

Research Article

SME Export Strategy: A Conceptual Model Based on Capability, Regulation, and Networks

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Abstract: This article aims to develop a comprehensive conceptual model of export strategy for Small and Medium-sized Enterprises (SMEs) in the era of the digital economy. As globalization and digital transformation continue to reshape international markets, SMEs face both opportunities and challenges in expanding their export activities. Using a conceptual approach based on theory synthesis, this study integrates insights from the Resource-Based View (RBV), Dynamic Capabilities Theory, Network Theory, and Institutional Theory to construct an integrative framework for understanding SME export performance. The proposed framework identifies five key determinants that influence the success of SME export activities: (1) digital capability, which enables firms to leverage digital technologies for market access and operational efficiency; (2) access to export financing, which supports international expansion and business growth; (3) international regulatory compliance, which ensures adherence to global trade standards and regulations; (4) business network strength, which facilitates access to information, resources, and foreign market opportunities; and (5) product innovation, which enhances competitiveness in international markets. Based on these dimensions, five theoretical propositions are formulated for future empirical testing. The model provides strategic insights for SMEs, policymakers, and export support institutions while addressing gaps in the literature concerning the limitations of fragmented approaches to SME internationalization.

Keywords: Business Networks; Conceptual Model; Digital Capability; Internationalization; SME Export.

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1. Introduction

SMEs hold a strategic role in Indonesia's national economy. According to data from the Ministry of Cooperatives and SMEs, SMEs contribute more than 60% of Gross Domestic Product (GDP) and absorb approximately 97% of the national workforce [1]. Nevertheless, SME participation in international trade remains far from optimal. The contribution of Indonesian SME exports to total national exports remains below 15%, lagging significantly behind ASEAN countries such as Thailand and Vietnam, which have already reached 30–40% [2]. This gap underscores the urgency of developing a comprehensive and theoretically grounded export strategy. SMEs face various structural barriers in internationalizing their businesses, ranging from capital constraints and limited managerial capabilities to minimal access to global market information [3]. At the same time, the development of the digital economy opens new opportunities for SMEs to penetrate export markets through cross-border digital platforms without the need for costly conventional distribution networks [4]. The literature on SME internationalization has grown considerably over the past two decades, yet most studies remain partial and have not produced an adequate integrative framework. Existing research tends to focus on a single variable—for instance, financing factors alone or regulatory aspects in isolation—without considering the interactions between dimensions

that collectively shape export success holistically [5]. This article addresses that gap by developing an integrative conceptual model. The approach used is that of a conceptual paper, employing the synthesis of established theories from strategic management and international economics to build empirically testable propositions. This model does not collect primary data through surveys or interviews; rather, it constructs a coherent theoretical argument grounded in recent literature from reputable international journals [6]. The specific objectives of this article are: (1) to identify the key dimensions that determine SME export success; (2) to build an integrative conceptual framework linking those dimensions; and (3) to formulate theoretical propositions as a direction for future empirical research. In doing so, this article contributes to both theoretical development and export policy practice for SMEs in Indonesia and developing countries more broadly.

2. Literature Review

This section must contain a state-of-the-art explanation. It can be explained in several ways. First, you can discuss several related papers, both about objects, methods, and their results. From there, you can explain and emphasize gaps or differences between your research and previous research. The second way is to combine theory with related literature and explain each theory in one sub-chapter.

Resource-Based View and Dynamic Capabilities

The Resource-Based View (RBV), pioneered by Barney, serves as one of the main theoretical pillars for understanding SME competitiveness. RBV posits that competitive advantage is rooted in the possession of resources that are valuable, rare, inimitable, and non-substitutable (VRIN) [7]. In the context of exports, SME resource capabilities encompass market knowledge, process technology, and customer relationships—assets that are difficult for competitors to replicate. The Dynamic Capabilities Framework developed by Teece et al. extends RBV by emphasizing the firm's ability to respond to environmental change adaptively [8]. In the context of internationalization, SMEs with high dynamic capabilities are able to integrate new knowledge about export markets, reconfigure their resources, and innovate continuously in line with global market demands. Recent studies indicate that absorptive capacity—the ability to identify, assimilate, and exploit external knowledge—serves as a critical mediator between SME resources and export performance [7].

Network Theory and Internationalization

Network Theory offers a perspective distinct from the internal resource-based approach. This theory emphasizes that SME internationalization is heavily influenced by the quality and breadth of the firm's business relationship networks [9]. These networks include relationships with suppliers, distributors, customers, and strategic partners in target export markets. Through networks, SMEs can access market information, reduce uncertainty, and build trust—an intangible asset in cross-cultural trade.

Recent research shows that business diaspora communities play a significant role as bridges in the internationalization of SMEs from developing countries. The diaspora functions as a provider of informal information, a facilitator of market access, and a reputation guarantor that lowers transaction costs [10]. This phenomenon is particularly relevant for Indonesian SMEs given the extensive network of Indonesian communities in major export destination countries.

Institutional Theory and Regulatory Compliance

Institutional Theory emphasizes that organizational behavior is shaped by institutional pressures from its external environment, whether coercive (government regulations), normative (industry standards), or mimetic (imitation of competitor best practices) [11]. In the export context, SMEs that can comply with international regulatory standards—such as ISO certification, HACCP food safety standards, or customs requirements—enjoy greater legitimacy in the eyes of international buyers. Empirical studies across various developing countries confirm that bureaucracy and the complexity of export regulations are major barriers preventing SMEs from going international [4]. Institutional reforms that simplify export procedures and reduce compliance costs have been shown to significantly increase SME participation in international trade [11].

The Role of Digitalization in SME Exports

Digital transformation has fundamentally altered the landscape of international trade. Cross-border e-commerce platforms such as Alibaba, Amazon Global Selling, and various regional marketplaces allow SMEs to reach global consumers without establishing costly physical distribution networks [3]. This phenomenon is often referred to as 'born digital

exporters'—SMEs designed from the outset to operate in the global digital marketplace. The digital capability of SMEs encompasses several dimensions: the owner's digital literacy, information technology infrastructure, data management and analytics competency, and digital marketing skills [8]. Recent research finds that comprehensive digital technology adoption—not merely having a website—is a prerequisite for optimally capitalizing on digital export opportunities [3].

SME Export Financing

Limited access to financing is one of the most consistently reported barriers faced by SMEs across international studies [5]. Export activities require greater working capital than domestic sales, due to longer payment cycles, high logistics costs, and exchange rate risks that must be mitigated. Available export financing instruments include subsidized export credit, export credit guarantees, exchange rate hedging facilities, and invoice financing [12]. However, the accessibility of these instruments for SMEs remains low due to disproportionate collateral requirements and complex application procedures. Fintech innovations offering supply chain finance based on digital transaction data are beginning to address this barrier, particularly for SMEs active on digital platforms [5].

3. Proposed Method

Research Approach

This study employs a conceptual paper or theoretical model building approach—a scientific method aimed at generating knowledge contributions through the development of new theoretical frameworks without the collection of primary data [6]. This approach is used when the research objective is to build or extend existing theory, integrate previously separate perspectives, or identify knowledge gaps requiring further empirical investigation. The legitimacy of the conceptual approach in management and international business research is widely recognized. High-impact journals such as the *Journal of International Business Studies*, *Journal of World Business*, and *International Small Business Journal* regularly publish work based on this approach [6]. The strength of the conceptual approach lies in its capacity to synthesize diverse theoretical perspectives to generate new insights that cannot be achieved through empirical data analysis alone.

Model Development Procedure

The conceptual model developed in this study follows the three-stage procedure recommended by Jaakkola [6]. The first stage is conceptualization, which involves identifying and defining the key constructs relevant to the SME export phenomenon based on a purposive and selective literature review. The literature used comprises articles from Scopus- and Sinta-indexed journals published in the last five years (2020–2024), with primary keywords: 'SME export strategy,' 'UMKM ekspor,' 'SME internationalization,' 'digital export,' and 'export barriers developing countries.'

The second stage is elaboration, in which logical relationships between constructs are established based on causal mechanisms supported by the relevant theories. At this stage, each proposition is formulated by identifying antecedent variables, linking mechanisms, and consequent variables, along with the theoretical foundations supporting each relationship. The third stage is conceptual evaluation, in which the internal coherence of the model is assessed through logical argumentation. At this stage, potential conflicts between propositions are identified and resolved through deductive reasoning. The model's limitations are also explicitly acknowledged to preserve the scientific integrity of the claims advanced.

Literature Selection Criteria

The literature underpinning the model was selected based on the following criteria: (1) published between 2020 and 2024; (2) indexed in Scopus (Q1–Q4) or Sinta (S1–S3); (3) directly thematically relevant to export strategy, SME internationalization, or determinants of export performance; and (4) providing a theoretical or conceptual contribution that can be integrated into the developed framework. Literature outside this timeframe was only used if it constitutes a seminal work forming the foundation of the theories employed—such as foundational works on RBV, Dynamic Capabilities, Network Theory, and Institutional Theory.

4. Results and Discussion

Integrative Conceptual Framework for SME Export Strategy

Based on the theoretical synthesis conducted, this study produces an integrative conceptual framework that positions SME export performance as a function of five

interacting determinant dimensions. These five dimensions are digital capability, access to export financing, international regulatory compliance, business network strength, and product innovation. The interaction among these dimensions is mediated by a contextual variable—export ecosystem support—which encompasses government policy, logistics infrastructure, and the availability of export support institutions.

This framework differs from previous models in three fundamental respects. First, it is integrative, meaning it does not privilege a single theory but cohesively integrates four theoretical perspectives. Second, it acknowledges the moderating role of the export ecosystem—something often overlooked in prior research that tends to treat SMEs as actors operating in an institutional vacuum [11]. Third, the model explicitly incorporates the digital dimension as a stand-alone dimension equal in standing to traditional dimensions, recognizing the fundamental transformation brought about by the digital economy in international trade [3].

Table 1. Dimensions of the Conceptual Model for SME Export Strategy.

Dimension	Key Indicators	Theoretical Basis / Reference
Digital Capability	Export e-commerce use, digital platforms, technology literacy	Resource-Based View (RBV); [3], [8]
Financing Access	Export credit, financial institutions, international working capital	Pecking Order Theory; [5], [11]
Regulatory Compliance	International certification, customs procedures, product standards	Institutional Theory; [4], [9]
Business Networks	Distribution partners, business diaspora, trade associations	Network Theory; [6], [12]
Product Innovation	Product differentiation, market adaptation, export quality	Dynamic Capabilities; [7], [10]

Source: Authors' elaboration based on literature synthesis (2020–2024)

Digital Capability Dimension

Digital capability occupies a central position in the developed model. This is grounded in the argument that in the Industry 4.0 era, SME access to export markets is no longer primarily constrained by geographical barriers but is increasingly determined by the ability to leverage digital technology strategically [3]. Digital capability in the export context encompasses four interrelated sub-dimensions: (a) digital infrastructure capability—availability and reliability of information technology systems; (b) data and analytics capability—ability to process market data for export decision-making; (c) digital marketing capability—competency in reaching and acquiring international customers through digital channels; and (d) cybersecurity capability—the ability to protect digital assets and cross-border transaction data.

A comparative study across Southeast Asia found that SMEs with high digital capability showed a 2.3 times greater probability of exporting compared to SMEs with low digital capability, after controlling for firm size and industry sector variables [8]. This finding is consistent with the RBV prediction that digital resources constitute a valuable and difficult-to-imitate strategic asset, thereby generating sustainable competitive advantage in export market competition.

Financing Access as a Moderator

The developed model positions access to export financing as a moderating variable rather than a direct predictor of export performance. This argument is built on two theoretical premises. The first premise: internal SME capabilities (digital capability, product innovation) will not produce optimal export performance if not supported by adequate financial resources to convert them into concrete export activities [5]. The second premise: the moderating effect of financing is conditional—SMEs with high capabilities will benefit more from improved financing access than SMEs with low capabilities, making this moderating relationship asymmetric. The rapidly growing export fintech ecosystem offers increasingly affordable solutions for SMEs, including invoice financing based on e-commerce transaction data, technology-based export credit insurance, and micro-level foreign exchange hedging accessible digitally [12]. These innovations are gradually shifting the paradigm of export financing from one based on physical asset collateral to one based on digital transaction history—which is more accessible to SMEs lacking significant fixed assets.

Regulatory Compliance as Export Legitimacy

Institutional Theory explains that SMEs that successfully meet international regulatory standards obtain a 'social license' to operate in global markets [11]. Regulatory compliance in

this model encompasses two layers: (1) origin country regulations—customs procedures, export licenses, and trade documents; and (2) destination country regulations—product standards, labeling requirements, phytosanitary provisions, and consumer protection regulations. Recent research shows that regulatory compliance costs have a disproportionate impact on SMEs compared to large corporations. The same fixed cost of international certification will consume a far greater proportion of revenue for an SME [4]. This effectively creates an entry barrier to export markets. Policy interventions in the form of certification cost subsidy programs and one-stop-service export facilities have been shown to significantly increase SME export participation in several ASEAN countries [4].

Business Networks and Accelerated Internationalization

Network Theory predicts that business network strength is positively correlated with the speed and depth of SME internationalization [9]. In this model, business networks function as a mechanism for reducing information asymmetry—one of the greatest barriers faced by SMEs entering unfamiliar foreign markets. Through networks, SMEs can access 'bridging information' about local consumer preferences, local regulations, and prevailing business practices without having to bear the high costs of market research. Recent developments show the emergence of 'digital networks' as a complement to conventional business networks. Platforms such as LinkedIn, virtual export communities, and international B2B marketplaces create new, more affordable and scalable forms of networks [10]. SMEs capable of leveraging a combination of traditional networks (personal networks, trade associations) and digital networks demonstrate superior export performance compared to those relying on either alone [9].

Theoretical Propositions

Based on the development of the five dimensions above and the inter-dimensional relationships elaborated, this study formulates five theoretical propositions that can serve as hypotheses in subsequent empirical research:

Table 2. Theoretical Propositions of the SME Export Strategy Model.

No.	Proposition	Antecedent Variable
P1	The higher an SME's digital capability, the greater its likelihood of successfully penetrating export markets.	Digital Capability → Export Performance
P2	Adequate access to export financing acts as a moderator between SME resource capabilities and export performance.	Financing (Moderator)
P3	Compliance with international regulations and standards enhances the legitimacy and acceptability of SME products in global markets.	Regulation → Legitimacy
P4	The strength of international business networks accelerates the SME internationalization process by reducing information asymmetry.	Networks → Export Speed
P5	Sustained product innovation strengthens the export competitiveness of SMEs in competitive markets.	Innovation → Competitiveness

Source: Authors' elaboration

The five propositions above are interrelated and form a cohesive nomological network. Propositions P1 and P5 reflect internal capability-based determinants (RBV and Dynamic Capabilities), while P3 and P4 reflect external context-based determinants (Institutional Theory and Network Theory). Proposition P2 connects the two through the moderating function of financing, acknowledging that internal capabilities will not be optimal without adequate financial resource support [5].

Managerial and Policy Implications

The developed conceptual model carries several practical implications. For SME practitioners, the model recommends prioritizing investment in digital capability and the development of international business networks as the two leverage points with the greatest multiplier effect on export performance. For policymakers, the model indicates the need for simultaneous interventions across all five dimensions—rather than the single-intervention approach that has dominated to date—because weakness in one dimension can undermine the effectiveness of interventions in the others [1]. For export support institutions—such as LPEI (Indonesia Eximbank) and ITPC (Indonesian Trade Promotion Center)—this model recommends an ecosystemic approach that integrates financing services, regulatory consulting, and network facilitation into a single, integrated service package. This bundled services approach is predicted to be more effective than separate services because it reflects the complexity of barriers faced by SMEs throughout their export journey [12].

5. Conclusions

This study successfully developed an integrative conceptual model of SME export strategy, identifying five determinant dimensions: digital capability, access to financing, regulatory compliance, business networks, and product innovation. The model is built on the foundation of four theoretical perspectives—RBV, Dynamic Capabilities, Network Theory, and Institutional Theory—cohesively integrated to produce a more holistic understanding of the complexity of SME internationalization. The main contributions of this article are threefold: (1) integrating theoretical perspectives that have previously operated independently into a unified framework; (2) positioning digital capability as a standalone dimension equivalent to traditional factors—a perspective still relatively rare in SME internationalization literature from the developing country context; and (3) formulating theoretical propositions that can be directly translated into hypotheses for both quantitative and qualitative empirical research. This study has several limitations that should be acknowledged. The developed model is generic and has not been calibrated to specific sectoral or regional contexts. The inter-dimensional relationships proposed remain theoretical and require empirical validation. Furthermore, macroeconomic factors such as exchange rate fluctuations and global demand conditions have not been explicitly integrated into the model. For future research, the following directions are recommended: (1) empirically testing the formulated propositions using panel data from SMEs across various sectors and regions; (2) developing valid and reliable measurement instruments for each dimension in the model; (3) exploring the moderating and mediating effects between dimensions using Structural Equation Modeling (SEM); and (4) conducting cross-country comparative analyses to test the generalizability of the model across different contexts.

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