

## Promoting Small and Medium Enterprises (SMEs) to Foreign Market: Adopting Uppsala model to Bangladeshi SMEs

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### Abstract

*Bangladeshi Small and Medium Enterprises (SMEs) are considered as engines of new employment creation and economic growth, and access to market of SMEs is vital for its survival. Bangladeshi Diaspora community resides over different countries of the world. On the other hand, Bangladeshi SMEs still suffer several constraints including access to foreign markets due to information gap and effective marketing strategy. Uppsala model is considered as one of the important theoretical models regarding internationalization of SMEs. This paper mainly focuses on Uppsala model that stressed on knowledge sharing and network building between supply and demand sides. In this paper we assume that, Bangladeshi Diaspora community might come forward to provide foreign market information and first hand consumer information to the SMEs. If so, this Diaspora marketing will be helpful to access in foreign market with low cost as well as internationalization of Bangladeshi SMEs. This paper analyses on how to utilize this large number of non-resident Bangladeshis to promote the domestic products into overseas market. Based on Uppsala model and Diaspora network this paper suggest a conceptual business framework to ease the SMEs access to foreign market which will simplify the business process of SMEs.*

**Keywords:** SME, Diaspora marketing, Internationalization, Uppsala Model.

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### 1.0 Introduction

Access to market is a challenge for Small and Medium Enterprises (SMEs) in today's competitive business world. The reason is because SMEs have to compete with both large local corporate enterprises and Multinational corporations simultaneously while entering the market. Access to market is related significantly with the size of business, market penetration strategies, and domestic and international business environment. Bangladesh, a South Asian over populated country, has challenges as well opportunities to uplift its economy and to uphold its GDP growth. The country's economy mainly depends on export proceed from Ready-made garments (RMG) and remittance of Bangladeshi residing overseas. A large number of Non- Resident Bangladeshi (NRBs) are staying abroad for job, study and business purposes and their remittance play an important role in the economy. According to Bureau of Manpower, Employment and Training (BMET), during the period 2015, 2016 and 2017 total 555,881 employment, 757,731 employment and 1008,525 employment were generated respectively in different countries (BMET overseas employment data base). Bangladesh has registered USD 12,591 million foreign remittances in FY 2016-2017 and these remittances contributed to the 5.17% of national GDP (Bangladesh Bank 2017). This large number of NRBs has already created a Bangladeshi Diaspora in overseas which can contribute significantly in SMEs access to foreign market especially in Middle Eastern countries and some developed economies like UK, USA and European countries market where NRBs dominantly reside. This paper will concentrate on how Bangladeshi SMEs can get access into the export market and build a strong and sustainable business network to survive in competitive international business environment. This paper also discusses this issue from the theoretical concept of internationalization and the previous researches on Diaspora marketing that could help the SMEs to find a comfortable niche market segment. In short, the objective of this study is to explore the export market opportunities of Bangladeshi SMEs through Uppsala model.

The next section introduces the importance of SMEs in national economy and the rationale of this article. We then turn to the contemporary literature review on internationalization of firms and Diaspora. Theoretical framework of Uppsala model and a new framework for internationalization of Bangladeshi SMEs are discussed in the fourth section of this paper. In the end, we proposed some set of recommendations and future research direction for further expansion of the model.

## 2.0 Review of Bangladeshi SMEs and Rationale of SMEs access to foreign market

### 2.1 Review of Bangladeshi SMEs

There are total 8,66,424 small and medium enterprises in Bangladesh of which 8,59,318 are small economic units/establishments (10.99% to total country's establishments) and 7,106 (0.09% to total country's establishments) are medium establishment in which 6,600,685 (24.94 % to total country's people engagement) and 706,112 (2.88% to total country's people engagement) people are engaged in small and medium establishments respectively (BBS 2013, p. 62-64). Small and medium enterprises of Bangladesh has contributes about to 40% of manufacturing output of the country and 25% to national GDP (ADB 2014). In the National Industrial Policy (NIP) 2016 various types of enterprises in Bangladesh are acknowledged as industries such as large, medium, small, micro and so on. NIP's basis for classification of industries is either fixed assets (except land and building) or human capital employed in the industry. Bangladesh Bank, the central bank, is also using the same matrix while making the classification of SMEs (Bangladesh Bank 2017). However, regarding the small and medium enterprises, two policies are referred in the NIP 2016. Firstly, all export oriented SMEs will get preference in all kind of incentives packaged including financial incentive and secondly, 'SME advisory center' will be established in every district which will act as a one-stop service center for SME business promotion, training and consultation (NIP 2016, p. 9-10). All these initiatives will get momentum if Bangladeshi SMEs get a market niche in the foreign market. To enter into the export market, it requires a solid theoretical framework based strategy. Bakht and Bashir (2015) argued that Bangladeshi SMEs can successfully enter into the domestic and export market just by increasing their labor productivity and promotional activities. They suggested the SMEs to diversify their products while entering into the export market. In the seventh five year plan 2016-2020, Bangladesh government has specifically mentioned about the strategies for SME development with export orientation. In the five year plan 2016-2020, it is mentioned that 'Government should focuses on making the entry of SMEs into the export market easier, promoting the capacities of the SMEs to penetrate into the export market and thrive in the global market' (GED 2015, p.203). However no specific strategies were mentioned in the plan of SMEs for exploring export market.

Bangladesh Export Promotion Bureau (EPB) is a state owned institution that facilitates the export of Bangladeshi products into overseas market. On the other

hand, Small and Medium Enterprise Foundation (SMEF) is also another government-run autonomous institution that provides the technical and market access facilities to the SMEs. Both institutes are supporting SMEs market expansion but due to limited resources most of the SMEs cannot access to BEPB and SMEF as these institutions are located in the capital and there are no branches in other parts of the country. However, to promote the SMEs, the SMEF has developed 177 clusters of SME products of which 129 are SME booster sectors and 48 are non-booster SME clusters (SMEF 2013). The main objective of the cluster development is to identify the thrust sector in SMEs and provide them support (financial and technical) to grow up. In addition, the central bank of Bangladesh has also identified 132 SME sectors as important and instructed the scheduled banks and other financial institutions to finance these sectors (Bangladesh Bank 2010). These initiatives helps to overcome the financial constraint of SMEs to some extent but access to market is still limited within the country.

Several researches have attempted to identify SMEs access to market issue. Easier access to imported inputs and access to export to foreign markets will enhance the growth of Bangladeshi SMEs (Bakht and Abul 2015). Zaman and Islam (2011) has mentioned four constraints for non- internationalization of Bangladeshi SMEs and these are: lack of knowledge regarding WTO rules and other tariffs by entrepreneurs, inadequate investment in marketing, low product quality and lack of skilled workers. Well planned marketing strategy and quality assurance are the major challenges to Bangladeshi SMEs (Alauddin and Mostafa 2015). Promotional drive of SMEs can significantly contribute the SME growth (Qamruzzaman 2015). SME development in Bangladesh requires strong alliance among government, research institutions and finance establishments, which will also train the Small business entrepreneurs (Khan et al. 2012).

### 2.2 SMEs' Access to Foreign Market

Bangladesh export promotion bureau is an apex body of Ministry of commerce which is established under 'The Export Promotion Bureau Ordinance 1977'. Its prime objective is promotion of export from the country both in public and private sector, (EPB 2015, p. 4). As mentioned earlier Bangladesh export proceeds are dominated by readymade garments and remittance. Table 2.1 shows the share of export proceeds from different commodities of financial year (FY) 2011-12 to 2017-18.

**Table 2.1 Percentage of Bangladesh Exports Proceeds (value based) to Different Commodities between the FY 2011-12 and FY 2017-18**

Sl No.	Name of the Commodities	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
1	Woven Garments	39.52%	40.85%	41.22%	41.86%	43.02%	41.53%	42.07%
2	Knitwear	39.04%	38.76%	39.92%	39.82%	38.99%	39.70%	41.42%
3	Jute & Jute goods	3.98%	3.81%	2.73%	2.78%	2.68%	2.78%	2.80%
4	Home Textile	3.73%	2.93%	2.63%	2.58%	2.20%	2.31%	2.40%
5	Leather & Leather Products	2.73%	3.21%	3.72%	3.62%	3.39%	3.56%	2.96%
6	Frozen Food & Live Fish	2.46%	2.01%	2.11%	1.82%	1.56%	1.52%	1.39%
7	Agriculture Products	1.66%	1.98%	2.04%	1.88%	1.74%	1.60%	1.84%
8	Engineering Products	1.55%	1.36%	1.21%	1.43%	1.49%	1.99%	0.97%
9	Footwear	0.42%	0.42%	0.57%	0.61%	0.64%	0.70%	0.67%
10	Chemical Products	0.42%	0.34%	0.31%	0.36%	0.36%	0.40%	0.41%
11	Plastic Products	0.36%	0.31%	0.28%	0.32%	0.26%	0.34%	0.27%
12	Other Products	4.14%	4.01%	3.26%	2.92%	3.67%	3.59%	2.82%
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(Source: Author's own calculation based on EPB statistics)

It is evident from the table 2.1 that Woven garments and Knitwear contribute an average of 80% in national export proceeds over the last seven years. The share of leather products, frozen foods, agricultural products and engineering products are seen to be increasing over the observed period. While analyzing the EPB statistics it is found that leather and leather sector products include leather, leather products and footwear. Under Frozen food and live fish commodity sector, there are live fish, frozen fish, shrimps as sub sectors (HS code wise). In agricultural products sector, there are vegetable and dry fruits as sub-products (HS code wise) which are contributing more. Finally under engineering commodities sector, engineering equipment, electric products, wire and bicycle sub -products (HS code wise) are dominating. Table 2.2 show the sub-sector wise export value of these four commodities:

**Table 2.2 Exports Proceeds (in million USD) to Different Commodities and sub-sector between the FY 2011-12 and FY 2017-18**

Name of the commodities	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>1. Leather &amp; Leather Products (41-43 &amp; 6403)</b>	<b>663.50</b>	<b>866.46</b>	<b>1,124.17</b>	<b>1,130.51</b>	<b>1,160.95</b>	<b>1,234.00</b>	<b>1,085.51</b>
a. Leather (Chapter 41)	330.16	399.73	505.54	397.54	277.90	232.61	183.10
b. Leather Products (42-43)	99.36	161.62	240.09	249.16	388.22	464.43	336.81
c. Leather Footwear (6403)	233.98	305.11	378.54	483.81	494.83	536.96	565.60

Name of the commodities	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>2. Frozen Food &amp; Live Fish (Chapter 02-05)</b>	<b>598.42</b>	<b>543.84</b>	<b>638.19</b>	<b>568.03</b>	<b>535.77</b>	<b>516.41</b>	<b>493.12</b>
a. Live Fish (0301)	9.79	18.20	19.36	2.81	9.14	8.05	8.73
b. Frozen Fish	108.05	57.99	52.46	49.08	47.07	44.04	58.30
c. Shrimps	471.67	454.93	550.16	509.72	472.37	446.04	408.71
d. Others	8.91	12.72	16.21	6.42	7.19	18.28	17.38
<b>3. Agricultural Products (Chapter 06-24)</b>	<b>402.70</b>	<b>535.74</b>	<b>615.08</b>	<b>586.05</b>	<b>596.06</b>	<b>553.17</b>	<b>673.70</b>
a. Tea	3.38	2.44	3.71	2.63	1.83	4.47	2.77
b. Vegetables	77.43	110.34	147.55	103.24	104.34	81.03	77.98
c. Tobacco	68.74	60.18	58.68	68.45	54.98	46.62	56.39
d. Cut Flower	50.46	41.43	39.34	11.36	4.73	0.08	0.09
e. Fruits	57.16	71.89	61.84	38.48	20.23	2.69	2.24
f. Spices	13.68	21.13	21.96	23.24	29.06	34.95	42.92
g. Dry Food	37.19	45.24	72.60	94.25	96.04	109.61	201.37
h. Others	94.66	183.09	209.40	244.40	284.85	273.72	289.94
<b>4. Engineering Products (Chapter 71-88)</b>	<b>375.49</b>	<b>367.47</b>	<b>366.63</b>	<b>447.04</b>	<b>510.08</b>	<b>688.84</b>	<b>355.96</b>
a. Iron Steel	59.73	56.81	54.33	57.90	48.56	58.83	48.55
e. Copper Wire	50.93	66.38	49.17	27.88	24.47	36.09	53.18
f. Stainless Steel ware	3.20	1.58	5.36	3.89	9.22	7.82	4.37
d. Engineering Equipment	49.54	48.73	63.06	83.03	174.80	271.09	41.38
c. Electric Products	88.53	63.09	54.63	90.11	65.00	68.94	61.96
b. Bicycle	105.59	105.08	112.89	126.06	99.15	82.46	85.73
g. Others	17.97	25.80	27.19	58.17	88.88	163.61	60.79
<b>Total export proceeds of four sub-sectors (1+2+3+4)</b>	<b>2,040.11</b>	<b>2,313.51</b>	<b>2,744.07</b>	<b>2,731.63</b>	<b>2,802.86</b>	<b>2,992.42</b>	<b>2,608.29</b>
<b>Total country export</b>	<b>24,301.90</b>	<b>27,027.36</b>	<b>30,186.62</b>	<b>31,208.94</b>	<b>34,257.18</b>	<b>34,655.90</b>	<b>36,668.17</b>

(Source: EPB Data base)

**Table 2.3 Percentage of Sub-sectors Exports Proceeds to country total export between the FY 2011-12 to FY 2017-18**

Name of the commodities	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>1. Leather &amp; Leather Products (Chapter 41-43 &amp; 6403)</b>	<b>2.73%</b>	<b>3.21%</b>	<b>3.72%</b>	<b>3.62%</b>	<b>3.39%</b>	<b>3.56%</b>	<b>2.96%</b>
a. Leather (Chapter 41)	1.36%	1.48%	1.67%	1.27%	0.81%	0.67%	0.50%
b. Leather Products (42-43)	0.41%	0.60%	0.80%	0.80%	1.13%	1.34%	0.92%
c. Leather Footwear (6403)	0.96%	1.13%	1.25%	1.55%	1.44%	1.55%	1.54%
<b>2. Frozen Food &amp; Live Fish (Chapter 02-05)</b>	<b>2.46%</b>	<b>2.01%</b>	<b>2.11%</b>	<b>1.82%</b>	<b>1.56%</b>	<b>1.49%</b>	<b>1.34%</b>
a. Live Fish (0301)	0.04%	0.07%	0.06%	0.01%	0.03%	0.02%	0.02%
b. Frozen Fish	0.44%	0.21%	0.17%	0.16%	0.14%	0.13%	0.16%
c. Shrimps	1.94%	1.68%	1.82%	1.63%	1.38%	1.29%	1.11%
d. Others	0.04%	0.05%	0.05%	0.02%	0.02%	0.05%	0.05%

Name of the commodities	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>3. Agricultural Products (Chapter 06-24)</b>	<b>1.66%</b>	<b>1.98%</b>	<b>2.04%</b>	<b>1.88%</b>	<b>1.74%</b>	<b>1.60%</b>	<b>1.84%</b>
a. Tea	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
b. Vegetables	0.32%	0.41%	0.49%	0.33%	0.30%	0.23%	0.21%
c. Tobacco	0.28%	0.22%	0.19%	0.22%	0.16%	0.13%	0.15%
d. Cut Flower	0.21%	0.15%	0.13%	0.04%	0.01%	0.00%	0.00%
e. Fruits	0.24%	0.27%	0.20%	0.12%	0.06%	0.01%	0.01%
f. Spices	0.06%	0.08%	0.07%	0.07%	0.08%	0.10%	0.12%
g. Dry Food	0.15%	0.17%	0.24%	0.30%	0.28%	0.32%	0.55%
h. Others	0.39%	0.68%	0.69%	0.78%	0.83%	0.79%	0.79%
<b>4. Engineering Products (Chapter 71-88)</b>	<b>1.55%</b>	<b>1.36%</b>	<b>1.21%</b>	<b>1.43%</b>	<b>1.49%</b>	<b>1.99%</b>	<b>0.97%</b>
a. Iron Steel	0.25%	0.21%	0.18%	0.19%	0.14%	0.17%	0.13%
e. Copper Wire	0.21%	0.25%	0.16%	0.09%	0.07%	0.10%	0.15%
f. Stainless Steel ware	0.01%	0.01%	0.02%	0.01%	0.03%	0.02%	0.01%
d. Engineering Equipment	0.20%	0.18%	0.21%	0.27%	0.51%	0.78%	0.11%
c. Electric Products	0.36%	0.23%	0.18%	0.29%	0.19%	0.20%	0.17%
b. Bicycle	0.43%	0.39%	0.37%	0.40%	0.29%	0.24%	0.23%
g. Others	0.07%	0.10%	0.09%	0.19%	0.26%	0.47%	0.17%
<b>Total percentage of four sub-sectors (1+2+3+4)</b>	<b>8.39%</b>	<b>8.56%</b>	<b>9.09%</b>	<b>8.75%</b>	<b>8.18%</b>	<b>8.63%</b>	<b>7.11%</b>

SME Foundation (SMEF) has identified 177 SME clusters in Bangladesh, of which 129 clusters are identified as SME booster and 48 clusters are identified as non-SME booster cluster (SMEF 2013). Again SME booster clusters are classified into 11 sectors such as agro business, light engineering, Knitwear and readymade garments, leather making and leather goods, electronics and electrical and so on (SMEF 2013). It is mentionable here that out of 177 SME clusters, there are 170 manufacturing sector and only 7 sectors from service industry. On the other hand the definition of medium size manufacturing industry (according to NIP 2016), it may have maximum of BDT 50 crore fixed assets (except land and building) or 300 manpower employed (1000 in case of garments) and while in case of service industry, the criteria of having a maximum of BDT 30 crore fixed assets (except land and building) or 120 manpower employed.

In our above discussion on export commodities data analysis, SME cluster definition and definition of medium enterprises in NIP 2016, we can say that most of the sub-products under leather and leather products, frozen foods and live fish, agricultural products and engineering products fall under SME booster clusters. Some researchers have conducted research on specific cluster wise research. For example, Haque (2014) discovered in his research on light engineering cluster that, this sector require special attention as they have a lot of

skilled and semi-skilled idle workforce and government should come forward to upgrade this sector and helps to access in export market. Therefore, if Bangladesh government takes necessary initiatives to ease the foreign market access to SMEs, it is hoped that they can contribute more in the national export proceeds. Government might take initiatives in to two ways, providing research fund to academicians or research institute to explore the productivity enhancements factors in export oriented SMEs and provide incentives (cash or non-cash) to the export oriented SME entrepreneurs.

Export Promotion Bureau (EPB) can take initiative to promote SME internationalization along with SME foundation, although EPB mainly concentrates on RMG and other major products. Some researchers suggest the authority of EPB to review their strategy. ‘Bangladesh should explore opportunities for production sharing beyond the RMG sector. Shifting production and trade patterns have created opportunities for new, low-cost entrants into existing global production-sharing networks that link the dominant Asian exporters. Bangladesh’s potential entry into such networks depends on various factors. Recommendations include steps to improve the effectiveness of port logistics and reduce tariff barriers to improve the allocation of resources, reduce transactions costs, and increase participation in global value chains. These policy measures should be backed by a coherent image-building effort to highlight Bangladesh’s comparative advantage in labor intensive manufacturing’ (Kathuria and Mariem 2016, p.110). ‘One of the primary barriers to new export market discovery is the lack of adequate market information (including market entry requirements, prospective buyers, and so forth), especially for small and medium enterprises. The costs of gathering information about opportunities in new export markets may be very high for a low-income country, as only a few of its firms will export to that new market at first. Any rents will be captured by new entrants. The EPB can play a critical role in this respect by collecting and disseminating market information as a public good—but it currently lacks adequate capacity’ (Kathuria and Mariem 2016, p.109).

From the above review regarding Bangladeshi SMEs and the initiatives taken by government so far to improve this sector, it is vivid that the sector requires more attention and a close network with market. To address those, this paper attempts to develop a conceptual framework for Bangladeshi SMEs internationalization process based on Uppsala model and also proposes some set of recommendations to the concerned authorities.

### 3.0 Literature review

#### 3.1 Internationalization of SMEs

Internationalization is the involvement of gradual phenomenon of business processes of a firm in international market (Johanson and Vahlne 1977). Internationalization means changing state or expanding the geographical location of firms to ensure better use of resources of the firm (Ruzzier et al. 2006). Low cost of information processing, financial deregulation and liberalization of economics are driving forces for 'going global' of small firms (Acs et al. 2001). Internationalizing companies have to find a suitable organizational structure in order to manage foreign activities effectively when they enter foreign markets (Anderson and Gatignon 1986). Network plays an important role in market expansion while internationalization of a firm (Mina et al. 2015).

Resource constraints can limit SMEs ability to commit strongly to a foreign market by choosing high-commitment foreign market entry modes like full acquisitions (Ripolles et al. 2012). According to Laufs and Schwens (2014), there are three traits of SMEs that influence on foreign market entry mode choice. These traits are: resource disadvantages compared to large MNEs, high sensitivity to external challenges and SMEs ownership structure. Some argue that an effective partner in innovation can accelerate the market access of SMEs. For example Jurgita et al. (2016) while researching on Lithuania's Small IT firm internationalization process has found that networking in national and international level helps SMEs internationalization process. Solberg and Durrieu (2006) found strong relationship with marketing network and commitment to market with the firm's internationalization success. They conclude after conducting empirical analysis of 206 Norwegian exporters that access to marketing network and strategic alliances are strongly linked with marketing control while positioning a firm in to the international market (Solberg and Durrieu 2006). Louise et al. (2015) mentioned that while internationalization of small firm there are two stages, one is initial stage and another is secondary stage. According to Louise et al. (2015) in initial stage of internationalization, *trust* is a determinant factor for success and in secondary stage (when firms successfully overcome initial stage) network and resource allocation are key factors for success. 'Made in Italy' has a positive impact on export strategy in foreign markets of Italian Wine and Pasta in European market (Abitabile et al. 2017). Ahmed et al. (2008) after analyzing sales attitude of 214 Malaysian manufacturing SMEs and also conducting interview with their senior managers found that, the risk involved with selling products in overseas are lack of capacity to dedicated continuing supply of goods, difficulty of collecting the payment

from customers, difficulty while providing after sales service, and language and cultural differences. Malaysian managers also pointed out that export barriers to SMEs were not properly pointed out in the previous study (Ahmed et al. 2008). Oehler et al. (2016) argued that the internationalized small blue-chip indices and mid-cap indices in UK, German and France firms are attracted by institutional investors in the stock market due to its unique export strategies. Miocevic and Crnjak-Karanovic (2010) advocate that knowledge about foreign markets helps to better understanding of foreign customer needs, competition and business environment. Ali et al. (2017) found in a comparative research that Bangladeshi, Philippines and Thai SMEs are still staying in informal sector and they advocate that, if the governments of these economies collaborate each other with information sharing and other technical know-how on SMEs, it would be easier for them to achieve the Sustainable Development Goal (SDG) 1, 5 and 8. In light with the above discussion, we can say that information and networking are quite important for SMEs internationalization process. While networking, we primarily assume that the Diaspora can play a role in building bridge between the SMEs and the overseas market to some extent. The next section discusses more about this issue.

#### 3.2 Diaspora and Diaspora Entrepreneurs

"Diaspora" and, more specifically, "Diaspora community" seems to be increasingly used as metaphoric designations for several categories of people such as expatriates, expellees, political refugees, alien residents, immigrants, and ethnic and racial minorities (Safran 1991). The impact of globalization on immigration trend leads to Diaspora, it may be called regionalization within globalization (Leila 2015). While discussing about the SMEs foreign market entry mode, Lindsay et al. (2017) mentioned that interaction between the resources (internal and external) and institutions (both host country and home country) play a vital role and agent (may be Diaspora) can interplay between two. In addition, Diaspora has developed 'Diaspora entrepreneurship' in their country of origin (COO) and country of residence (COR). Diaspora entrepreneurs have to cross two dimensional institutional structures such as country of origin and country of residence (Yeung 2002). However, these entrepreneurs have to face a lot of obstacles to set up their enterprises to survive in the hostile environment. Despite their business uncertainty in the foreign market and environment, they try to contribute to their home country through their entrepreneurial capabilities. Aki Harima (2015) mentioned that, Diaspora entrepreneurs have to face three hazards in their country of residence such as relational hazards, discrimination

hazards and unfamiliarity hazards. But the experiences and opportunity that the Diaspora community has gathered in the country of residence has inspired them to contribute to their country of origin (Riddle 2008). Brazilian Jiu-Jitsu practitioners (Jiu-Jitsu is a traditional Brazilian Martial Art) transnational entrepreneurial networks helps the internationalization of Brazilian Martial art (Rocha et al. 2015). Several empirical researches have proved that Diasporic network can be successful while establishing a business network between foreign market and their home countries products. For example, Romani Diaspora in Brazilian market (Toyansk 2017), Iranian Diaspora for Iranian products among all over the world (Haidar and Mirjalili 2016), Hong Kong Diaspora while exporting Chinese Catering service in UK (Cheung and Gomez 2012), Lebanese Diaspora in export and import business in Europe (Rosenfeld 2012), Chinese business network for Shark-fin business in Hong Kong (Cheunga and Chang 2011), Ethnic Chinese for trade facilitation in Australia (Tung and Chung, 2010), Indian expatriate community for promotion of Indian software business (Nanda and Khanna 2010), Vietnamese network for Vietnamese restaurants in London (Kitching et al. 2009), Chinese entrepreneur immigrants in Vancouver for various local enterprises (Wong and Ng 2009). To sum up, we can say that Diaspora play a very positive role for promotion of their home countries product in the overseas market. In the next section, we discuss the conceptual framework for Bangladeshi SMEs for access in foreign market using the Bangladeshi Diaspora.

#### **4.0 Conceptual framework for SME internationalization**

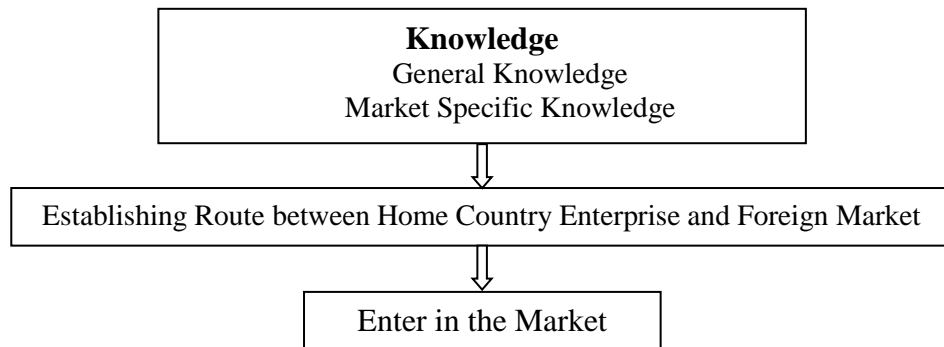
There are a number of theoretical contributions towards internationalization of SMEs. Tiwari Sen and Shaik (2016) classified theories of internationalization of SMEs into two broad categories such as Process theories and Trigger theories. They (2016) include international product life cycle theory, internalization theory and incremental theory/Uppsala model as process theory and foreign direct investment theory, Eclectic Theory and Transaction Cost Theory as Trigger theories. However most of the above mentioned theories are concerned with developed economies perspectives. As the business environment and governance issues are different between developed and developing economies, the implication of same theories in both economies might have different outcomes. Due to absence of institutional settings in most emerging economies it is hard to go for internationalization (Gammeltoft et al. 2010). However, we will focus on “Uppsala model” in our rest of the discussion for Bangladeshi SME internationalization process.

Uppsala model is widely reviewed by numerous academics while discussing on internationalization of firms. Two Swedish academics namely Jan Johanson and Jan-Erik Vahlne from University of Uppsala and Stockholm School of Economics respectively have developed the model in 1977 in their article, ‘The Internationalization Process of the Firm-A Model of Knowledge Development and Increasing Foreign Market Commitments’. The model is basically based on four Swedish manufacturing firms’ internationalization process which was discussed as empirical case study by Penrose in 1959 and other related works of Vahlne et al. in 1960s and early 1970s. In Uppsala model, Johanson and Vahlne described four modes for internationalization of a firm. The basic theme of their model is market information i.e. market knowledge can reduce the market uncertainty which is raised in the dynamic market environment while doing export business by a specific firm. However due to information system revolution in the early 1980s and 1990s the model again reviewed by the original authors in 2009. In the revised model Johnason and Vahlne additionally focused on ‘trust’ while building market information data base. The rest of the section discusses more about the Uppsala model and we develop our conceptual framework (diagram 4.1 and 4.2) based on the original theme of the model’s authors and relevant literature review of Uppsala model.

While constructing theoretical framework for Bangladeshi SMEs internationalization, we can adopt the Uppsala model that emphasizes the importance of experiential market knowledge. The framework used in Incremental model/Uppsala model was considered as a new dimension in the internationalization theory in late 1970s (Agnieszka 2015). The Uppsala model describes the core of internationalization process in the entire model (Catherine et al. 2016). Johanson and Vahlne argued that this is especially true of experiential knowledge, which is usually associated with the particular conditions in the market and thus cannot be transferred to other individuals or other markets (Margaret 2007). This sequence of stages and the establishment chain, reflects the increasing degree of involvement in terms of commitment of resources by the firm and information channels to and from the market (Margaret 2007).

The Uppsala model primarily focuses on market knowledge and then establishes a route to enter in the market. The process can be illustrated in the following diagram:

**Diagram 4.1 Uppsala Model**



(Source: Developed by author based on original theme of Johanson and Vahlne 1977)

However this model was criticized due to expansion of online marketing strategies but Johanson and Vahlne has revised their model in 2009 and referred that knowledge will be based on ‘trust building’ and ‘relationship’ (Johanson and Vahlne 2009). Silva et al. (2017) also mentioned that the relationship between company and external agent is very crucial to adapt Uppsala model. Yamin and Kurt (2018) stressed on adoption of ‘social network theory’ to proper implementation of Uppsala model that was revised by Johanson and Vahlne in 2009.

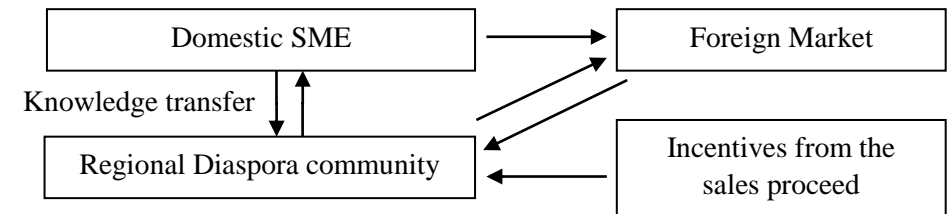
Now the question arises how Bangladeshi SMEs can be benefited from this model. As it has been mentioned earlier in this paper that Diaspora community has already developed Diaspora entrepreneurs who have market knowledge about their country of residence and Uppsala model is based on market specific knowledge. Therefore, Bangladesh SMEs can use the Diaspora entrepreneurs’ market knowledge and the concept of Diaspora marketing to enter in to the overseas market. Some research find positive impacts of such initiatives. Market attractiveness and network relationship contribute to access to foreign markets for small firms and joint ventures (Ojala 2015). With the help of local partners the difficulties of ‘liabilities of foreignness’ can be overcome (Aki Harima, 2015). To overcome the challenges of maintaining cultural distinctiveness in foreign society, country of origin (COO) products have positive effects (Kumar and Steenkamp 2013). Rahman and Lian (2011), has conducted a qualitative field research in Japan with Bangladeshi immigrants and they found that the Bangladeshi immigrants are engaged in transactions of ethnic and non-ethnic products and adopted innovative strategies for selling the products. A similar

finding was shown by Lever-Tracy (2002) Chinese Diaspora culture creates an inclusive Diasporic network around the world.

However there are some challenges to adopt this model. Targeting the right immigrants is the prime challenge for Diaspora marketing (Kumar and Steenkamp 2013).

Based on the above theoretical aspects of Uppsala model and literature review of Diaspora we proposed the following framework for SME internationalization.

**Diagram 4.2 Framework for SME internationalization**



(Source: Developed by author based on original theme of Johanson and Vahlne 1977)

In the diagram 4.2 we assume that three actors can contribute to SME internationalization process. First actor is the local SMEs who produce distinctive and quality products, second is regional Diaspora community who resides overseas and finally the foreign market where the Diaspora community resides. In this model we use the concept from Uppsala model that information is a prerequisite for entering foreign market. Diaspora community will provide necessary information to the local SMEs regarding the market demand and customers taste and preferences (where the Diaspora community resides). Similarly local SMEs will also share the updated product information to the Diaspora community. Finally, based on the market information and product demand, local SMEs will export the product to the foreign market. In this model, we consider that, although Diaspora community will disseminate the information from patriotic spirit, they need some financial incentives to maintain updated information sharing process with domestic SMEs. Hence, the incentives to the Diaspora can be provided as ‘commission’ from sales proceeds or any form of financial benefit from the sales of the products at their own enterprises.

In our proposed model, Diaspora community is playing double roles such as receiving and updating information from and to the market as well as providing necessary information to the customers. We assume that, through this process there is little chance to fabricate or have distortion of information as information

is directly communicated between demand and supply side. In addition, we suggest that Diaspora community will get commission /rent from the market not from the local SMEs so that their cost of production might not be raised due to this process. As a result there are two benefits that we can achieve. Firstly, the product price can be minimized at producers end because there will be no additional marketing cost required for the product. Secondly, it is expected that, the Diaspora community will try to expand market base and also search new product markets because at the end they will receive financial incentives for their efforts. Again we assume that, as Diaspora will provide the information to the SMEs from patriotic spirit as well as financial incentives, there is less chance to provide misinformation.

From the Bangladeshi SMEs perspective, they can also gain benefit while adopting this model. Because in Bangladesh most of the SMEs are run by the middle income group of the society and they cannot frequently visit overseas market or cannot display their products in the overseas SMEs product fairs due to financial constraint. Hence it is expected that, this model can help the local SMEs to get access to foreign markets using Diaspora instead of physically visiting the market. In this way, SMEs can save their information transaction cost which will help them to reinvest in product quality and maintain international standard.

## 5.0 Concluding remarks and policy implications to SMEs access to foreign market

This paper attempts to investigate the internationalization process especially for SMEs who intend to enter the export market. As marketing strategy for such drives are risky and costly as well, we refer Uppsala model in this respect. We consider from the model that knowledge transfer and networking are key factors for internationalization of firms. To create network and sharing overseas market information Bangladeshi Diaspora can play a vital role in this stage. The rationale for choosing the non-resident Bangladeshi (as an actor for Uppsala model) is that, previous researchers have found that there is positive relationship between Diaspora community and country of origin products. It means that the Diaspora community can act as an agent to promote their home country product, if they get proper incentives. As mentioned earlier, about 10 million Bangladeshis are living overseas which create a strong Bangladeshi Diaspora community in different parts of the world. Therefore, we recommend to capitalize this opportunity for SMEs access to foreign markets. However there are some challenges and constraints such as quality issues, transportation barriers of local SMEs which need to be tackled while entering and surviving in the

foreign market. To mitigate the barriers, we also suggest expanding necessary facilities to the SMEs. SME promotion requires adequate level of data support and also support for business development (ADB 2013). Further researches on some issues like, how better information sharing can be ensured and how efficiently the Diaspora dividend can be capitalized could enrich our model. This paper can be considered as a stepping stone to find the bridge between the SMEs and expatriates for foreign market access of SMEs.

However, a number of recommendations has provided so far to the development of Bangladeshi SMEs based on empirical researches. For example, Ahmed, Momtaz Uddin (2016) viewed that ‘market niche’ and ‘collective efficiency’ approach will help Bangladeshi SMEs to enjoy competitive advantage and productivity advantage respectively. In addition, there is concern about women entrepreneurs in Bangladesh although government has taken various initiatives to support women entrepreneurs. Ahmed, Momtaz Uddin (2014) briefly discussed about the business barriers to Woman entrepreneurs and recommended policy frameworks to overcome these barriers. He stressed to provide institutional arrangement to facilitate Women’s access to productive resources. Finally, we proposed the following policy implications based theoretical aspects of Uppsala model and impact of Diaspora that has been briefly discussed in this paper.

1. We recommend an *institutional framework* for SMEs internationalization. As SMEs have financial constraints and they couldn’t reach the foreign market, we propose that the Ministry of Expatriates Welfare and Overseas Employment (MEWOE) and SMEF jointly would initiate a project that will work to create a data base of the Bangladeshi Expatriate living abroad and the domestic SMEs. The project aims are knowledge transfer and information sharing between both parties in their respective business interest. The MEWOE has database for Bangladeshis living overseas, on the other hand SMEF has data base on SMEs. Therefore, the domestic SMEs and NRBs can easily get market information and products information respectively. As a result it will reduce the transaction cost of information and NRBs can quickly communicate with SMEs for respective product.
2. *As mobile banking service* is getting popular in Bangladesh, we also recommend to extend this mobile banking service to the SMEs to get sales proceeds from overseas. Now there are some transaction limits imposed by central bank on mobile banking services. Therefore we propose that Bangladesh Bank could relax the transaction limit for domestic SMEs so that they can get the sales proceeds quickly.



3. We also propose to extend the SMEF office to each district level to train and nurture the small business entrepreneurs. Now as SMEF is based on capital, the rural SME owners can't get proper treatment to enhance their product quality and entrepreneurial capabilities. Therefore, SMEF should reach the district level SMEs by which quality concerns could be minimized.
4. Finally the communication barriers between SMEs and Diaspora community should be very minimum because foreign markets are always highly vibrant and information based and late comers will lose the market opportunity. Hence we recommend reducing the bureaucratic process for SME product export at Export Promotion Bureau and other governmental agencies.

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