Enhancing SME Internationalization in a Transition Economy: The role of Internal Factors

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Abstract **- This study explores the internal factors that may enhance SME internationalization. It contributes to the field of international business by providing hypotheses about organizational and owner-manager's characteristics which affect SME internationalization. Combining the Resource-Based View and the Upper Echelons Theory the study creates a more complete picture of the effect of organizational and owner-manager's characteristics on the likelihood of SME internationalization. The proposed hypotheses are tested in a sample of Bulgarian SMEs offering empirical evidence about SME internationalization in a transition context and addressing the call for more research in this context.**

Keywords – *Internationalization, SMEs, Bulgaria, Organizational factors.*

1. Introduction

The development of information and communication technologies, increasing globalization, and increasingly important role of small and medium-sized enterprises (SMEs) in the economy stimulate SMEs to go to foreign markets (Storey, 2008). The internationalization of SMEs is an important policy issue because it was suggested that internationalized SMEs make "a disproportionate direct contribution to wealth creation" (Storey, 2008:xiv). In transition economies with small domestic market, such as Bulgaria, the ability of SMEs to acquire competitive advantage in foreign markets may be essential for their survival and growth (Glas et al., 1999; Zhu et al., 2006). However, SMEs may face size-related characteristics that may diminish their ability to take advantage of new opportunities and respond to threats from internationalization, mainly greater uncertainty in external environment, limited resource base, and distinctive behavioural characteristics stemming from the combination of ownership and management (Smallbone et al., 1998).

The internationalization of SMEs has been researched extensively in developed economies. In transition economies the phenomenon has received relatively little attention. The available literature on SMEs' internationalization aims to explain and predict how SMEs will internationalize investigating various aspects including process, resources, firm's operations, relationships, networks, and international environment (Ruzzier et al., 2006). This research has important practical implications for practitioners and public decision-makers as it generates knowledge about effective and successful approaches and favourable conditions for internationalization. The research findings about SMEs' internationalization in developed countries can not be directly applied to transition countries due to economic, institution, and cultural differences. The internationalization of new and small firms has been researched extensively in developed economies (Chiao et al., 2006; Coviello and Jones, 2004), while in transition economies this phenomenon has received relatively little attention and there is a need for more research on internationalization of SMEs in Central and Eastern Europe (CEE) (Meyer and Peng, 2005; Smallbone et al., 1998). It was acknowledged that transition economies in CEE provided a unique environment for testing and developing theories in international business (Meyer and Peng, 2005).

The existing research on internalization of SMEs operating in CEE is limited in several aspects. Most studies are descriptive and deal with the nature, environment and barriers to SMEs' internationalization. They are either qualitative or rely on limited samples. There is a lack of understanding why some SMEs tend to internationalize, what factors determine the nature of SMEs' internationalization, and what is the effect of internationalization decisions on SME performance in transition economies. Therefore some authors call for future research on internationalization in CEE (Meyer and Peng, 2005; Smallbone et al., 1998). Therefore, the purpose of the present study is to identify internal factors that enhance the likelihood of SME internationalization. The paper is organized as follows. In the next section the specific context of the research is described. The third section contains literature review and hypotheses of the study. The research methodology is described in the following section. The fifth section contains the empirical results of the study. The final section presents conclusions, implications and recommendations for future research.

2. The Context of the Study

In this section, the context of the present research on internal factors enhancing SME internationalization is described. The geographic/political location is an important cotextual factor for understanding the internationalization of young and small firms (Ratten et al., 2007; Dana et al., 2008). This study investigates the internationalization of SMEs in Bulgaria, a transition country situated in Eastern Europe. Although the transition economies in Central and Eastern Europe differ significantly in various cultural, political, and economic aspects, they share a specific context before and during the transition to market economy (Dana and Ramadani, 2015).

During the period of planned economy, large state-owned industrial enterprises using mass production methods and relatively inflexible production processes and producing for geographically restricted markets, dominated the economies in CEE (McMillan and Woodruff, 2002; Tkachev and Kolvereid, 1999). In most countries in CEE including Bulgaria, entrepreneurship was not always a legal activity (Tkachev and Kolvereid, 1999). Private businesses were practically eliminated in most countries (Manolova et al., 2007) and existed only as part of the grey economy (Smallbone and Welter, 2001).

Transition to market economy was a complex process involving both radical economic and political transformations in all Eastern European countries (Dana and Ramadani, 2015). The political transition included political liberalization, free elections and democratization and resulted in the establishment of liberal democracy and civic society in transition countries (Sokol, 2001). The economic transition entailed economic liberalization, privatisation and marketisation and prompted the emergence of a functioning market economy in these countries (Sokol, 2001). Bulgaria started the transition process in 1989 and was one of the first transition countries to adopt a new constitution, but the privatization and other necessary reforms were delayed especially in the early years of transition (Ramadani and Dana, 2013). The preparation of the accession of Bulgaria to the European Union exercised a positive influence on the environment for enterprise development. In 2007, after fulfilling economic and political criteria, Bulgaria joined the European Union, but the transition is not completed yet, which may be attributed to the fact that people's mindset adapts slower than regulatory reforms (Dana and Ramadani, 2015). Despite the steady economic growth in the recent past, Bulgaria remains one of the least developed countries in the European Union. It is easier to do business in most EU member states than in Bulgaria (World Bank, 2014). In terms of Global Competitiveness Index, Bulgaria also lags behind the majority of the EU member states. Problematic factors for doing business include corruption, access to financing, inefficient government bureaucracy, policy instability, etc. (World Economic Forum, 2014).

The transition created many opportunities for entrepreneurship in transition countries and entrepreneurship became an important factor for the transition from centrally-planned to market economy (McMillan and Woodruff, 2002). The stage of development of transition economies affects significantly both domestic entrepreneurship and SME internationalization (Dana et al., 2008). The major obstacles to entrepreneurship development in transition countries were the heritage from the planned era and the lack of appropriate institutions (Dana and Ramadani, 2015). Specific obstacles to entrepreneurship development in Bulgaria include political uncertainty, energy issues, lack of management skills, problematic financing, infrastructure deficiencies, stigma associated with entrepreneurship, etc. (Ramadani and Dana, 2013).

SME sector makes a significant contribution to the Bulgarian economy. SMEs account for more than 99% of all non-financial enterprises in the Bulgarian economy (Simeonova-Ganeva et. al, 2012, 2013). Within the SMEs population, the share of micro enterprises is more than 92% (Simeonova-Ganeva et. al, 2012, 2013). SMEs provide more than half of the total employment in the non-financial enterprises and contribute to a greater extent to gross value added and turnover than large private non-financial companies (Simeonova-Ganeva et. al, 2012). Bulgarian SMEs are characterized with low share of exporters, low innovativeness, low use of intellectual property, low competitiveness, and low access to finance, and low integration into European and world business networks (Simeonova-Ganeva et. al, 2012; Simeonova-Ganeva et. al 2013). Most SMEs have not implemented good management practices and have insufficient access to finance (Simeonova-Ganeva et. al, 2012; Simeonova-Ganeva et. al 2013). The adaptation of the Bulgarian SMEs to the European requirements and global economy is a slow and painful process. The average labour productivity in the Bulgarian SMEs is significantly lower than the average in the European Union. These enterprises are involved predominantly in activities with low value added. The main factors that foster the modernization of Bulgarian SMEs are:

- the external influence from the EU through regulations;
- the internal influence exerted by the subsidiaries of multinational companies operating in Bulgaria.

In summary, during the last decade the Bulgarian economy has achieved macroeconomic stability and growth. Various measures were implemented in order to improve the environment for doing business especially for SMEs. However, the Bulgarian economy is characterized by very low competitiveness in comparison with the other European Union member states. The reasons for the low competitiveness of the Bulgarian economy can be found at both macro-economic and micro-economic levels.

3. Background and Hypotheses of the Study

2.2 The role of organizational factors for SME internationalization

SMEs's ability to enter foreign markets is directly related to their accumulated stocks of resources both in developed and transition economies (Ratten et al., 2007; Dana et al., 2008; Westhead et al., 2001; Bloodgood et al., 1996). The Resource-Based View of the firm (RBV) (Barney, 1991) is a powerful and influential theoretical framework for rigorous research in the field of international business as well as in the context of emerging and transition economies (Meyer and Peng, 2005). The RBV assumes that strategic formulation and competitive advantage are dependent on the resources and capabilities of the firm (Barney, 1991). Only rare, valuable, inimitable, and non-substitutable resources may be sources of sustained competitive advantage (Barney, 1991). Firms with unique resources may have a greater propensity to internationalize their business (Bloodgood et al., 1996). Resources and capabilities are important not only for SME capacity for internationalization, but also for its continuing success (Ratten et al., 2007). Empirical research confirms that various organizational resources and capabilities encourage SME internationalization (Westhead et al., 2001). In this study, the RBV is used to explain the role of organizational characteristics for understanding SME internationalization.

Entrepreneurial orientation may be seen as an important organizational resource for international involvement. It was acknowledged that internationalization is an entrepreneurial act because it consists of identifying and exploiting entrepreneurial opportunities in foreign markets (Jantunen et al., 2005; Ripollés-Meliá et al., 2007). Entrepreneurial orientation and its dimensions have a significant positive impact on the likelihood of internationalization (Ripollés-Meliá et al., 2007), degree of internationalization (Javalgi and Todd, 2011), scope of internationalization (Ripollés-Meliá et al., 2007), and international performance (Jantunen et al., 2005). Therefore, we suggest that:

H1: Entrepreneurial orientation increases the likelihood of SME internationalization.

Internationalization is considered as a process of organizational learning and knowledge development (Basly, 2007). Internationalization knowledge influences positively the internationalization degree of the firm (Basly, 2007). Learning is an organizational capability, which is critical for increasing the stock of knowledge and knowledge intensity in the internationalizing firm (Prashantham, 2005:38). Firms' international learning effort is positively associated with internationalization intent (De Clercq et al., 2005), while the chance to acquire new knowledge is important for the decision to continue exporting (Burpitt and Rondinelli, 2000). Learning orientation increases export propensity of SMEs (Burpitt and Rondinelli, 1998) and affects positively international performance (Jantunen et al., 2008). Therefore, we suggest that:

H2: Learning orientation increases the likelihood of SME internationalization.

The lack of resources for internationalization may impede exploiting abroad the competitive advantages gained in domestic markets (Fernandez and Nieto, 2005). Financial resources are necessary to fund international activities and to introduce the changes within the firm required for internationalization including development of firm's production, managerial, and marketing capabilities (Graves and Thomas, 2008). The access to finance enhances export intensity (Du and Girma, 2007) and determines internationalization pathway undertaken (Graves and Thomas, 2008). Therefore, we suggest that:

H3: Access to financial resources increases the likelihood of SME internationalization.

The presence of foreign investors in companies operating in Central and Eastern Europe is associated with numerous positive effects including high learning, high efficiency governance, and high corporate restructuring effectiveness (Filatotchev et al., 2003). Foreign investors may provide SMEs in transition economies with resources, knowledge and capabilities in internationalization (Dana et al., 2008; Filatotchev et al., 2008). Empirical research confirms the importance of foreign ownership for export propensity (Rojec et al., 2004), export intensity (Filatotchev et al., 2008), international sales (Calabrò et al., 2013). Drawing upon these considerations, we formulate the following hypothesis:

H4: The presence of foreign investors increases the likelihood of SME internationalization.

Most empirical research demonstrates that family businesses and especially family SMEs are less likely to get involved in international activities than non-family businesses (Jorissen et al., 2005; Fernandez and Nieto, 2005; Cerrato and Piva, 2012). Family SMEs that want to go to international markets may face the challenge to change their objectives, culture, structure, and strategy (Gallo and Sveen, 1991). Although family firms may posses unique resources and capabilities stemming from the the systematic interaction between the business, the family and its members, family businesses may also face some disadvantages such as the ability to make appropriate shedding decisions about resources, which may influence negatively their performance (Sirmon and Hitt, 2003). The lower export propensity and intensity of family SMEs compared with non-family SMEs is explained with the difficulties for acquiring essential resources and capabilities for building competitive advantage in international markets (Fernández and Nieto, 2005). Therefore, we suggest that:

H5: Family SMEs are less likely to have internationalized their business than non-family SMEs.

3.2 The role of owner-manager's characteristics for SME internationalization

In the present study, the Upper Echelons Theory is used to explain the role of owner-manager's characteristics for SME internationalization. The Upper Echelons Theory (Hambrick and Mason, 1984) is one of the key theoretical approaches for understanding managerial decision-making in international business (Aharoni et al., 2011). Top executives in organizations have bounded rationality and their decision-making is based on biases and dispositions, which are crucial for understanding the functioning and performance of organizations (Hambrick, 2007). Strategic choices of executives including international strategic choices are a function of executives' cognitive processes (Hambrick and Mason, 1984; Aharoni et al., 2011). Observable characteristics of executives can be used as valid indicators of their cognitive base, values and behaviours (Hambrick and Mason, 1984; Hambrick, 2007; Aharoni et al., 2011). Such observable characteristics include age, tenure in the organization, education, functional background, tenure, career experiences, socioeconomic background, stock ownership of top executives, etc. (Hambrick and Mason, 1984). The upper echelons theory has been substantially supported in empirical research (Hambrick, 2007; Aharoni et al., 2011).

According to the Upper Echelons Theory education is an indicator of the knowledge and skill base of managers (Hambrick and Mason, 1984). Managers with high educational attainment may exhibit higher cognitive abilities and skills (Wiersema and Bantel, 1992). Executives with higher educational level may engage in a more in-dept decision-making analysis, which is important for managing the internationalizing business because internationalization requires learning about unique national settings with specific cultural and institutional features (Hsu et al., 2013). Empirical evidence suggests that top management team's level of education is positively associated with strategic change (Wiersema and Bantel, 1992), level of internationalization (Casillas and Acedo, 2005), and scale of internationalization (Hsu et al., 2013).

H6: The owner-manager's level of education increases the likelihood of SME internationalization.

There are distinct patterns of executive behaviour within an executive's tenure in a position (Hambrick and Fukutomi, 1991). Long tenure is associated with increasing commitment to the executive's paradigm for running the firm, decreasing interest in the job, relying on narrower and more finely filtered information, and slowing increase in task knowledge (Hambrick and Fukutomi, 1991). CEOs tend to exhibit more conservative attitude toward change as their tenure increases (Musteen et al., 2006). CEO's tenure influence negatively entrepreneurial risk-taking, especially a firms' emphasis on innovation and venturing in domestic and international markets (Zahra, 2005). Organizational tenure of top management team was found to be negatively associated with strategic change (Wiersema and Bantel, 1992). CEO position tenure is associated with the choice of foreign market entry mode (Herrmann and Datta, 2002) and the degree of firm's internationalization (Jaw and Lin, 2009).

H7: The owner-manager's tenure decreases the likelihood of SME internationalization.

4. Research Methodology

This study uses a sample of 190 SMEs (83 family businesses and 107 non-family businesses) operating in Bulgaria. The sample was extracted from a database about corporate entrepreneurship in Bulgarian enterprises (Yordanova, 2013). Respondents are the owner-managers of the companies. The survey uses a structured questionnaire containing questions about the characteristics of the organization, the owner-manager, and the environment. More than 64% of the sample companies operate predominantly in the service sector. Microenterprises represent 32.1% of the sample firms, while small enterprises account for 41.6%. Approximately 44% of the sample firms operate for less than 10 years.

Following Ruzzier et al., (2006:477), in this research internationalization is defined as "geographical expansion of economic activities over a national country's border". As there is no commonly accepted measure of internationalization (Sullivan, 1996), researchers use various approaches to operationalize internationalization. Some authors explore one or more specific modes of entry to foreign markets such as exporting and/or foreign direct investment (Westhead et al., 2001; Chiao et al., 2006). Empirical studies on internationalization using data from Bulgaria or other Eastern European countries are also focused either on exporting (Lloyd-Reason et al., 2005; Smallbone et al., 1998) or on foreign direct investment (Svetličič et al., 2007). The modes of internationalization most frequently cited by SMEs are direct exporting without an overseas base and establishing an overseas base through some form of foreign direct investment (Wright et al., 2007). Therefore the present investigation, which is based on a sample of SMEs, examines the involvement of the sample companies in exporting and/or foreign direct investment. The variable INTERNATIONALIZATION is a binary variable. It takes value 1 if the company exports products or services and/or has made foreign direct investments and value 0 if not.

The variable EO reveals the level entrepreneurial orientation of the sample firms. EO is measured with 9-item, 7-point Likert scale proposed by Covin and Slevin (1989). Its validity and reliability was poven in previous research (Wiklund, 1998). In this study the EO scale reports acceptable reliability (Cronbach alpha's value is 0.858).

The variable LO indicates the level of learning orientation of the studies companies. LO is measured through a scale developed by Sinkula et al. (1997). The scale is retested by Baker and Sinkula (1999) who provide further evidence for its validity and reliability. The Cronbach's alpha of the learning orientation scale adopted in this study is 0.833.

Following Wiklund and Shepherd (2005), this study uses a subjective measure of the owner-manager's access to financial capital. The dummy variable RESOURCES is coded 1 if the respondent's answer to this question is somewhat satisfactory, mostly satisfactory or fully satisfactory for the firm's development and 0 if the respondent has given another answer.

The dummy variable FOREIGN indicates the presence of foreign owners (value 1) or otherwise (value 0).

The most common definition of family business applied in literature on internationalization of family businesses is based on a combination of ownership and management criteria (Kontinen and Ojala, 2010). Therefore, in this study family SMEs are SMEs where one family controls the company and is represented in its management team (Naldi et al., 2007). This approach to defining family business will increase the comparability of our results with previous empirical findings about internationalization of family businesses, which was recommended by Kontinen and Ojala (2010). The dummy variable FAMILY indicates whether the company is a family business (value 1) or not (value 0).

The dummy variable CEO_EDU indicates the level of education acquired by the owner-manager of the company (1 = university degree, 0 = other). The variable TENURE indicates the owner-manager's tenure in this position in number of years.

Three control variables are used in the study. The variable FIRM_AGE measures firm age in number of years. The variable MANUFACTURING indicates if the company operates predominantly in the manufacturing sector (value 1) or not (value 0). The variable SERVICES takes value 1 if the company operates predominantly in the service sector and value 0 if not.

A binary logistic regression was employed to deal explicitly with the dependent variable INTERNATIONALIZATION, which is a binary variable (Greene, 1997). The logistic regression is a robust method since according to Greene (1997):

- the dependent variable needs not to be normally distributed;
- logistic regression does not assume a linear relationship between the dependent and the independent variables;
- the dependent variable needs not to be homoscedastic for each level of the independent variable(s);
- normally distributed error terms are not assumed;
- independent variables can be categorical;
- it does not require independent variables to be interval or unbounded.

The application of non-parametric techniques is adequate when the independent variables are predominantly categorical. The use of the maximum likelihood approach is recommended when sample selection bias is possible (Nawata, 1994).

Binary logistic regression provides a framework that indicates if and how well independent variables can adequately predict SME internationalization. The estimated binary logistic models take the following form:

Prob (SME internationalization)

= 1 / (1 + e-Z) (1)

where Z = f (Xi, C), i.e. a linear combination of independent variables (Xi) and a constant (C).

The research hypotheses will be supported if regression analysis provides an acceptable accuracy of classification of cases and of goodness of fit measures. In addition, the impact of explanatory variables should be statistically significant at least at the 10 percent level (two-tailed test) with the predicted sign. Wald statistics will be used to estimate the significance of the independent variables. Data analyses are performed with the statistical package SPSS version 15.0.

5. Empirical Results

In this section we present the empirical results of hypotheses test in our sample of 190 Bulgarian SMEs. A logistic regression model has been estimated to identify which independent variables predict SME internationalization (Table 1). The model is significant at 99% confidence level according to Chi-square statistics. The Variance Inflation Factor (VIF) is calculated in order to check for the presence of multicollinearity problems. The values of the Variance Inflation Factor (VIF) for all regressors included in Table 1 do not exceed 2, which excludes multicollinearity. The overall predictive ability of the regression model in Table 1 to classify correctly companies by the presence of growth plans is more than 76%, which is much higher than the random chance (50%).

Four organizational characteristics seem to impact significantly the probability of SME internationalization. The coefficients of the variables EO, MANUFACTURING, RESOURCES, and FOREIGN are statistically significant and positive. SME with higher entrepreneurial orientation are more likely to have internationalized their business. The presence of foreign owner(s) increases the probability of SME internationalization. SMEs with good access to financial resources are also more likely to have internationalized their business. The choice of manufacturing sector is related to higher probability of internationalization. Hypotheses H1, H3, and H4 cannot be rejected.

Contrary to what was suggested, learning orientation and family business status have no statistically significant influence on the probability of SME internationalization. The coefficients of the variables LO and FAMILY are not statistically significant. There are no significant differences in the likelihood of going to foreign markets between family and non-family SMEs in the sample. The level of learning orientation is not associated with differences in the likelihood of internationalization of the studied SMEs. Hypotheses H2 and H5 can be rejected. The control variables SERVICES and FIRM_AGE have no impact on SME internationalization. Firm age and the choice of service sector are not associated with the odds of internationalization.

Table 1 demonstrates that individual characteristics of the owner-manager included in the present study have no significant impact on the dependent variable INTERNATIONALIZATION. Contrary to our expectations, education level and tenure of the CEO are not related to the probability of going to foreign markets. Hypotheses H6 and H7 can be rejected.

Table 1 The effect of internal factors on SME internationalization

Variables	**Coefficients**	**Std. Error**	**Wald**
EO	0.041**	0.020	4.070
LO	-0.020	0.021	0.904
RESOURCES	0.694*	0.378	3.372
FOREIGN	2.154***	0.497	18.765
FAMILY	0.316	0.397	0.636
EDU	0.643	0.672	0.917
TENURE	-0.061	0.040	2.369
FIRM_AGE	0.026	0.018	2.156
MANUFACTURING	1.910***	0.618	9.561
SERVICES	0.431	0.508	0.721
Constant	-2.912**	1.306	4.969
Chi-square	62.990***		
-2 Log likelihood	195.649		
Overall % correct predictions	76.8		
N	190		

* p<0.1 ** p<0.05 ***p<0.01

6. Discussion and Conclusions

The shift from centrally planned to market economy in the countries in Central and Eastern Europe has led to the emergence of a large number of privately owned SMEs, which play important role for countries' economic development. In order these enterprises to remain competitive in both local and international markets it is of the utmost importance to gain understanding what factors encourage their internationalization. Due to increasing globalization and volatility of markets, internationalization constitutes an important strategic option to SMEs to increase their competitive advantage in national and international markets (Calabrò et al., 2013). This study explores the internal factors that may enhance SME internationalization. It contributes to to the field of international business by providing hypotheses about organizational and owner-manager's characteristics which affect SME internationalization. Combining the Resource-Based View and the Upper Echelons Theory the study creates a more complete picture of the effect of internal factors on the likelihood of SME internationalization and a deeper understanding of the relationship between the internal factors and various owner-manager's and organizational characteristics. The proposed hypotheses are tested in a sample of Bulgarian SMEs offering empirical evidence about SME internationalization in a transition context and addressing the call for more research in this context (Meyer and Peng, 2005; Smallbone et al., 1998).

This study reveals that several organizational factors play important role for stimulating SME internationalization. Manufacturing SMEs are significantly more likely to go to foreign markets than othet SMEs, which is not a surprising finding about a country with small domestic market such as Bulgaria. The presence of foreign owners has a strong positive effect on the odds of internationalization. Similarly to previous research (Rojec et al., 2004; Filatotchev et al., 2008; Calabrò et al., 2013) our findings demonstrate that foreign investors play an important strategic role for SME internationalization. This is consistent with the RBV which suggests that foreign owners may provide SMEs in transition economies with resources and capabilities needed for their internationalization such as new products and marketing skills, knowledge, technology, management skills, know-how, etc. (Dana et al., 2008; Filatotchev et al., 2008).

Entrepreneurial orientation has a significant positive effect on the likelihood of SME internationalization. SMEs with pro-active, risk seeking and innovative behaviour are more likely to identify and exploit entrepreneurial opportunities in foreign markets. This finding is consistent with resource-based perspective that entrepreneurial orientation may be seen as an important resource driving international involvement. From a research standpoint, these results enhance existing body of knowledge about the strategic importance of entrepreneurial orientation to internationalization (Ripollés-Meliá et al., 2007; Javalgi and Todd, 2011; Jantunen et al., 2005).

The finding that the access to financial resources enhances the odds of internationalization is in line with previous research (Du and Girma, 2007). It seems that the lack of access to financial resources impedes the studied SMEs to exploit abroad the competitive advantages gained in domestic markets (Fernandez and Nieto, 2005). SMEs with insufficient access to financial resources may not be able to fund international activities and to introduce the changes within the firm required for internationalization including development of firm's production, managerial, and marketing capabilities (Graves and Thomas, 2008).

The proposed hypotheses about the effects of learning orientation and family business status were rejected. Learning orientation is not associated with SME internationalization, which is in contradiction with previous empirical evidence about the importance of learning orientation for internationalization (Burpitt and Rondinelli, 1998; Jantunen et al., 2008). Empirical findings of the present study demonstrate that family and non-family SMEs do not differ significantly in the likelihood of internationalization. Contrary to previous research in other countries and contexts (Jorissen et al., 2005; Fernandez and Nieto, 2005; Cerrato and Piva, 2012), family SMEs are not less likely to internationalize their operations than non-family SMEs in the studied sample from a transition economy.

The present study did not find support for the role of owner-manager's characteristics for explaining SME internationalization. Although previous research finds that top executive's tenure (Jaw and Lin, 2009; Herrmann and Datta, 2002) and education (Casillas and Acedo, 2005; Hsu et al., 2013; Arregle et al., 2012) are associated with firm's internationalization, our analysis reveals that the effects of owner-manager's tenure and education level on SME internationalization are not statistically significant in the studied sample.

Before discussing the implications of the findings, some limitations of the study should be noted. First, this exploratory study uses a relatively small sample of SMEs and therefore the findings should be interpreted with caution. Second, data was collected through a self-reported survey and thus may be subjected to cognitive biases and errors. Third, the findings may be influenced by specific features of the Bulgarian cultural and institutional environment and therefore may not be applicable to other developed or developing economies. Finally, due to the cross-sectional design of the research causal relationships cannot be deduced.

In order to enhance the understanding of internationalization in family and non-family SMEs operating in different contexts, future research needs to examine the following aspects. The presented hypotheses should be tested in a large representative sample of Bulgarian SMEs. Future research should examine the importance of other individual and organizational characteristics for SME internationalization. Future research should also examine to what extent the findings of this study can be generalized to SMEs operating in other transition countries or in other contexts. A longitudinal analysis of SME internationalization should complement the findings of this research in order to confirm causal relationships. The multiple measurements of independent and outcome variables in the study over time will allow examining the bidirectional relationships between the variables studied.

The findings reported here have several important implications for practitioners. It is clear from the results of our study that owners and managers in SMEs must foster entrepreneurial culture throughout the organization in order to stimulate the internationalization of their business opperations. Attracting foreign investors appears as a critical factor for SME internationalization. SMEs should be aware that foreign investors may provide valuable resources such as know-how, finance and other resources, knowledge, information about foreign clents and markets, etc., which may enhance their chances to enter successfully foreign markets and to achieve competitive advantage in these markets. Therefore, SMEs should try to attract foreign investors in order to be able to benefit from the presence of foreign investors and to dispose with valuable resources that these investors may provide for their internationalization. Policy makers should implement specific policies, instruments and mechanisms for improving the SMEs' access to financial capital in order to enhance their internationalization. Loan institutions, risk capitalists, business partners and business angles trying to identify SMEs with propensity to internationalize their operations should pay more attention on organizational factors including its entrepreneurial orientation, the presence of foreign investors, secotr and access to resources.

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