abroad for Belgian companies are the domestic market legal environment, foreign socio-cultural aspects, and foreign legal aspects, with four companies considering them in the decision-making process. These factors are the same in Australia, except for the foreign legal aspect. In total, eight or nine companies out of the entire sample of 12 companies interviewed consider these factors in their expansion decision-making process.

Regarding the legal environment, almost all Belgian companies explained taking part in economic missions and delegations. Since it is a regional competency, these companies participate in events organized by either Brussels hubs or the Walloon Agency for Export and Foreign Investments (AWEX). The division of the political system in Belgium and the distribution of competencies have not been seen as barriers or incentives to export. However, two companies (Company 1 and Company 5) raised three problems concerning the organization of delegations by regional bodies: a different budget depending on the region, a loss of synergy, and a loss of legitimacy. Firstly, as the budget varies from region to region, SMEs located in regions with fewer subsidies may feel disadvantaged compared to other companies. Secondly, since these events are separated by regions, there is a loss of synergy among companies from the same country. Thirdly, there is a loss of legitimacy and influence, as foreign markets do not understand the differences between the different Belgian regions, while the company is presented as a regional ambassador instead of an ambassador for a country. Despite these concerns, such events are considered very useful as they help open doors and create connections with key players in foreign markets. Furthermore, it allows companies to take a trip they might not, otherwise, have thought of and to reduce costs through sponsorship. Companies interviewed use these events for various purposes – some use them to strengthen connections and better prepare for expansion, while others use them to explore entirely new markets. In Australia, two companies also participated in such events and mentioned similar benefits as those of Belgian companies.

When it comes to the sociocultural aspect, there is no country-specific trend, as both Australian and Belgian companies share the same opinion. Developed countries where English is widely and proficiently used, and which share similar business mindsets, are easier

to penetrate than culturally different countries. The example that came up most often is about Asian countries. In Asia, having a local employee or partner is strongly recommended because business is based on relationships and trust. Moreover, English is not always sufficient, and the local culture plays a crucial role. Companies' reactions to this sociocultural aspect vary, ranging from the willingness to enter countries they feel close to, to a desire to hire local staff, or to understand the local culture without necessarily hiring additional personnel. A sense of proximity to a country and its culture is seen as a facilitator for market penetration.

Among the companies that considered the foreign legal environment as slightly important, only one company (Company 10) explicitly mentioned protecting itself with trademarks, while another company relied on memorandums of understanding and governance principles. Other companies interpreted this factor as the regulations they need to adhere to when entering specific countries, which can sometimes be complex and potentially complicate international expansion, although it does not completely hinder it.

Regarding the factors judged as not important or not impacting their expansion decision or destination choice, foreign competition is highlighted by four Belgian companies, while the foreign environment, mainly represented by the time difference, is mentioned by four Australian companies out of five. Companies from the other country also slightly mention each factor, with two companies in each country referring to them. No companies entered a market in response to a threat from competitors or to gain a competitive advantage. Only Company 3 pursued the goal of becoming a global reference, given the nature of its product, and adopted a rapid internationalization strategy to avoid direct competition. Company 4 benefited from the disappearance of bankrupt competitors, which allowed it to acquire the company and expand its operations in the country.

Three factors, namely the technological level of the industry, the foreign market sector (B2B or B2C), and foreign opportunities for new knowledge and development have not been mentioned by any company. Due to the analyzed sample, the difference between B2B and B2C companies was irrelevant, as only one B2C company was interviewed.

Only one company (Company 3) considered domestic market infrastructure, taking advantage of two Belgian airports, Zaventem and Charleroi, which allowed them to travel to many

destinations at a reasonable cost. For this company, Belgium's central location is seen as a benefit. The foreign economic situation or foreign customer behavior was mentioned by only three or four companies, with no visible influence based on the country of origin of the company.

While the economic aspect of the industry, technological standards and infrastructure of the foreign country, and foreign legal aspects were mentioned as relatively important factors for Belgian companies, they were not brought up during the interviews by the Australian companies.

Legend: Companies from Belgium ; Companies from Australia

Factor	#Companies		Very Important		Considered		Not Important		N/A	
	BEL	AUS	BEL	AUS	BEL	AUS	BEL	AUS	BEL	AUS
Economic factors (industry)	2	1	3						2	4
Technology level (industry)									<u>7</u>	<u>5</u>
Domestic market saturation	<u>3</u>	1	3	1			1		1	2
Domestic market infrastructure			1						<u>6</u>	<u>5</u>
Domestic market legal environment	2		<u>4</u>	<u>4</u>					1	1
Foreign politics	1	2	<u>6</u>	<u>3</u>						
Foreign economic			2	1					<u>5</u>	<u>4</u>
Foreign socio-cultural	2		<u>4</u>	<u>5</u>					1	
Technology (standards & infrastructure)	<u>3</u>	1	3						1	4
Foreign legal			<u>4</u>	1					3	4
Environment	1		3	1	2		<u>4</u>		1	
Foreign market sector (B2B, B2C)									<u>7</u>	<u>5</u>
Foreign competition	2		1	2	<u>4</u>		2			1
Foreign opportunities for new knowledge and development									<u>7</u>	<u>5</u>
Foreign customer behavior	1		2	1					<u>4</u>	<u>4</u>
Foreign spontaneous order	<u>3</u>	<u>4</u>	3						1	1

Table 6 - Classification of external factors per level of importance

To conclude, the most critical external factor influencing the expansion decision of SMEs in both Belgium and Australia is the occurrence of spontaneous orders from clients, suppliers, local partners, or any other third party, with seven companies considering this factor as very important in their decision to expand overseas.

For Belgian companies, two additional factors are rated as very important: domestic market saturation due to its small size and the technological standards and infrastructure of the foreign country. In Australia, the factor of foreign politics is the only one ranked higher in terms of importance in the decision-making process.

Foreign policy is regarded as less important for Belgian companies compared to Australian ones but is still considered in the decision to expand activities abroad. The prevailing trend among Belgian companies is that doing business in Europe is relatively easier than outside, thanks to the harmonization of norms and regulations. The next factors most considered are the legal environment of the domestic market and foreign socio-cultural aspects, which are mentioned in both Belgium and Australia. Only in Belgium is the foreign legal aspect added to the factors being considered.

Concerning factors that are deemed not important, Belgian companies highlight foreign competition, while Australian companies mention the foreign environment, with a focus on the time difference, which does not significantly influence their decision to internationalize.

The technological level of the industry, the foreign market sector (B2B or B2C), and foreign opportunities for new knowledge and development are three factors that were not mentioned by any company during the interviews.

Chapter 4: Analysis of internal factors

When analyzing the internal factors influencing the decision to expand a company's activities abroad (Table 7), two main factors stand out: the type of product and/or services provided and the entrepreneurial orientation of the top management. These factors were mentioned by a

total of five companies out of 12 during the interviews. Examining these factors by country, we can see that they are particularly significant for Belgian companies, with four of them considering the type of products to be very important and three emphasizing the entrepreneurial orientation of the top management. In Australia, however, the type of product is only important for one company (Company 9), while the entrepreneurial orientation, company size, international experience of the top management, and the quality and diversity of the employee base have been categorized as very important for two companies.

Companies providing digital products or services have highlighted the ease of exportation, as there is minimal administrative paperwork and export logistics to consider. The export procedures are also simplified, and such products or services generally face fewer restrictions than physical goods when entering foreign markets. These products and services also have better scalability, encouraging companies to extend their activities to different markets.

The entrepreneurial orientation of top management emerges as the most critical factor concerning the top management and may strongly influence the decision to expand activities beyond the domestic market. Several key characteristics that contribute to this entrepreneurial mindset were mentioned during the interviews. These include having ambitious goals and a desire for expansion, actively participating in conferences and events to promote the company and stay updated on new technologies in their field or market, being open-minded and curious about innovations, and possessing the ability to identify promising opportunities in the market. Notably, one company (Company 3) revealed that their desire to expand was driven by the aim to increase their company value and be eventually acquired by a larger competitor, showcasing an entrepreneurial mentality that involves considering an eventual exit strategy. Opinions on willingness to take risks varied among the companies. For instance, Company 2 displayed a risk-averse approach, while Company 8 demonstrated a greater eagerness to take risks and venture into new opportunities. Overall, all companies that did take risks to expand did so to a moderate extent.

Among the factors considered, product standardization and the business knowledge and skills of the employee base were the two most frequently mentioned factors by companies from both countries, with 11 and nine companies, respectively, taking them into consideration. In Australia, product standardization ranked as the next most considered criterion for three companies, whereas Belgian companies attributed greater significance to this factor in their

decision-making process. Conversely, the international experience of top management, deemed very important by two Australian companies, appeared slightly less critical for three Belgian companies.

Regarding product or service standardization, digital offerings are generally standardized, often providing only a language selection feature. Physical products are also largely standardized but may offer limited pre-established customization combinations. Additionally, the main adaptation companies are doing when entering a new market is to adapt their product range to meet customers' specific needs and preferences. Services tend to be more customizable, with each project tailored to fulfill the customers' unique demands, even though they typically follow a pre-set process. However, certain markets, such as the United States or the Nordic countries (for food products), have specific requirements that necessitate further product modifications.

To enhance their penetration into foreign markets, companies' top management focuses on strengthening their employee base by hiring individuals with specific skills, which is why the "business knowledge and skills of the employee base" factor is among the most frequently mentioned factors. These skills include proficiency in foreign languages, valuable contacts and market knowledge, and diverse nationalities to facilitate understanding and integration into local cultures in certain countries. While some companies have these specialized members in-house, others rely on representatives, distributors, or importers to guide them in foreign markets.

Based on the interviewees' experiences, the international exposure of managers through short-term or long-term travels and previous work experiences abroad enables them to consider international expansion more quickly and with greater ease. As Company 8 pointed out, "*The more we travel, the less we fear the unknown and foreign markets, and the more prepared we are to take the step towards internationalization.*" Most companies also emphasized the importance of English proficiency, enabling them to conduct business in multiple countries.

In Belgium, the factors considered for expansion are more diverse. Aside from the type of products and services provided, which gathered five votes out of seven, other factors such as company size, technological resources, education level of top management, and international experience and business knowledge were also deemed slightly important for three companies.

The small size of SMEs was mainly perceived as an advantage due to increased flexibility. Agile companies can seize opportunities and exit markets more easily if needed. Entering a new market has a lower opportunity cost for smaller companies compared to larger ones, which would require more resources and would achieve faster market entry. Company 7 sees its smaller size as a competitive advantage, targeting smaller but numerous clients by offering smaller production batches. However, being too small can also present challenges in building a reputation and gaining market recognition. On the one hand, only two companies (Company 11 and 12) mentioned higher costs and a lack of capabilities due to their small size. On the other hand, Company 8 acknowledges that size could potentially limit companies' growth, but they can either be content with their current workload or invest to foster growth. In the middle stage, companies could mitigate resource constraints by being more opportunistic.

Among the three Belgian companies considering the education level of their top managers, their founders have studied business and marketing, allowing them to leverage their knowledge in their roles. However, the actual degree itself is not deemed crucial, as exemplified by Company 1, where the founders started the company while still studying and opted not to complete their degree to focus entirely on business development.

Regarding the factors mentioned as not important or not impacting the expansion decision, international business knowledge and skills were highlighted by two Belgian companies, while the strategic planning policy was mentioned once in each country.

Interestingly, international business knowledge was considered not important by two companies, while three other Belgian companies took it into consideration. The primary differentiator lies in the top management's prior experience. If the management lacks prior international exposure, they believe this factor has not influenced their decision, or they have sought the expertise of individuals with international knowledge. Conversely, for companies whose managers already possessed international work experience, this factor facilitated or accelerated the expansion process.

As for strategic planning, the two Belgian companies stated they do not have a specific strategy and prefer to seize opportunities as they arise. Company 10, from Australia, was the only one that formulated an international strategy and framework.

Four internal factors from the literature review were not mentioned in the interviews: product lifecycle, company age, company financial resources, and business leadership skills of the top management (the latter being largely included in managerial skills). The top management's prior business ownership and innovation orientation were mentioned only once. Company 1 is the only one considering the top management's age as very important in their international expansion, while it is either not important or not considered by other companies. Similarly, the international experience and skills of the employee base are slightly important for two Belgian companies, while not mentioned by the others.

One possible reason why the product lifecycle has not been mentioned could be that most companies started expanding their activities abroad at a very early stage, typically within two to three years (Figure 10). Therefore, it can be assumed that they did not reach a stage in the product lifecycle where they needed to enter new markets to extend its life.

Regarding the age of the top management, Company 1, whose founder was 23 years old when the company was created, highlighted that the younger generation has always been immersed in a globalized world and has never known customs. Therefore, internationalization seems more accessible and natural to them, incentivizing them to go abroad quickly. According to them, the younger generation sees internationalization as an opportunity and is less afraid of challenges.

One last interesting observation is that the product value proposition is very important for two Belgian companies, who consider their unique proposition a competitive advantage, making them willing to export it. However, this factor was not mentioned at all by the other nine companies.

Legend: Companies from Belgium ; Companies from Australia

#Companies Factor	Very Important		Considered		Not Important		N/A	
	BEL	AUS	BEL	AUS	BEL	AUS	BEL	AUS
Product standardization			<u>7</u>	<u>4</u>				1
Type of products	<u>4</u>	1	2	<u>3</u>			1	1
Product lifecycle							<u>7</u>	<u>5</u>
Product value proposition	2		1				4	5
Company size	1	<u>2</u>	<u>5</u>	1		1	1	1
Company age							<u>7</u>	<u>5</u>
Technological resources			<u>3</u>	2			4	3
Financial resources							<u>7</u>	<u>5</u>
Production capacity			2	1			5	4
Strategic planning policies				1	<u>1</u>	<u>1</u>	6	3
TM: Business leadership skills							<u>7</u>	<u>5</u>
TM: Business ownership		1			1		<u>6</u>	<u>4</u>
TM: Managerial experience			2	1			5	4
TM: Education			<u>3</u>				4	5
TM: Entrepreneurial orientation	<u>3</u>	<u>2</u>	2	1	1		1	2
TM: Innovation orientation			1				<u>6</u>	<u>5</u>
TM International business knowledge and skills			<u>3</u>	1	<u>2</u>		2	4
TM: International experience		<u>2</u>	<u>3</u>				4	3
TM: Market knowledge			2	1			5	4
TM: Network			2				5	5
TM: Age	1				1		<u>5</u>	<u>5</u>
EB: Business knowledge and skills			<u>5</u>	<u>4</u>			2	1
EB: International experience			2				<u>5</u>	<u>5</u>
EB: Diversity		<u>2</u>	2				5	3

Table 7 - Classification of internal factors per level of importance

This final analysis of the internal factors influencing internationalization decisions for Belgian and Australian SMEs revealed that two main factors, namely the type of product and/or services provided and the entrepreneurial orientation of the top management, held significant importance, particularly in Belgium. Australian companies slightly more emphasized entrepreneurial orientation, company size, top management's international experience, and the employee base's quality and diversity.

Product standardization and the business knowledge and skills of the employee base were the most frequently mentioned factors by companies from both countries. In Belgium, other factors considered for the expansion decision included company size, technological resources, education level of top management, and international experience.

Regarding factors considered to have no influence on the decision to expand activities abroad, two Belgian companies mentioned that the top management's international business knowledge and skills were not significant, while three other companies considered this factor as influential. This discrepancy in perception can be attributed to the prior international experience of the top management. The strategic planning policy was also mentioned once in each country as not impacting the decision to internationalize because companies would seize opportunities as they come.

Product lifecycle, company age, company financial resources, and business leadership skills of the top management were never mentioned during the interviews. This could be due to the early internationalization, or the factors being combined with another one.

Part 5 – Conclusions

Chapter 1: Analysis Conclusions

This thesis analyzed the similarities and the differences between the driving factors for a small or medium company to expand its activity abroad when it is based in Belgium or Australia, with the research question:

**“Which factors trigger the decision to expand abroad for SMEs:
A comparison between Belgium and Australia.”**

Section 1.1 – Conclusion on the difference in importance of factors between the theory and the interviews

Analysis revealed that four main factors: a strong interest from foreign markets, a need for growth, a small domestic market, and opportunities provided by a third-party, acted as key catalysts for SMEs' internationalization in both Australia and Belgium. However, numerous other factors played a varying role in influencing the decision to expand internationally.

Given each company's distinct international experience, factors often deviate from theory, occasionally with greater or lesser impact. However, the overall trend leans toward theory validation. The interviews served to both confirm and challenge existing theories. They highlighted consistent external factors like domestic market saturation, foreign market standards, infrastructure, and spontaneous orders. Internal factors validated included product type and top management's entrepreneurial orientation.

The most significant external factor for companies in both Belgium and Australia is the concept of "Spontaneous foreign orders," which strongly validates Stoian et al. (2011) result, which is that existing foreign demand for products or services could motivate the company to expand into that market to seize the opportunity (Stoian et al., 2011).

Onkelinx et al. (2016) suggested that internationalization benefits small firms, especially in countries with limited domestic markets. They propose that such firms may opt for overseas expansion to access new markets and diversify their customer base. In support of this, six

Belgian companies recognized that the constraints of the Belgian market prompted them to target larger international markets and a wider range of customers.

Regarding technological standards and infrastructure, over half of the companies emphasized that a mature and innovative market would ease their entry into foreign markets. This underscores the idea that advanced technological capabilities and high standards in a country facilitate the smooth integration of technological services.

Additionally, nearly all the companies indicated a preference for countries with similar cultures or the importance of having a local collaborator to comprehend foreign cultures. This aligns perfectly with the concept of psychic distance and the Uppsala model, which suggests that it would be easier to enter a country similar to the country of origin as a result of similarities between business processes (Johanson and Vahlne, 1977, 1990).

Regarding contradictions between theory and business reality, the external factors of the foreign environment and competition were expected to influence expansion decisions, yet companies found them negligible. Additionally, company size and strategic planning policies were found to have different impacts from those expected.

The foreign environment, which theoretically should influence expansion decisions by attracting companies to markets or suppliers and offering operational advantages, was found to have no impact. Companies viewed time zone differences as a pleasant but non-influential factor in destination choices.

Contrary to the theory, Belgian and Australian companies believed there is ample market space for everyone, and local or international competitors do not strongly affect their internationalization decisions. However, they concurred with the theory that a highly competitive market signals high demand, making it appealing.

A significant disparity arises in theory regarding company size's influence. While Moini (1995) asserts larger firms perform better in exporting, Calof (1993) contends small and medium-sized enterprises can penetrate the same markets. Most interviewees view their smaller size as advantageous, offering flexibility and reducing international expansion costs, aligning with Calof's findings.

A noteworthy aspect that emerged during the interviews, which was not addressed in the theory, is the company's internal structure. Adopting a relatively flat hierarchical structure and entrusting regional managers with significant autonomy over strategies in each country facilitates the penetration of several markets at the same time.

Section 1.2 – Conclusion on the differences between Belgium and Australia

An analysis of the differences and similarities between Belgium and Australia reveals that the timing and speed of internationalization, as well as the countries targeted, are not the same, while the entry strategy is not influenced by the country. Belgium internationalizes faster and earlier and focuses primarily on Europe, whereas Australian companies generally internationalize after two or three years and enter more Asian markets.

Regarding external factors, spontaneous foreign orders drive SME expansion decisions in both countries. Belgian firms additionally consider domestic market saturation and foreign technological standards, while Australian firms emphasize foreign politics. Foreign policy's importance varies between Belgian and Australian companies, though it factors into expansion decisions for both. European ease of business due to norm harmonization is an advantage for Belgian companies. Legal and socio-cultural aspects are significant for both, with foreign legal considerations present in Belgium.

Product type and entrepreneurial orientation of top management have been highlighted as the most significant internal factors in both Australia and Belgium. Australian firms also highlight management's international experience, small company size, and employee diversity.

Moreover, both countries frequently mention product standardization and employee skills as influential, and Belgium also considers company size, technological resources, top management's education level, and international experience.

Chapter 2: Research Limitations

The qualitative and quantitative research conducted for this thesis, combined with the analyses, have provided interesting new insights, slightly filling a gap in the literature. It allowed an in-depth understanding of the perspectives and experiences of the participating companies, offering valuable and context-specific information. However, it is crucial to interpret the results while considering certain limitations.

Firstly, the study's sample size is relatively small, with seven interviews conducted in Belgium and five in Australia. Consequently, the generalizability of the findings is limited. These companies' experiences and internationalization journeys may not represent the entire spectrum of SMEs in Belgium and Australia, but it still provides valuable insights into the contextual differences. As the interviews were conducted cross-industries, the sample provides diversified experiences but is not representative of one specific industry. Furthermore, focusing solely on SMEs narrows the scope of generalizability, as larger companies or multinational corporations may be influenced by different factors when making internationalization decisions.

Secondly, relying on self-reported data through interviews and an online questionnaire can introduce subjectivity or bias in the responses. Participants may be inclined to provide information they deem valuable or answer questions they have never considered before, potentially affecting the objectivity of the data. The qualitative analysis and the assignment of the level of importance to the various factors are based on the interviewees' explicit specifications as well as personal interpretations, considering the interview context, the company studied, and the expressions used.

Thirdly, an ambiguity concerning the definition of the domestic market emerged during the interviews. Depending on the context and market dynamics, the concept of the domestic market can vary between companies. While most companies perceive their domestic market as the one where their headquarters are located, there are instances where companies identify their domestic market in a different country. This could arise due to factors such as limited access to their headquartered country's market, stronger cultural alignment with another market, or a considerably larger foreign market.

Lastly, even within the same country, different companies can be influenced by diverse factors, as each organization's decision to internationalize is unique. This variability poses challenges in drawing definitive conclusions and aggregating the factors that influence SMEs within one country for comparison with another country.

Acknowledging these limitations, the findings of this research offer valuable insights into the factors influencing SMEs' internationalization decisions while emphasizing the need for caution in generalizing the results and highlighting avenues for future investigation.

Chapter 3: Potential Further Extensions

To enhance the findings presented in this thesis, two additional analysis paths can be pursued: a country-specific analysis and a sector-specific analysis.

Concentrating on a particular country could offer deeper insights and a clearer understanding of the primary trends adopted by companies. By narrowing the scope of the survey and interviews to a single country, researchers can dedicate more resources and attention to a thorough examination of the intricacies and subtleties within that specific context. This approach would enable a more profound exploration of the distinctive attributes of the business landscape, regulatory framework, cultural influences, and economic conditions prevalent in the chosen country. Such a focused strategy permits a more nuanced analysis of the pivotal factors, challenges, and prospects that mold the decisions of companies operating within that nation.

A sector-specific analysis could reveal nuanced differences in driving factors. Different industries might emphasize distinctive factors that hold less significance in other sectors. By concentrating on specific sectors, researchers can uncover the factors that exert the greatest influence on internationalization decisions within these domains. For instance, in technology-driven fields, considerations like safeguarding intellectual property and accessing cutting-edge research and development resources might assume precedence. Conversely, in consumer goods industries, factors such as brand recognition, consumer preferences, and distribution networks may wield a more significant impact. Certain sectors might also underscore unique factors that are of lesser importance in other industries. For instance, industries reliant on

intricate global supply chains may prioritize aspects like transportation efficiency and proximity to key suppliers. Similarly, sectors subject to stringent regulations could be particularly swayed by compliance with international standards and legal requisites.

Part 6 – Bibliography

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