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Navigating Internationalisation: Motivations and Barriers for SMEs in Sabah

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Abstract

This study explores the perception of motives and barriers to the internationalisation of Small and Medium Enterprises (SMEs) in Sabah, Malaysia. The study compares the views of SMEs with low levels of internationalisation with those with a high level of internationalisation. The results showed that for SMEs with high levels of internationalisation, the main barriers include management, task and socialcultural, financial management, and government and economic, political/legal barriers. In contrast, SMEs with low levels of internationalisation find financial, government and economic, political/legal, and marketing as the top barriers. In addition, the motives for SMEs with high levels of internationalisation include foreign market opportunities, domestic market saturation, orders from foreign customers and profit and growth goals. Meanwhile, the motives for SMEs with low levels of internationalisation include foreign market opportunities, expanding seasonal product sales, overproduction and availability of skilled labour. The findings support a mixed theoretical foundation for motives and barriers to internationalisation. Besides, the results underline the significance of tailored strategies to address the different barriers and motivations SMEs experience at different stages of internationalisation. This study gives valuable insights that practitioners or policymakers can use to achieve global competitiveness and promote successful international engagement among SMEs in Sabah.

Keywords: SME internationalisation; Motive; Barrier; Global competitiveness

1. Introduction

The global economy depends on SMEs' essential role in promoting development through innovative expansion and employment generation (Das et al., 2020). The firms go for international because international markets are crucial for enhancing competitiveness while opening access to diverse markets and acquiring revenue from different sectors. The success process of SMEs expanding globally shows mixed results because emerging markets present unique barriers to international market entry (Islam et al., 2023).

The international expansion of SMEs from emerging markets is mainly because firms experience local market saturation where participating in global value chains benefits them (Rahman et al., 2023). Even though SMEs gain various benefits from internationalisation, the process can be limited by internal and external factors. These factors include a lack of financial resources, inadequate managerial capabilities and uncertain institutional rules (Wang, 2016). In addition, SMEs also experience more significant difficulties in emerging markets because of limitations such as geographical remoteness, insufficient infrastructure, and weak international business networks (Chandra et al., 2020).

Sabah, one of the states in Malaysia, demonstrates such a context, where SMEs constitute the backbone of the state's economy (Yumboris et al., 2015). The significant economic contribution of Sabah's SMEs to the agriculture, manufacturing, and tourism sectors makes these businesses ready for international growth because of the state's rich natural resources. However, economic development in the state faces several obstacles, from geographic restrictions and poor infrastructure to traditional industry dependence, which forms substantial barriers to international expansion (Ambad et al., 2020). Therefore, research should explore the factors that motivate and barriers Sabah's SMEs from going international so mitigation plans and strategies can be developed for future SMEs' development.

Research on SME internationalisation primarily concentrates on developed economies alongside national-level studies without acknowledging the mixed characteristics within the Malaysian states (Nurfarida, 2022). Addressing this knowledge gap is crucial for a better understanding of Sabah SMEs' perceptions of motives and barriers to internationalisation. Therefore, this study investigates the elements that affect SME internationalisation in Sabah while targeting three core objectives by identifying (1) the barriers to internationalisation and (2) the motives for internationalisation.

In today's globalisation and regional integration, understanding the motives and barriers shaping SME internationalisation in Sabah bridges a knowledge gap in the literature and contributes to information for actionable strategies in fostering a globally competitive SME sector in the states. Thus, this study contributes to the literature in several ways. Firstly, the study provides empirical evidence in Sabah's context, offering insights into SMEs' unique challenges and motivations to go abroad. Secondly, the study provides valuable information and insights for stakeholders such as practitioners and policymakers to develop tailored mitigation strategies for enhancing SMEs' competitiveness in Sabah.

This paper is organised as follows: The next section reviews the literature on SME internationalisation. An explanation of the research methodology follows this. The subsequent sections present the results, discussion, and conclusions, including implications, limitations, and directions for future research.

2. Literature Review

2.1 Resource-Based View

The Resource-Based View (RBV) suggests that firms attain competitive advantage by leveraging unique, valuable, and inimitable resources (Barney, 1991). In other words, the internationalisation of SMEs relies on their core abilities, including managerial experience, financial resources, and technological advantage (Kaur and Kumar, 2024). Thus, the lack of a skilled workforce undermines their ability to maintain operational efficiency and develop new ideas, preventing them from succeeding in international business markets (Audretsch and Guenther, 2023).

The theory also acknowledges that SMEs must build exclusive competencies to stand out from competitors in business markets. The enhancement of market competitiveness depends on firms that invest in developing niche foreign market-specific products and establishing strong partnerships with local organisations (Chen et al., 2024). This strategic internal resource utilisation technique mitigates barriers, enabling SMEs to discover opportunities in international business markets (Audretsch and Guenther, 2023).

2.2 Dynamic Capabilities Framework

DCF progresses RBV theory by demonstrating that firms must transform and unify their resources to succeed in changing market conditions (Teece, 2023). The DCF establishes an analytical framework to examine SMEs as they utilise their resource optimisation capabilities to adapt productive assets such as workforce and technology and external collaborative networks for overcoming market obstacles and regulatory barriers. SMEs' quick transformation of products and operational systems produces market advantages when consumer demands shift (Teece, 2023).

The central element of the DCF involves analysing relational partnerships and knowledge-based learning processes. Sabahan SMEs can develop partnerships with domestic and international businesses through strong networks to overcome resource deficits (Johanson and Oliveira, 2024). Business partnerships enable companies to obtain marketplace information while sharing distribution networks with collaborative assets. Learning capabilities enable Sabahan SMEs to develop strategies through hands-on experiences, including running pilot tests and establishing partnerships with international business counterparts (Teece, 2023). The internationalisation process of Sabah-based SMEs depends heavily on dynamic capabilities consisting of process innovation and strategic alliances alongside operational restructuring because their business environment includes highly volatile markets and shifting industry norms (Dejardin et al., 2023).

Firms that do not have dynamic capabilities encounter intense barriers during operations. Firms with restricted leadership knowledge, together with inflexible organisational approaches and lacking funding, face problems with adaptation to change and miss new development opportunities (Dejardin et al., 2023; Nurfarida, 2022).

2.3 Uppsala Model

According to the Uppsala Model, international marketplace expansion happens step by step while firms gain practical business experience (Johanson and Vahlne, 1977). Firms start operating in markets that quite like their cultural background and geographic situation because it helps them reduce potential losses and make longer-term investments in foreign operations based on accumulating market experience. Starting with proximity export markets enables SMEs to obtain key market intelligence, reducing their uncertainty and improving international market competition. The Uppsala Model identifies that companies starting in foreign markets demonstrate higher concerns about internationalisation risks because of their inadequate international experience (Chandra et al., 2020; Halabi et al., 2021).

2.4 Institutional Theory

The internationalisation course of firms depends heavily on their environments comprising both formal rules and informal institutional norms per Institutional Theory (Balzano et al., 2024). Formal institutions represent codified rules established by governments and regulatory bodies, including trade policies, regulatory frameworks, and government interventions that influence firms' capability for international business (Kumari et al., 2024). These established regulatory frameworks maintain their form as protective measures that dictate how easily firms can enter new international markets. SMEs experience significant operating difficulties because of institutional challenges. Firms operating within institutions with fragmented and unpredictable regulations and inefficient bureaucratic procedures must pay higher transaction costs (Brenes et al., 2019). SMEs in such environments develop informal connections with local partners and business networks to bypass export restrictions and handle regulatory frameworks.

2.5 Motives for SME Internationalisation

Internal Objectives

SMEs have multiple internal reasons for expanding internationally, corresponding to established theoretical frameworks. SMEs pursue international expansion because they seek organisational growth and profit growth. SMEs seek to boost their profitability through expanded international customer access because it enables them to extend their income sources. The RBV states that business firms can gain competitive advantages through unique resources (Barney, 1991). SMEs focusing on growth tend to conduct international activities to pursue new market opportunities (Paul et al., 2017). The entry of SMEs into international markets allows them to pursue high product demand, which increases their revenue and profits. At home and in foreign markets, SMEs generally seek to use unique products or services that set them apart from rivals (Fredrich et al., 2022; Rahman et al., 2023; Zakery and Saremi, 2024). By capitalising on these unique products in foreign markets, SMEs may establish a strong market presence and build brand loyalty among various consumer bases.

The Uppsala Model agrees with this growth motivation because businesses progress internationally step by step as they gain knowledge from successive overseas businesses. SMEs follow a standardised pattern when building their ability to manage international business activities (Ciravegna et al., 2014; Nurfarida, 2022). SMEs gain valuable abilities from market entry experiences that help them recognise worthwhile international business opportunities. When SMEs concentrate on internal resource management, they experience high motivation to expand their operations internationally. Organisations forced to dispose of excess products will establish new international operations due to production overabundance or excessive manufacturing capacity. Small and medium-sized enterprises with excess production should enter international markets because this action improves operational performance and resource efficiency (Audretsch and Guenther, 2023).

The internationalisation choices within SMEs depend fundamentally on senior management team characteristics and their goals. International business managers who exhibit previous foreign market experience or high global business curiosity will actively pursue international opportunities that redirect their organisational strategic orientation (Dung and Dung, 2024). The Uppsala Model describes how organisations tend to traverse new international markets step by step because they want to limit their exposure to internationalisation risks in geographical or cultural areas (Johanson and Vahlne, 1977). According to the Uppsala Model, a foreign market entry experience often leads managers to develop increased confidence in international expansion opportunities. Through experiential learning, firms increase their commitment to going international while systematically reducing perceived risks (Audretsch and Guenther, 2023).

Meanwhile, DCF states that SMEs require resource adaptation when markets change (Teece, 2023). The increased output quantity, which enables scale economies, makes SMEs more competitive and profitable. SMEs must build capabilities that allow resource and process adjustments when responding to changing market requirements. Firms utilising international markets can enhance their resource usage efficiency through capacity optimisation of their operations.

External Pressures

SMEs' choice of international expansion stems mainly from outside forces pushing businesses to explore alternative growth opportunities beyond their domestic borders. The decision to expand internationally for SMEs relies heavily on market conditions, competitive pressures, proximity demands, and regulatory requirements. SMEs must develop international opportunities because their home market saturates and hinders future growth potential (Nurfarida, 2022). SMEs will pursue international markets to compensate for domestic product demand losses caused by market saturation. Direct purchases from foreign consumers may be the first step in leading businesses toward international trade ventures. SMEs follow a proactive method to illustrate external market forces that drive their internationalisation process (Knight and Liesch, 2016).

Larger firms and global competitors in domestic markets force smaller enterprises to expand into foreign markets to sustain their market positions (Knight and Liesch, 2016). The external competitive conditions by Institutional Theory explain how they affect business conduct (Balzano et al., 2024). Local SMEs encounter extensive international business competition that controls their domestic markets. To grow successfully, smaller enterprises should implement internationalisation methodologies that enable them to succeed and stand apart from competitors.

The external regulatory conditions surrounding businesses affect how SMEs should internationalise their operations. Companies choose foreign market expansion to increase stability when they find favourable trade policies, tax benefits, and economic stability in those markets. The study finds Institutional Theory applicable when analysing how governmental policies and regulations shape business conduct (Li et al., 2020). Government exporting support programs with exclusive incentives for exporters motivate SMEs to join international markets.

The decision about internationalisation receives significant influence from the proximity that firms maintain with their key stakeholders. This proximity encompasses variables like proximity to overseas consumers and proximity to suppliers. Businesses near their international markets can simplify distribution and enhance supply chain productivity to enter abroad (Li et al., 2020). SMEs opt to export to nearby countries because these locations offer affordable shipping expenses and improved delivery timeframe. Their strategic decision enables logistical complications reduction. The DCF validates this method because enterprises require capabilities to rapidly modify their behaviour depending on their geographical position (Teece, 2023).

2.6 Barriers to SME Internationalisation

Internal Barriers

The RBV highlights low financial capital, management competence, and technical capabilities as internal barriers to SME internationalisation (e.g., Barney, 1991; Chandra et al., 2020; Korsakiene and Tvaronavičiene, 2012; Nurfarida, 2022; Roy et al., 2016). For instance, without enough financial resources, SMEs cannot implement important product and service changes. SMEs fail to achieve market success beyond their nation because they cannot obtain the necessary funding (Roy et al., 2016). A lack of financial resources prevents companies from unlocking potential business opportunities, which could lead to growth and expansion.

Staff members struggle with internal barriers that include knowledge and ability shortfalls. SMEs usually do not maintain qualified staff with expertise in foreign marketing, cross-cultural communication, and regulatory compliance (Hasim et al., 2018). A lack of international business knowledge creates difficulties for SMEs in managing complex offshore marketplaces. New SMEs venturing into international business face internal barriers, which they consider more significant than external challenges, significantly affecting them when starting.

External Barriers

The internationalisation goals of SMEs also experience multiple external barriers, including complex regulatory frameworks, trade tariffs, and market competition. Institutional Theory explains that misaligned policies and insufficient institutional support raise transaction costs that discourage SMEs from entering foreign markets (Jalali, 2025). Moreover, SMEs face difficulties due to complicated export trade procedures and increased export tariffs (Balzano et al., 2024; Jalali, 2025). The combination of regulatory challenges pushes up operational costs, discouraging SMEs from entering international business.

SMEs that try to enter new markets must overcome significant challenges because of cultural differences (Nie and Wang, 2019). Understanding how local consumers behave and adapting marketing plans are vital business success factors, yet many small companies lack sufficient knowledge about international markets. In addition, inadequate international expertise prevents firms from creating optimal distribution systems and forming key business relationships with local partners.

3. Research Methodology

3.1 Sampling and Data Collection

The target population consists of SMEs in Sabah, Malaysia. Sample firms were selected using a purposive sampling technique, with participants being business owners or managers of these SMEs. The sample was sourced from the Federation of Sabah Industries membership lists and the Federation of Malaysian Manufacturers. Invitations to participate were initially sent via email, followed by a follow-up phone call one week later to encourage participation. The survey was conducted using Google Forms. A filter question was included to categorise SMEs based on their level of internationalisation. High-level internationalisation firms include firms currently exporting or establishing subsidiaries or joint ventures overseas (Chelliah et al., 2010).

In contrast, low-level internationalisation firms include those that only engage in import activities and those without international activities. This classification helps understand the varying degrees of international engagement among SMEs in the state. Two hundred fifty companies were contacted via email, and 88 responses were received. Among these, 54 firms met the criteria for a high level of internationalisation, while the remaining firms were classified as having a low level of internationalisation.

3.2 Instrumentation

Barriers to Internationalisation

Based on a five-point Likert scale, the barriers identified in the study include managerial, task and sociocultural, financial, governmental, economic and political/legal, informational, procedural and currency, and marketing. Respondents were asked to rate these barriers using the Likert scale, where 1 represents "Strongly Disagree" and 5 represents "Strongly Agree." The questionnaire used in this study was adapted from Roy et al.'s (2016) study.

Motives for Internationalisation

Motives for internationalisation in this study include foreign market opportunities, domestic market saturation, profit and growth goals, overproduction/excess capacity, technological competence, and skilled labour availability, among others, with a total of 19 motives assessed. Respondents rated these items using a five-point Likert scale, where 1 represents "Strongly Disagree" and 5 represents "Strongly Agree." The questionnaire was adapted from a study by Anderson (2011), Korsakiene and Tvaronavičiene (2012), and Oludotun et al. (2022).

3.3 Data Analysis

Quantitative data were analysed using descriptive statistics, with mean values calculated for each barrier and motive. A comparative analysis was conducted to identify differences in barriers and motives between SMEs with a high level of internationalisation and those with a low level of internationalisation. This approach allowed for a deeper understanding of how the varying degrees of international engagement influence the perceptions of barriers and motives among SMEs in Sabah.

4. Results and Discussion

4.1 SMEs with High Levels of Internationalisation

Barriers to Internationalisation

The findings (Table 1) reveal that SMEs with a high level of internationalisation face substantial barriers primarily related to management and operational challenges.

Managerial barriers ranked highest (mean = 4.72), followed closely by task and sociocultural barriers (mean = 4.70), financial barriers (mean = 4.70) and, governmental and economic political/legal barriers (mean = 4.70). These results highlight the critical role of internal resources and capabilities posited by the RBV.

The failure to manage internal operations efficiently restricts SMEs' potential to align with the global market complexity (Hasim et al., 2018). Managerial expertise directly influences firms' ability to strategise for international success, as understanding the complexity of export procedures, tariffs, and trade agreements deters SMEs from seeking to expand internationally, which may lack the necessary experience and resources to navigate these challenges effectively (Nurfarida, 2022). In Sabah, these internal issues are worsened due to the lack of experienced managerial expertise necessary for navigating complicated international environments (Ambad et al., 2020).

Table 1: Perception of barriers to internationalisation by SMEs with high levels of internationalisation

No	Barrier	Mean
1	Managerial barriers	4.72
2	Task and sociocultural barriers	4.70
3	Financial barriers	4.70
4	Governmental and economic political/legal barriers	4.70
5	Informational barrier	4.69
6	Procedural and currency barriers	4.68
7	Marketing barriers	4.67

N=54

Motives for Internationalisation

The study identifies key motives for internationalisation in SMEs (Table 2) are foreign market opportunities (mean=4.85), domestic market saturation (mean=4.80), profit and growth goals (mean=4.80), and foreign customer orders (mean=4.80). These motives exemplify the interaction between strategic goals and market pressures. The findings reflect SMEs' identification of international markets as crucial for diversifying income and lowering dependence on domestic demand. The motives correspond with RBV, proposing that firms manipulate their internal competitive advantage to capitalise on external opportunities. SMEs consider global markets more profitable, particularly in areas like agriculture and eco-tourism, where sustainable product demand is expanding (Chong et al., 2019).

Domestic market saturation emphasises the limitations of Sabah's small market (Ambad et al., 2020), driving SMEs to seek expansion outside local borders and reflecting RBV's focus on utilising current resources to target untapped markets. Moreover, Institutional Theory points to external factors, such as inadequate local support, driving enterprises toward international expansion (Hasim et al., 2018).

Emphasising profit and growth parallels the long-term objective of these SMEs, where strategic expansion seeks competitive advantage. Additionally, the presence of foreign customer orders illustrates a reactive dimension to internationalisation, resonating with the Uppsala Model, as firms initially engage based on foreign inquiries, ultimately transitioning to proactive strategies through accumulated experience in global trade (Dung and Dung, 2024; Kheng et al., 2018).

Table 2: Perception of motives for internationalisation by SMEs with high levels of internationalisation

No.	Motive	Mean
1	Foreign market opportunities	4.85
2	Domestic market saturation	4.80
3	Orders from foreign customers	4.80
4	Profit and growth goals	4.80
5	Extend sales of seasonal products	4.78
6	Tax benefits	4.78
7	Factors distance	4.76
8	Technological competence	4.76
9	Economies of scale	4.76
10	Proximity to international customers	4.76
11	Proximity to suppliers	4.76
12	Unique product	4.76
13	Availability of skilled labour	4.74
14	Managerial urge	4.72
15	Competitive pressures	4.72
16	Foreign ownership's decision	4.70
17	Risk diversification	4.75
18	Overproduction/excess capacity	4.69
19	Unstable business environment	4.69

N=54

4.2 SMEs with Low Levels of Internationalisation

Barriers to Internationalisation

For SMEs with a low level of internationalisation (See Table 3), financial barriers emerged as the most significant challenge (mean = 4.78), followed by governmental and economic political/legal barriers (mean = 4.73) and marketing barriers (mean = 4.69). These findings suggest that SMEs with a low level of internationalisation perceive barriers more acutely than their counterparts with international experience. The lack of familiarity with foreign markets amplifies the challenges associated with financial resource allocation and regulatory compliance.

These results align with the Uppsala Model, highlighting the progressive nature of internationalisation and the significance of gaining experiential knowledge (Dung and Dung, 2024; Kheng et al., 2018). Without prior exposure, these SMEs have less experience negotiating the challenges of international expansion (Nurfarida, 2022). The presence of financial barriers further underscores the need for institutional support, such as access to affordable credit and export finance schemes. This finding is similar to research by Razali and Yusof (2024), which underlines the relevance of financial aid in assisting SMEs to overcome entrance hurdles.

Table 3: Perception of barriers to internationalisation by SMEs with low levels of internationalisation

No.	Barrier	Mean
1	Financial barriers	4.78
2	Governmental and economic political/legal barriers	4.73
3	Marketing barriers	4.69
4	Task and sociocultural barriers	4.65
5	Procedural and currency barriers	4.65

6	Informational barriers	4.65
7	Managerial barriers	4.59

N=34

Motives for Internationalisation

The results indicate that SMEs with low levels of internationalisation (see Table 4) are primarily motivated by foreign market opportunities (mean=4.82), overproduction or excess capacity (mean=4.82), availability of skilled labour (mean=4.82), and extending sales of seasonal products (mean=4.82). These motivations highlight a more reactive approach to internationalisation, where firms aim to address inefficiencies or take advantage of existing operational capacities rather than proactively pursue strategic growth.

Domestic firms realise the market potential from overseas opportunities, creating new opportunities for expansion and income diversification. Extending seasonal product sales by exploring overseas markets during off-peak seasons represents a strategic business method that improves production periods and maintains steady cash streams (Noor et al., 2021). Because the firms focus on overproduction and spare capacity production, these firms view internationalisation as a means of improving operational performance rather than planned expansion.

The approach fits the DCF because it shows the need for firms to transfer resources to respond to external demands. The success of international markets requires employees who possess specialised skills because such individuals facilitate market entry and manage international trade complexities (Yumboris et al., 2015).

Table 4: Perception of motives for internationalisation by SMEs with low levels of internationalisation

No.	Motive	Mean
1	Foreign market opportunities	4.82
2	Extend sales of seasonal products	4.82
3	Overproduction/excess capacity	4.82
4	Availability of skilled labour	4.82
5	Domestic market saturation	4.79
6	Orders from foreign customers	4.79
7	Factors distance	4.79
8	Economies of scale	4.79
9	Tax benefits	4.79
10	Proximity to international customers	4.79
11	Risk diversification	4.77
12	Technological competence	4.79
13	Proximity to suppliers	4.76
14	Unstable business environment	4.76
15	Profit and growth goals	4.76
16	Managerial urge	4.76
17	Competitive pressures	4.76
18	Foreign ownership's decision	4.76
19	Unique product	4.76

N=34

4.3 Comparative Insights

Barriers to Internationalisation

Both groups of SMEs (high and low levels of internationalisation) identify financial and, governmental and economic political/legal as significant barriers. The findings indicate that access to financial resources and navigating complex regulatory environments are common challenges regardless of the level of internationalisation. Additionally, both groups face task and sociocultural, procedural, currency, and informational barriers, highlighting the difficulties in managing cross-cultural differences, procedural complexities, and obtaining relevant market information.

Despite these similarities, distinct differences emerge in the prioritisation of other barriers. SMEs with high levels of internationalsiation perceive managerial barriers as the most significant barrier, suggesting that internal management capabilities and decision-making processes are critical challenges as they expand internationally. In contrast, SMEs with low levels of internationalsiation rank financial barriers as their top barrier, indicating a more immediate need for financial resources to support their initial international endeavours. Additionally, SMEs with low levels of internationalisation perceive marketing barriers as slightly more significant than SMEs with high levels of internationalisation, reflecting the challenges in effectively promoting their products and services in foreign markets.

In conclusion, the shared emphasis on financial and regulatory barriers supports the view that access to resources and navigating institutional environments are critical for internationalisation. Understanding these barriers can help develop targeted support mechanisms and strategies to address SMEs' specific challenges at different internationalisation levels, ultimately enhancing their ability to succeed in global markets.

Motives of Internationalisation

Both groups of SMEs (high and low levels of internationalisation) identify foreign market opportunities as the primary motivational factor. The results indicate the universal demand to expand into new markets to access larger customer bases and enhance revenue potential. Additionally, both groups emphasise domestic market saturation, orders from foreign customers, profit and growth goals, and extending sales of seasonal products. These shared motivations highlight a standard strategic orientation towards leveraging international markets to overcome domestic limitations, meet foreign demand, and achieve growth objectives.

Despite these similarities, distinct differences appear in ranking other motivational factors. SMEs with high levels of internationalisation indicate a slightly higher emphasis on technological competence, economies of scale, and proximity to international customers and suppliers. The finding suggests that these group of SMEs leverage advanced technologies, achieve cost efficiencies, and maintain close relationships with key stakeholders in foreign markets. Conversely, SMEs with low levels of internationalsiation indicated a marginally higher concern for overproduction/excess capacity and availability of skilled labour, signifying a more immediate need to manage production capabilities and workforce requirements as they endeavour into oversea markets.

In conclusion, the shared emphasis on foreign market opportunities supports incremental learning and expansion. Again. understanding these motivational factors can help tailor internationalisation strategies to SMEs' needs and growth stages, enhancing their success in global markets.

5. Conclusions and Recommendations

This study explores the perception of motives and barriers to the internationalisation of SMEs in Sabah, Malaysia. The findings reveal that high and low internationalised SMEs share common motivations for going abroad, such as foreign market opportunities and domestic market saturation. However, there are also differences in their motives and barriers. SMEs with high levels of internationalisation emphasise technological competence and economies of scale, while low internationalised SMEs focus on overproduction and availability of skilled labour as the primary motives. Meanwhile, the mutual barriers include financial and, governmental, economic and political/legal challenges, with highly internationalised SMEs facing significant managerial barriers. The study underlines the importance of tailored strategies to address SMEs' unique challenges and motivations at different stages of internationalisation. Understanding these factors is critical for designing effective support mechanisms that improve the global competitiveness of SMEs in Sabah.

The research supports the mixed theoretical perspectives on SME internationalisation. Internationalisation has enabled SMEs to enhance their competitive position through unique resources, as suggested by RBV, while DCF emphasises flexibility for market problem resolution. The study's findings reveal that SMEs with high levels of internationalisation emphasise technological competence and economies of scale, aligning with RBV's focus on leveraging unique resources for competitive advantage. The integration of RBV and DCF provides a wide-ranging understanding of SME internationalisation by highlighting the interaction between unique resource utilisation and dynamic adaptability. This dynamic adaptability is the key to mitigating barriers and achieving long-term success in international markets.

Meanwhile, the study results support the Uppsala Model, showing that less internationalised SMEs focus on incremental expansion and managing operational constraints. In addition, the findings indicate that both highly and less internationalised SMEs face significant financial and regulatory barriers, highlighting the need for supportive institutional frameworks consistent with the Institutional Theory. The integration of these theories provides a comprehensive understanding of SME internationalisation, emphasising the interaction between resource-based advantages, dynamic capabilities, experiential learning, and institutional effects. This holistic approach enables SMEs to effectively address the opportunities and challenges linked to internationalisation, eventually improving their global competitiveness.

Based on the study's findings, it is essential to focus on three significant areas to support the internationalisation of SMEs in Sabah: enhancing managerial capabilities, providing financial support and incentives, and leveraging networks and partnerships. Firstly, enhancing managerial capabilities is crucial. The study reveals that SMEs with high levels of internationalisation face high managerial barriers, indicating the need for improved internal management capabilities and decision-making processes. Personalised training programs and workshops should be developed to address these issues, focusing on strategic planning, cultural sensitivity, and innovation among SME managers. These initiatives will help build the essential managerial expertise to address the complexities of international business. Encouraging mentorship opportunities and knowledge-sharing platforms can further support this development, enabling managers to learn from experienced professionals and share best practices. By addressing managerial barriers, SMEs can better align their internal operations with the demands of international markets, ultimately enhancing their global competitiveness.

Secondly, providing financial support and incentives lessens SMEs' financial barriers. The study identifies financial barriers as a significant hindrance SMEs. Thus, access to affordable credit and export finance schemes can significantly reduce the financial burden of SMEs. Additionally, grants and subsidies can offer much-needed financial relief, particularly for SMEs with low levels of internationalisation. Moreover, implementing government policies that offer tax benefits and incentives for SMEs can further support their internationalisation efforts. By addressing financial barriers, SMEs can secure the necessary resources to pursue international opportunities and expand their market presence.

Lastly, leveraging networks and partnerships is a key strategy for enhancing the international market presence of SMEs. The study highlights the importance of foreign market opportunities as a common motivation for high and low levels of internationalised SMEs. Therefore, promoting the development of strategic alliances and partnerships with foreign firms can provide SMEs access to new technologies, resources, and expertise. Supporting the creation of business networks that enable SMEs to share distribution channels and collaborative assets can enhance their ability to compete in international markets. These networks can also facilitate market entry and expansion by providing valuable market insights and reducing entry barriers. By leveraging networks and partnerships, SMEs can capitalise on foreign market opportunities and achieve sustainable growth in international markets.

The research presents important insights, yet it contains several limitations. Firstly, its description prevents long-term effects from being observed. Secondly, the focus on SMEs in Sabah may limit the generalisability of the findings to other states. Additionally, the relatively small sample size of the current study may not fully capture the diversity and complexity of SMEs' internationalisation experiences in Sabah. Thus, comparative studies between regional or national settings focusing on SMEs in Sabah can provide a deeper understanding of the unique challenges and opportunities in different contexts. Advanced analytical approaches should be adopted to confirm and support the results, building a more comprehensive understanding of the relationships between internationalisation elements. Sector-specific research, particularly in industries with high export potential, such as agriculture and manufacturing, can further enhance the comprehension of SME international success and their ability to navigate proactive and reactive internationalisation motivations. Moreover, increasing the sample size in future studies will also help to ensure more robust and generalisable findings.

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