Using the “best-fit” approach to investigate the effects of politico-economic and social barriers on SMEs’ internationalization in an emerging country context: Implications and future directions

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Abstract
The way this study has used the “best-fit” approach has facilitated the investigation of how three hypothesized constructs of political, economic, and social barriers can deepen our knowledge of their impacts on small and medium-sized enterprises (SMEs)’ internationalization within a small developing country context. Based on a quantitative analysis of the three hypothesized barriers, we used the “best-fit” approach to measure the extent to which the SMEs’ internal variables like people, products, services, and practices might best fit some of the people and non-people factors external to the businesses. The application of the “best-fit” approach onto the three hypotheses—politics (H1), social (H2), economics (H3), helped us in explaining the major social and politico-economic barriers faced by a developing economy’ (Bangladeshi) SMEs’ internationalization despite previous literatures’ emphasis on the impacts of globalization, market drivers or their oversight. Based on the findings, we point to future research trajectory. This study used primary survey data from 212 Bangladeshi SMEs and successfully validated an HR model by using Smart PLS3 software. The results from the hypotheses were used to produce the HR model to help SMEs identify the significance of people and economic factors and propose these aspects for inclusion in the "best-fit" approach, SME, and globalization research.

KEYWORDS
best-fit approach, developing country, HR model, internationalization, SMEs

1 | INTRODUCTION

Small and medium-sized enterprises (SMEs) have contributed to boosting the growth of developing countries’ economies. Previous research has focused on the factors constraining SMEs’ growth in foreign markets (Okpara & Kabongo, 2011) as well as their positive economic contributions (Buckley & Ghauri, 2016; Steinerowska-Streb & Steiner, 2014), thereby signaling the importance of internationalization. Internationalization of business activities involves not only trade across borders but also the processes by which firms seek to increase their business’s involvement externally (Liesch, Welch, & Buckley, 2014; Newman, Borgia, & Deng, 2013). Calls for businesses to adapt operations internationally (Fletcher & Prashantham, 2011) have focused on human capital (Ruzzier, AntonciC, Hisrich, & Konecnik, 2007), the use of people management practices (Paul & Anantharaman, 2003) and its benefits (Kamakura, Ramón-Jerónimo, & Gravel, 2012; Vissak & Zhang, 2012). However, these studies are criticized for failing to take into account SMEs’ size, capacity, and the way
goods and services undergo inward mobility as part of a process of internationalization (Balboni, Bortoluzzi, & Grandinetti, 2013). Recently, other researchers have viewed internationalization as a set of economically related activities that show how a firm expands its operations across a nation’s geographic boundaries (Ruzzier et al., 2007). In this article, we view internationalization as a set of economic and people-related activities via which firms seek to move their inward goods and services across borders.

By focusing on the theoretical foundations of internationalization including those by Paul, Parthasarathy, and Gupta (2017), we aim to assess the extent to which the theoretical aspects apply in a developing country context and how an HR model contributed to deepen our understanding of the political, economic, and social issues involved. However, other scholars have looked into the theoretical aspects and the questions raised by globalization (Liñán, Paul, & Fayolle, 2019). Some of the theoretical recommendations highlight the benefits to “organic” networks of social and business relationships (Fletcher & Prashantham, 2011) in facilitating SMEs’ internationalization activities or the contributions made by young managers (Paul & Shrivatava, 2016). However, we still do not know the extent to which the factors that determine the movement of goods and services (Williams, Ridgman, Shi, & Ferdinand, 2014) are measured and what their implications on the economic benefits and barriers are (Buckley & Ghauri, 2016). Often, the fast “pace of globalization” (Ghauri, Wang, Elg, & Rosendo-Ríos, 2016) and the growing influence of technology (Stone, Deadrick, Kimberly, & Lukaszewski, 2015) are considered as separate from other “market drivers” (Jaworski, Kohli, & Sahay, 2011; Zoogah & Mburu, 2015) thereby questioning SMEs’ internationalization legitimacy (Saridakis, Yangqing, & Cooper, 2017).

When barriers to SMEs’ internationalization are investigated a number of aspects including employee disengagement, entrepreneurial noncommitment, under-performance, and trust are highlighted (Von Bonsdorff, Jahninen, Zhou, & Vanhalad, 2015). However, we do not know the extent to which the HR strategies (Ulrich & Dulebohn, 2015) impact on the macro political and situational factors from a developing country angle. Hence, to date there is no model that looks into capturing the environmental and behavioral factors because of internationalization (Lindner, Muellner, & Puck, 2016). As part of the study's objective, we have developed an HR model capturing the complexities involved in the process.

To do so, we combine three main factors of politics, economics, and the social to study and deepen our understanding of the barriers to SMEs’ internationalization (Rahman, Uddin, & Lodorfos, 2017). We use the "best-fit" approach to focus on identifying internal and external factors that contribute to the barriers to internationalization (Stone et al., 2015). We hypothesize the three main barriers as constructs for their survival, given their limited exploration. The most investigated construct is economic. The internationalization theories focus on the measurement of the relationship between market performance, financial, and foreign exchange factors. However, given the significant variation in reporting systems across economies and highlighting what relationships might prove more beneficial in capturing a more complex internationalization picture, we include and examine additional factors such as politics, legal, procedural, and developmental issues in our hypothesis and model development because these have not been investigated previously.

Based on the literature, we examine characteristics of the "best fit" and "best practices" to determine our justification of applying the characteristics onto the internal and external variables (i.e., barriers) in developing a new HR model as this article’s contribution to SMEs’ internationalization. This approach was adopted because we still do not know whether applying a set of people-related practices and procedures in a specific developing country (i.e., by using the “best fit”) will be sufficient guarantee for SMEs to do well internationally. We want to find an alternative or an amended version of Becker and Huselid’s (2006) “best-fit” approach that fits within a developing country by measuring the three variables (i.e., the three barriers to study SMEs’ internationalization) given their under-representation in the SME and internationalization literature on people and non-people-related factors. Therefore, in order to develop a model, our research question is “what are the politico-economic and social barriers faced by SMEs as they try to do business in foreign or international markets?”

2 | LITERATURE REVIEW

2.1 | Best-fit approach

Two HRM models popularly referred to as "best fit" and "best practice" (Pauwue & Boselie, 2005) are used to describe interactions (e.g., between internal organizational practices and external activities). Three major hypotheses on SMEs' internationalization barriers are used to see whether an alternative model can be developed on how SMEs in a developing country manage people, goods/products, and services and thereby contribute to the theoretical debates and discussions such as those raised by Liñán et al. (2019). The best-fit approach points to how manage people both within and outside a company (Mendy, 2017). The model assumes that there is an internal fit between people, products, services and practices, and the external environment. However, it does not take into account the obstruction of “fit” by barriers to SMEs’ internationalization. The “best-fit” proponents like Boxall and Purcell (2003) argue that a firm's people-related practices fosters employee commitment and engagement through an internal application of pay and reward, disciplinary procedures, and team working. Whether such an application helps us unravel the internationalization issues and complexities or even what managers may contribute (Paul & Shrivatava, 2016) remains to be discovered. Therefore, it appears logical to use O'Farrell, Zheng, and Woods (1996) "best-fit" model because it caters for the internationalization issues (e.g., mobility of people, goods, and services in foreign markets). Consequently, an interchangeable usage of the two terms in the tradition of Pauwue and Boselie (2005) or Becker and Huselid's (2006) limited usage to focus on firm performance or Boxall and Purcell (2003) internal usage was not adopted.
The theoretical foundations of internationalization are polarized in terms of the economic content variables including entrepreneurial and employee commitment (Von Bonsdorff et al., 2015), cross-border teams (Edmondson & Harvey, 2017), and leadership and trust (Top, Akdere, & Turcan, 2015). An HR model that integrates the complexities has been missing within the informal (Williams & Horodonic, 2016) and formal entrepreneurial business (Zhou, Zhangand, & Shen, 2017) and even the theoretical postulations (Paul et al., 2017). It is only recently that attempts are made to remedy such missing aspects (Rahman & Mendy, 2018). However, we still do not know what their impacts on SMEs' service and product mobilization might be (Alon & Rottig, 2013; Balboni et al., 2013).

We conceptualize the internationalization barriers on politics, economics, and the social using some existing theories. Political barriers are considered as those company procedures and mechanisms, which make the practical use of HR practices in international operations fraught (Kaufman, 2015). This is compounded when legal challenges foster a culture of corruption (Chen, Liu, & Su, 2013) thereby making access to legal support (Benito-Hernández, López-Cózar-Navarro, & Priede-Bergamini, 2015) problematic (Gunaratne, 2009).

The social barriers include language, social norms and practices and staff skills' training. However, developing countries lack training and adequate skilled human capital (Roza, Bosch & Volberda, 2011) rendering their export barriers problematic (Okpara & Kabongo, 2011). The economic barriers consist of the exchange rate and inflation-related costs of firms (Ghosh, Ostry, & Chamon, 2016) adding to their economic difficulties (Hong & Lu, 2016). Such combinations make SMEs' ability to adjust to and contribute to economic growth (Domeher, Musah, & Hassan, 2017) more challenging (Cowling, Liu, Ledger, & Zhang, 2015). However, some SMEs defy the odds internationally (Cavusgil & Knight, 2015).

However, we do not know whether using "best practices" in providing employment security, equality, and teamwork (Boxall & Purcell, 2003) or "best fit" can address the political, social, and economic barriers as identified, aspects that Liñán et al. (2019) could have comprehensively looked into. We also do not know whether there might be an alternative model beyond Jaworski et al. (2011) "inward"/"outward" model or Paul and Anantharaman’s (2003) people management’s impact on performance or Paul and Shrivatava’s (2016) manager-model contribution as theorized. By considering theoretical frames that support the "best-fit" model and recent postulations by Mendy and Rahman (2018) we ascertain what implications there might be for SMEs’ internationalization and people management by testing the three hypotheses, two of which have been neglected in a small developing country.

2.2 Conceptual model development

Based on the earlier analysis, we initially propose the following research model (Figure 1) to highlight the three hypothesized barriers of politics (H1), social (H2), and economics (H3) for SME and Human Resource Management research and practice.

![Figure 1](https://via.placeholder.com/150)

**FIGURE 1** Hypothesis on the internationalization barriers for SMEs in a small developing country
In Figure 1, there are three main hypotheses formed based on the conditional barriers derived from the literature on the internationalization of SMEs. Each of the three hypotheses relate to social, political, and economic conditions/dimensions as SMEs from a developing country seek to enter developed countries’ foreign markets.

### 2.2.1 | Political and legal barriers

Three SME internationalization barriers are identified as political (H1), social (H2), and economic (H3). The literature highlights how the use of power can render a political barrier and a firm's dependence on HR practices, policies, and procedures (Johns, 1993) open to "greasing the wheels" for such internationalization (Dutta & Sobel, 2016). This was missed by Paul et al. (2017). Negative consequences threaten such SME expansion (Mendoza, Lim, & Lopez, 2015).

Legal support may be sought by individuals and companies for a multitude of reasons, including saving a firm’s face (Harrison, Boivie, Sharp, & Gentry, 2018) when the business is under threat of extinction or loss of reputation (Gunaratne, 2009). However, legal support is sometimes unavailable (Benito-Hernández et al., 2015) even in developed countries. Based on the earlier analysis, we hypothesize that:

- **H1a**: Political barriers and SMEs’ internationalization best-fit political instability.
- **H1b**: Political barriers and SMEs’ internationalization best-fit legal procedural barrier.
- **H1c**: Political barriers and SMEs’ internationalization best-fit lack of express service.
- **H1d**: Political barriers and SMEs’ internationalization best-fit corruption.

### 2.2.2 | Social barriers and skills’ acquisition

The "best-fit" model conflates HRM practices into a set of organizational business activities and practices (Marchington & Grugulis, 2000), whose acceptance becomes legitimized in a social medium such as language or a set of values and behaviors (Meyer and Rowan, 1977). Despite this, practices vary from company to company and therefore are not "rule-like" (Okpara & Kabongo, 2011).

Skill denotes the ability to perform a task, often successfully (Naumann, Richter, Christmann, & Groeben, 2008). Although contextual conditions may account for differences, firms in developing countries struggle for skills' capacity (Beine, Docquier, & Rapoport, 2008) even though shortage of skilled labor and its impact have received muted attention. Based on the earlier analysis, we posit the following hypotheses:

- **H2a**: Social barriers and SMEs’ internationalization best-fit language acquisition lag.
- **H2b**: Social barriers and SMEs’ internationalization best-fit a lack of social aspects.
- **H2c**: Social barriers and SMEs’ internationalization best-fit skilled labor deficit.
- **H2d**: Social barriers and SMEs’ internationalization best-fit lack of training.

### 2.2.3 | Economic and financial barriers

Economic activity is an important criterion for economic growth (Boso, Oghazi, Cadogan, & Story, 2016). Interest, exchange, and inflation rates continue to impact on business capital and international ownership (Ghosh et al., 2016). Although economic and financial barriers affect SMEs and MNEs, SMEs are more vulnerable to economic fluctuations (Cowling et al., 2015), resource constraints (Hong & Lu, 2016), and growth obstacles (Brouthers, Nakos, & Dimitratos, 2015; Domeher et al., 2017). The ability to sometimes become successful internationally (Cavusgil & Knight, 2015) calls for some other incentives (Agwu & Emetis, 2014). To date, there is no study to determine the influence of economic and financial barriers on the internationalization of Bangladeshi SMEs. The earlier analysis has led us to propose the following hypotheses:

- **H3a**: Economic barriers and SMEs’ internationalization best-fit lack of finance.
- **H3b**: Economic barriers and SMEs’ internationalization best-fit non-preferential customs duty.
- **H3c**: Economic barriers and SMEs’ internationalization best-fit non-preferential tax.
- **H3d**: Economic barriers and SMEs’ internationalization best-fit foreign exchange risk.

### 3 | RESEARCH METHODOLOGY

This study has proposed an empirically tested HR model based on previous studies' neglect of core elements of SMEs' internationalization, namely the political, economic and social (Chetty & Holm, 2000) in order to see what benefits there might be for SMEs (Fletcher & Prashantham, 2011). The measurement comprises 12 items (see Figure 1). Four of the items signify the political dimension (political instability, legal procedural barriers, lack of express service, and corruption), four items signify the economic dimension (lack of finance, non-preferential customs duty, non-preferential tax and foreign exchange risk), and four items signify the social dimension (different language, different social approach, shortage of skilled labor, and shortage of training facility). The participants were requested to
complete the survey based on their internationalization experience and were assured of confidentiality in line with ethical compliance. We used 5-point Likert-type scale with 1 representing strongly disagree and 5 strongly agree.

To validate the model, an empirical survey was carried out to measure the relationships between the variables (Dutta, Malhotra & Zhu, 2016). Common method variance (CMV) is challenging in survey-based empirical investigation considering the validity of the findings particularly for the studies with several constructs. This issue is typically more significant for research findings in social and behavioral science (Podsakoff et al., 2003). CMV can also influence the structural relationship as mentioned by Kline, Sulsky, and Reber-Moriyama (2000). To address this issue, Harman 1 factor test was applied on the first order latent variables as suggested by Podsakoff and Organ (1986). As the test found no significant biases in the data set, CMV was not considered a major concern for this study. In addition to the CMV, there inherently exists a nonresponse bias in mail surveys (Wickramasekera & Oczkowski, 2006). Several methods were applied to overcome this response bias, such as, minimizing the number of nonresponses through pre notification and reminder; using cluster sampling technique and t-tests on the average of early and late respondents (Armstrong & Overton, 1977).

### 3.1 The Bangladeshi context

SMEs’ worldwide contribution in sustaining economic development (Madrid-Guizarro, Garcia-Perez-de-Lema, & Auken, 2013) especially after the financial crisis (Li, Segarra Roca, & Papaikonomou, 2011) has been increasing whilst the overall contribution of MNEs has been decreasing and sometimes falling (Mwaura & Nyaboga, 2009). Despite their growing importance a significant number of SMEs fail to grow or survive in the longer time (Masurel & Van Montfort, 2006) especially when they compete internationally (Pangarkar, 2008) thereby prompting the interest to analyze the key barriers very carefully in this article. This issue is more significant in emerging economies due to their higher dependency on SMEs’ job creation and economic growth potentials compared to those in developed countries. Therefore, the findings from developed countries’ SMEs will not be as beneficial in fulfilling this study’ objective compared to those in a developing country (Park & Ghauri, 2011) although we recognize efforts of other scholars’ efforts in conducting cross-country comparative studies (Paul & Shrivatava, 2016).

To contribute to this research limitation, this study had made an effort to explore three major types of barriers of internationalization of SMEs in the context of Bangladesh whose SMEs contribute significantly to the country’s major economic activities. Based on the empirical data, this study developed an HR model on the barriers of internationalization to add to the theoretical developments in the area as suggested by Paul et al. (2017). To validate the model, this study used a questionnaire survey, cluster sampling as a sampling technique and partial least square based structural equation modeling (PLS-SEM) as a data analysis technique. The findings of the study show that the barriers of internationalization are a second order hierarchical model containing three dimensions (political, economic, and social) that have a significant theoretical and practical impact in reframing the association with consequential latent variables of internationalization of SMEs in a developing country (Bangladesh) context. Methodologically, this study validates component-based SEM and identifies what the key barriers of internationalization of SMEs in a Bangladeshi context are. Overall, the study makes a significant contribution in understanding the precautions, support, and consequences of SMEs’ internationalization and their longer-term sustainability through the international growth of SMEs from a developing country perspective.

Based on the participants’ viewpoints during the piloting stage, this study collected data from international SMEs only. This may pose as a limitation as it raises the issue of potential sample selection bias. However, it could be better to have data from firms thinking of international expansion because this was our principal research objective rather than focusing on data from firms not anticipating to do so. The researchers recognized the potential confusion of combining internationalization and non-internationalization firms thereby going against the variance-based analysis used here. The latter is suitable for smaller sample size as ours in order to facilitate complex relationships analysis. This allows the analysis of two, three, or more variables as factors depend on each other while allowing the measurement of some constructs by some other indicators (e.g., the 8 individual items/factors). The latter aspect is common in SME research (Booltink & Saka-Helmhout, 2018; Dar & Mishra, 2019), whereas the former is not.

### 3.2 Questionnaire survey

Following the above justification, we collected empirical data from Bangladesh, namely Dhaka, Chittagong, Khulna and Rajshahi in 2011. In each division, 250 questionnaires were distributed using cluster sampling. An equal representation of international SMEs was sought across different regions in Bangladesh. Random sampling technique facilitated the systematic application of the selection procedure of SMEs although the pace at which they internationalized their activities (Jaworski et al., 2011) was different from Ghauri et al. (2016) proposition or Paul and Anantharaman’s (2003) notion of the impact of people management. A 22% survey response rate was received from the 1,000 questionnaires posted to respondents; 219 responses were returned, out of which seven were deemed unsuitable due to excessive missing data. The 212 questionnaire responses were analyzed. The demographic profile of this study consists of 68% male and 32% female; 51% manufacturing and the remaining 49% nonmanufacturing.

All of the items of the questionnaire were measured in 5-point Likert-type scale. Before the final data collection, a pretest was carried out among 20 samples and five academics were drafted to ensure the appropriateness of the wording, contents, scales, sequence, and format. Very minor amendments were made on the basis of the pretest and the outcomes. The latter highlighted the people and non-people barriers to enter in foreign markets for Bangladeshi SMEs as an HR model
capturing overall latent variables (Jarvis, MacKenzie, & Podsakoff, 2003), in our case the social and politico-economic components.

We tested the model by using SmartPLS 3 software (Ringle, Wendy, & Becker, 2015). This least square estimation procedure "maximizes the variance of the dependent variables explained by the independent variables" (Jones, Mullen, & Hardy, 2019, p. 38). The model was specified as a reflective-type with the application of repeated indicators. The key analysis is reported in two steps—assessment of higher-order model (see next section) followed by the examination of structural model (see next section).

The study's estimation equations for the first- and second-order hierarchical reflective models are represented in Table 1. The equation for the first-order representation specifies first-order MVs (y<sub>i</sub>), latent variable (η<sub>j</sub>), loadings (Δy<sub>i</sub>), and an error term (ε<sub>i</sub>). The equation of the second-order representation specifies the first-order factors (η<sub>j</sub>) in terms of the second-order latent variables (ξ<sub>k</sub>) and error (ζ<sub>j</sub>) for the first-order factor and second-order latent variable loadings (Γ<sub>r</sub>).

Three research stages that were undertaken included evaluation/analysis of measurements and linkages as predictors of internationalization barriers, assessment of representation and testing the representational relationships in order to facilitate data presentation, research validity as well as reliability. Any conclusions on the hypotheses were based on this procedure. Therefore, this study used a structural model as an alternative to the first generation regression techniques. Using the second-generation, analytical technique helped in identifying how two apparently different variables (e.g., human and economic) can be dependent but assist in appropriately measuring actual internationalization barriers. The second-generation technique has made modeling multiple aspects of relationship constructs between people and nonpeople aspects at the same time using SEM possible.

4 | RESULTS

4.1 | Analysis of model

This study used PLS 3 (Wetzelz, Schroder, & Oppen, 2009) to measure the internationalization barriers. Path modeling technique facilitated estimation of variables (Akter, Rajasekera, & Rahman, 2010). Factors such as social, political, and economic barriers of Bangladeshi SME internationalization are measured using the MV indicators, an area that eluded Liñán et al. (2019). We then carried out a confirmatory factor analysis to test the model and analyze the extent of its validity and reliability. The tests found no significant differences; therefore, non-response bias is not an issue for this investigation.

Table 2 represents that the individual item loading is higher than 0.70 and which is also significant at 0.01. Further, reliability of the scale is assessed through the composite reliability (CR), Cronbach’s α (CA), and average variance extracted (AVE) as recommended by Akter et al. (2010). The result (Table 5) finds that the CR and CA values (H1, H2, and H3) are above the 0.70 entry point recommended by Brereton and Lloyd (2014) (Hulland, 1999 for earlier version. The AVE for people and politico-economic barriers are also noted to be higher than 0.50. The results show variance from the items thereby ensuring convergent validity. The discriminant validity was assessed using Fornell and Larcker (1981) by comparing the square root of each AVE in the diagonal with the correlation coefficients (off-diagonal) for each construct in the relevant rows and columns.

The AVE’s square root value are higher than their coefficients in the correlation matrix leading us to deduce that the results (see Table 3), the evaluation of the measurement model and the model itself are satisfactorily reliable and valid (convergent and discriminant).

4.2 | Assessment of the HR model

Using the empirical data, an HR model was validated using the social and politico-economic barriers (see Table 2). The hypotheses show variation as follows (political—84%, social—82%, and economic—81%). The result in Table 3 shows significant path coefficients between the hypotheses (barriers) at p<0.01. This should therefore be included in the “best-fit” approach to SMEs’ internationalization.

4.3 | Analysis of structural model and results of hypotheses testing

This article has shown the relationship between social, political, and economic barriers and their subhypotheses in order to measure the model’s validity (see Figure 3). There is a strong relationship between the major variables selected at 0.917, 0.904, and 0.897, respectively. The significance of the path coefficients is highlighted (1%) lending credence to our hypotheses (see Table 3).

<table>
<thead>
<tr>
<th>TABLE 1</th>
<th>Estimation of the barriers as a reflective hierarchical model</th>
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<tr>
<td>First order</td>
<td>Second order</td>
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<tr>
<td>y&lt;sub&gt;i&lt;/sub&gt; = Δy&lt;sub&gt;i&lt;/sub&gt;η&lt;sub&gt;j&lt;/sub&gt; + ε&lt;sub&gt;i&lt;/sub&gt;</td>
<td>η&lt;sub&gt;j&lt;/sub&gt; = Γ&lt;sub&gt;r&lt;/sub&gt;ξ&lt;sub&gt;k&lt;/sub&gt; + ζ&lt;sub&gt;j&lt;/sub&gt;</td>
</tr>
<tr>
<td>y&lt;sub&gt;i&lt;/sub&gt; = manifest variables</td>
<td>η&lt;sub&gt;j&lt;/sub&gt; = first-order factors (e.g., political)</td>
</tr>
<tr>
<td>Δy&lt;sub&gt;i&lt;/sub&gt; = loadings of first-order latent variables</td>
<td>Γ&lt;sub&gt;r&lt;/sub&gt; = loadings of second-order latent variables</td>
</tr>
<tr>
<td>η&lt;sub&gt;j&lt;/sub&gt; = first-order latent variables (political, economic, and social)</td>
<td>ξ&lt;sub&gt;k&lt;/sub&gt; = second-order latent variables (procedural barrier)</td>
</tr>
<tr>
<td>ε&lt;sub&gt;i&lt;/sub&gt; = measurement error of manifest variables</td>
<td>ζ&lt;sub&gt;j&lt;/sub&gt; = measurement error of first-order factors</td>
</tr>
</tbody>
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| TABLE 2 | Fornell–Larcker criteria |
|---|---|---|
| Economic | Political | Socio-cultural |
| Economic | 0.842* | 0.934* |
| Political | 0.748 | 0.724 |
| Social | 0.723 | 0.918* |

Note: Square root of AVE on the diagonal*.
In order to identify how to use politico-economic and social barriers to study SMEs’ internationalization and management practices from a developing country, we used the “best-fit” approach. The literature provided the basis to identify three major hypotheses, which were validated into the study’s HR model. We found it beneficial to explain the respective social and politico-economic barriers faced by Bangladeshi SMEs’ internationalization despite the globalization claims (Ghauri et al., 2016) and the need to contribute theoretically (Paul et al., 2017). Our study has contributed in extending our knowledge of the significant SMEs’ internationalization barriers and management practices, some of which had been alluded to (Boxall & Purcell, 2003) but not developed in the way we did here, using SMEs in a developing country context. This study has highlighted that people and other factors (e.g., social) are significant for SMEs internationalization in a small developing country context compared to previous studies’ emphasis on markets (Cowling et al., 2015) and globalization’ pace (Ghauri et al., 2016).

It has effectively progressed the barriers from an “inward”/“outward” mobility angle (Balboni et al., 2013) to a people management model to facilitate such mobility of goods and services internationally. Given that all the dimensions reflect overall the social and politico-economic barriers as they have been constructed, we have extended Steinerowska-Streb and Steiner’s (ibid) work. Additionally, the extension supports the call to fit “best fit” (Paauwe & Boselie, 2005) within the political, social, and economic frames as part of an overall theoretical umbrella to analyze the internationalization activities of SMEs in developing countries. Therefore, the “best-fit” approach needs amending such that it also includes social aspects highlighting

<table>
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<tr>
<th>TABLE 3</th>
<th>Analysis of structural model path coefficients (mean, SD, t-values)</th>
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<tr>
<td></td>
<td>Original sample coefficient</td>
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<tr>
<td>Overall barriers-&gt; political</td>
<td>0.917</td>
</tr>
<tr>
<td>Overall barriers-&gt; social</td>
<td>0.904</td>
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<tr>
<td>Overall barriers-&gt; economic</td>
<td>0.897</td>
</tr>
</tbody>
</table>

**FIGURE 2** Internationalization barriers for SMEs as an HR Model

4.4 | **Summary of results**

In order to identify how to use politico-economic and social barriers to study SMEs’ internationalization and management practices from a developing country, we used the “best-fit” approach. The literature provided the basis to identify three major hypotheses, which were validated into the study’s HR model. We found it beneficial to explain the respective social and politico-economic barriers faced by Bangladeshi SMEs’ internationalization despite the globalization claims (Ghauri et al., 2016) and the need to contribute theoretically (Paul et al., 2017). Our study has contributed in extending our knowledge of the significant SMEs’ internationalization barriers and management practices, some of which had been alluded to (Boxall & Purcell, 2003) but not developed in the way we did here, using SMEs in a developing country context. This study has highlighted that people and other factors (e.g., social) are significant for SMEs internationalization in a small developing country context compared to previous studies’ emphasis on markets (Cowling et al., 2015) and globalization’ pace (Ghauri et al., 2016).

It has effectively progressed the barriers from an “inward”/“outward” mobility angle (Balboni et al., 2013) to a people management model to facilitate such mobility of goods and services internationally. Given that all the dimensions reflect overall the social and politico-economic barriers as they have been constructed, we have extended Steinerowska-Streb and Steiner’s (ibid) work. Additionally, the extension supports the call to fit “best fit” (Paauwe & Boselie, 2005) within the political, social, and economic frames as part of an overall theoretical umbrella to analyze the internationalization activities of SMEs in developing countries. Therefore, the “best-fit” approach needs amending such that it also includes social aspects highlighting
the cultural issues that Okpara and Kabongo (2011) noted earlier. Eighty-four percent of overall variance was explained by politically oriented barriers followed by 82% for social and 81% for economic barriers. On the basis of the results of this article, it can be recommended that these hypotheses and their subdimensions are given due consideration in SME and HRM research.

When we set out to study whether there was a relationship between the latent variables (i.e., the hypotheses) we were pleased to discover through empirically-testing the data using SmartPLS 3 that an HR model could be validated especially when this had not been attempted from a Bangladeshi perspective. Our model explains the interaction between the variables/hypotheses and their complexity, something that previous studies thought would be outpaced by the pace of globalization (Ghauri et al., 2016). Having validated the empirical results of H1, H2, and H3, our study has shown how to highlight all the major internationalization barriers, some of which were partly treated individually earlier by Wold, Trygg, Berglund, and Antti (2001). SME internationalization and the "best-fit" approach have not attempted what we did here. Therefore, this study has extended Paauwe and Boselie (2003) and Becker and Huselid’s (2006) work. The hypotheses in this article highlight the major barriers needing people management support as propounded by Van Wanrooy et al. (2013), among others.

5  |  DISCUSSION

The benefits of this article's results are argued as follows. Quite importantly, they show which areas SME entrepreneurs and workers need to focus on when they sell their goods and services in foreign environments. It is clear from the findings that politico-economic conditions can pose significant risks to SMEs' expansion internationally. Political barriers are slightly more significant compared to the economic and social counterparts. To add to Okpara and Kabongo (2011), we suggest that politics, economics, and social aspects be studied alongside the sub-hypotheses (see H1a–d; H2a–d, and H3a–d) for a more complex and richer understanding of SME internationalization.

Our study used and extended "best-fit" approach by highlighting earlier missing aspects such as economic and social conditions that need to be incorporated if HR professionals are to manage people more effectively in the four districts that the Bangladeshi SMEs were located. We therefore propose that politico, socio-economic aspects
be wrapped up as a composite mix of how to manage people in developing countries to complement the global perspective that Ghauri et al. (2016) and Liñán et al. (2019) proposed earlier. Doing so is anticipated will generate additional resource capability and retaining the necessary skills to counteract the resources, training, and development and corruption constraints faced by many SMEs (Chen et al., 2013).

Given that social and economic barriers pose less risks to internationalization, SMEs need to focus greater attention to the political environmental barriers as opposed to previous postulation (Kaufman’s (2015) in which economic and market aspects were overrated. The need for HR to step up a mark becomes more resounding as a practical argument that contributes to the theoretical debates suggested by Paul et al. (2017). The model for doing so is presented (see Figure 2) and is geared toward developing such a theorization/approach of managing people in international SME contexts. People in developing countries need adequate assistance if their SMEs are to thrive in international geographic dispensations.

### 5.1 | Paper’s contributions

This article contributes on three levels, theoretically, methodologically and practically. Theoretically, we developed an HR model, which highlights eight variables that can be problematic when SMEs apply people management processes. An examination of the SME and internationalization literature in the missing aspects of barriers of SMEs’ internationalization produced results demonstrating a slightly significant weighting of political issues over socioeconomic barriers. Previous studies such as Ardito, D’Adda, and Petruzzelli (2018) and (Ramirez-Portilla, Cagno & Brown, 2017) missed this earlier. We have extended (Brennan & Jaworski, 2015) two-phased inward/outward model by providing further insights into three key barriers (political, economic, and social) that impact on the survival of SMEs, whereas Paul and Anantharaman (2003) focused on some people management practices globally (Liñán et al., 2019). Due regard should also be given to other aspects as Bangladeshi SMEs are internationalizing goods and services as an addition to Paul et al.’s (2017) theorization.

Methodologically, the possibility to enhance SMEs’ survival in a developing country can be assisted not only via traditional training and development (Marchington & Grugulis, 2000) or technological innovation (Booltink & Saka-Helmhout, 2018) but also by developing a model highlighting what the key barriers to their survivability and international relationships are (see Table 4). Therefore, a methodological insight into the testing of various key constructs of internationalization within an integrative process approach has been missing and therefore is a contribution rather than identifying the wheels’ (Dreher & Gassebner 2013; Maharjan & Sekiguchi, 2016) needing to be “greased” as before.

Practically our tested and validated results can help policy makers to be able to identify the barriers to required behaviors to sustain SMEs’ operational success internationally. The study has therefore extended our knowledge of the previously limited set of practical barriers that SMEs and international entrepreneurs face. Previous studies

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Path coefficient</th>
<th>t-value</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1a: Political instability best fit with the political barriers of SMEs’ internationalization and management practices</td>
<td>0.961</td>
<td>132.455</td>
<td>Supported</td>
</tr>
<tr>
<td>H1b: Legal procedural barriers best fit with the political barriers of SMEs’ internationalization and management practices</td>
<td>0.968</td>
<td>168.952</td>
<td>Supported</td>
</tr>
<tr>
<td>H1c: Lack of express service best fit with the political barriers of SMEs’ internationalization and management practices</td>
<td>0.899</td>
<td>38.238</td>
<td>Supported</td>
</tr>
<tr>
<td>H1d: Corruption best fit with the political barriers of SMEs’ internationalization and management practices</td>
<td>0.908</td>
<td>50.348</td>
<td>Supported</td>
</tr>
<tr>
<td>H2a: Different language best fit with the social barriers of SMEs’ internationalization and management practices</td>
<td>0.952</td>
<td>107.343</td>
<td>Supported</td>
</tr>
<tr>
<td>H2b: Different social approaches best fit with the social barriers of SMEs’ internationalization and management practices</td>
<td>0.949</td>
<td>124.299</td>
<td>Supported</td>
</tr>
<tr>
<td>H2c: Shortage of skilled labor best fit with the social barriers of SMEs’ internationalization and management practices</td>
<td>0.943</td>
<td>98.295</td>
<td>Supported</td>
</tr>
<tr>
<td>H2d: Shortage of training facility best fit with the social barriers of SMEs’ internationalization and management practices</td>
<td>0.820</td>
<td>29.716</td>
<td>Supported</td>
</tr>
<tr>
<td>H3a: Lack of finance best fit with the economic barriers of SMEs’ internationalization and management practices</td>
<td>0.853</td>
<td>35.394</td>
<td>Supported</td>
</tr>
<tr>
<td>H3b: Nonpreferential customs duty best fit with the economic barriers of SMEs’ internationalization and management practices</td>
<td>0.819</td>
<td>22.122</td>
<td>Supported</td>
</tr>
<tr>
<td>H3c: Nonpreferential tax best fit with the economic barriers of SMEs’ internationalization and management practices</td>
<td>0.908</td>
<td>58.577</td>
<td>Supported</td>
</tr>
<tr>
<td>H3d: Foreign exchange risk best fit with the economic barriers of SMEs’ internationalization and management practices</td>
<td>0.783</td>
<td>21.84</td>
<td>Supported</td>
</tr>
</tbody>
</table>
were limited to economic and financial constraints (Naldi, Nordqvist, Sjöberg, & Wiklund, 2007) without highlighting how innovation and skills' development constraints (Krishnan & Scullion, 2017; Booltink & Saka-Helmhout, 2018) are captured in a model that could practically help resolve SMEs' internationalization barriers. Focusing on the politico-economic and social aspects of internationalization can help in this direction. To this end, necessary programs to develop the three aspects are crucial to mitigate against the barriers in the HR model (e.g., skilled labor or human capital shortage—Dar & Mishra, 2019; Mustafa & Yaakub, 2018).

6 CONCLUSIONS

Insofar as this article’s main objective of using the “best-fit” approach to study the major barriers to SMEs' internationalization is concerned, we have achieved this as follows. We identified a developing country—Bangladesh, which has not benefited from people management or internationalization before. The limitations of the “best-fit” approach were identified by using the data and theorizing on the three major hypotheses. An HR model was validated by using SmartPLS 3 to highlight that political, economic, and social aspects related to people and other factors need more urgent attention within SMEs than what Boxall and Purcell (2003), Becker and Huselid (2006), and Kaufman propounded in earlier research.

The support for each of the three hypotheses (Table 4) is another significant milestone in the sense that previous studies as cited have emphasized on either economic or cultural aspects at the neglect of the barriers we highlighted and validated in a model. Future studies in people management should focus on these hypothesized barriers and include them in their model, methodological discussions and emerging “globalization” frames (Buckley, & Casson, 2016). This suggests that social, political, and economic barriers remain a missing research conundrum worthy of further investigation especially with the use of smarter versions of the PLS software or other latest forms.

Future research could also look into migration and skills movements as part of global trends (Líñan et al., 2019) to ascertain whether these might pose new barriers to SMEs and their internationalization efforts. There also appears to be a new research opening for scholars and practitioners who may wish to look into some of the issues highlighted here by comparing European, American, African, and Asian perspectives on internationalization activities.

6.1 Study’s limitations

This study’s constraints are as follows. Initially, our model is validated on the results from four districts in Bangladesh. We are not claiming that the model can be applied anywhere, anytime as previous studies have done, given their scale (Buckley & Ghauri, 2016). We collected data within a single year's timeframe, but other studies could adopt a longer span to see whether variations could become more complex and/or nuanced over time. Whether theoretical developments can be accrued by having a longer-span study using additional variables and measurement tools is yet to be seen from those conducted in the seminal works of Buckley and Ghauri (2016).

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