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OWNERSHIP INVOLVEMENT AND THE INTERNATIONALISATION DECISION OF SMEs: A STUDY OF SMES IN LAGOS STATE, NIGERIA

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ABSTRACT

Family SMEs tend to be cautious in their internationalisation decision as they are risk averse while the non-family ones are opportunistic in nature as they perceive internationalisation as new business opportunity for growth. Thus, this study examines the effect of ownership involvement on the internationalisation decision of SMEs in Lagos State, Nigeria. Using the purposive sampling technique, a self-reporting survey questionnaire was used to gather our data. The gathered data were analysed with a simple linear regression method. Our analysis confirms that there is a statistically significant relationship between ownership involvement and the internationalisation decision of SMEs. Critical to the finding is the uniqueness of 'shareholdings of the highest decision maker' in these SMEs which consistently indicates a strong positive relationship with internationalisation decision. That is, the highest shareholders have greater influence on the internationalisation decision of these SMEs. However, there is a need for further study to ascertain the general application of this finding, especially a study on under what conditions is the highest shareholders willing to take the risks connected to internationalisation.

Keywords: SMEs, Ownership Involvement, Internationalisation, Family Business, Non-Family Business.

1. INTRODUCTION

Small and Medium Enterprises' (SMEs) role in the growth and development of any economy cannot be over-emphasised. Various literatures on SMEs (Oshagbemi, 1983; Onugu, 2005; Ihua, 2009) have continuously emphasized the importance of SMEs to national economies. The experiences from developed economies buttress the importance of SMEs to national economic growth and development. For developing economies that want to transform their economy, providing the enabling social economic and social political environment to strengthen SMEs growth is critical. This is because studies (Onugu, 2005; Ihua, 2009) have shown that economies that can provide these enabling environments for SMEs enjoy quality standard of living, reduction in crime rate, increase in per capital income as well as rapid growth in GDP. For example, SMEs constitute up to 97% of the entire economy in Nigeria (Ojeka, 2011). This simply implies that providing enabling environment for the sector can transform the economy.

With globalisation and the corresponding growth of national markets around the world, more opportunities are opening up for SMEs. This means that they must look beyond national borders for business opportunities as competition from closer national markets may threaten their survival. Although the decision to explore new markets by SMEs is often a managerial challenge which may directly or indirectly involve the owner. In the developing economies, most SMEs die after the death of their owners; some move on but not known beyond the local level; and just a few are known at the international level. Yet, every attempt to internationalise is an opportunity to expand their market size as well as creating competitive advantage. However, SMEs from developing economies, mostly family businesses, often face several constraints which hinder their chances of exploring and exploiting other national markets. They tend to internationalise later and slower compared to non-family businesses (Segaro, 2010).

SMEs' ownership involvement influences the decision to access financial resources, technological innovation or commercial resources and capabilities (Allen and Phillips, 2000). Consequently, the ownership involvement determines the degree of SMEs internationalisation. This is usually a strategic decision and it has a very great influence to either make or mar the intentions of enterprise. Sometimes, owners-CEOs with high amount of stock seems to be more risk averse and aim to preserve their social emotional wealth (Berrone, Cruz and Go´mez-Mejı´a, 2012). Such social emotional wealth preservation tendencies appear to overrule the growth opportunities of international expansion of SMEs. However, fewer researchers (Hill and Snell, 1989; George, Wiklund and Zahra, 2005) have examined how ownership structure influences the internationalisation of enterprises while only few contributions (Bhaumik, Driffield and Pal, 2010) investigated the relationship between ownership involvement and internationalisation directly. Similar studies, for instance, Wen-Tsung, Chen and Cheng (2012) examines the effect of CEO attributes on internationalisation of SMEs in Taiwan, they found that CEO have moderating effect on the internationalisation of the firms. The study on family ownership and international involvement by Roida and Sunarjanto (2012) suggests that there are other elements except ownership involvement that can impact internationalisation strategic choices of SMEs in East Java. While in Schweizer's (2010) work on the internationalisation process of SMEs: A muddling-through process. It was concluded that the driving force of this change include increased experience, increased knowledge and goal ambiguity, all of which reduce the limitations in intellectual capacity and lack of knowledge, either through a learning process by family managers in the firm or through the arrival of new managers with such experience and knowledge.

In view of the above, it is evident that though a lot of researches have been conducted on ownership involvement, little attention has been paid on determining the relationship between ownership involvement and SMEs internationalisation in Nigeria. In response to this gap, this study investigates the relationship between ownership involvement and internationalisation decision of SMEs.

2.0 SMEs AND OWNERSHIP INVOLVEMENT

SMEs occupy a place of pride in virtually every country or state, and because of its significant role in the development and growth of various economies, SMEs have been referred to as "the engine of growth" and "catalysts for socio-economic transformation of any country" (Ekezie, 2008). They are the vehicle for the achievement of national economic objectives of employment generation and poverty reduction at low investment cost as well as the development of entrepreneurial capabilities including indigenous technology (Onugu, 2005). Akabueze (2002) further describes SMEs as sources of employment generation; avenue for income generation and participation in economic activities in the rural communities, engine for economic growth and industralisation and importantly, better utilisation of indigenous resources. Other intrinsic benefits of vibrant SMEs include access to infrastructural facilities occasioned by their existence in the surroundings; the stimulation of economic activities such as suppliers of various items and distributive trades for items produced and or needed by the SMEs; stemming from rural urban migration; enhancement of standard of living of the employees of the SMEs and their dependants as well as those who are directly or indirectly associated with them.

Despite the huge contribution of SMEs to national economic growth and development, SMEs are often faced with challenges that constantly threaten their existence. Research has shown that most SMEs die within their first five years of existence. Another smaller percentage goes into extinction between the sixth and tenth year thus only about five to ten percent of young companies survive, thrive and grow to maturity (Parsa, Self, Njite and King, 2005). Many factors have been identified as the possible causes or contributing factors to this premature death. Key among these include insufficient capital, lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, inexperience, lack of proper book keeping, lack of proper records or lack of any records at all, inability to separate business and family or personal finances, lack of business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, inability to engage or employ the right caliber staff, planlessness, cut-throat competition, lack of official patronage of locally produced goods and services, dumping of foreign goods and over concentration of decision making on one (key) person, usually the owner (Parsa, et al, 2005).

2.1 Ownership Involvement

With this plethora of challenges, some SMEs still go all the way to wither the storm by transforming these challenges into opportunities for growth and development. Such transformation is often found in the management forms or structures. For example, one common pitfall of SMEs is the fragile ownership base or forms, and it is this ownership structure of involvement that also aid in transforming such challenges into growth opportunities. There are two common forms of SMEs ownership involvement which are categorised as family business and non-family business or corporate controlled business. Each of which will influence SMEs' strategy choices and their performance related with the degree of acceptance to risks.

2.1.1 Family Business

Family businesses are the most common forms of business that thrives in many parts of the world (Bamford and Bruton, 2005; Gersick, David, Hampton and Lansberg, 1997). Most family businesses in the world are small and private in which one or more members of a family have a significant ownership interest and commitment toward the business and its overall well-being. A firm is said to be family-owned if a person is the controlling shareholder, that is, a person can gather enough shares to assure at least 20% of the voting rights and the highest percentage of voting rights in comparison to other shareholders. The most important feature of family-owned firms is the lack of separation of ownership from control - implying that directors and managers cannot be distinguished. This leads to credibility problems as there is no system of checks and balances between Shareholders, directors and managers. The duties, responsibilities and privileges of family members are not clearly defined. Usually in family-owned firms, the family has voting power to unilaterally dismiss boards or management or to over-rule their decisions. Thus the concept of independent directors does not prevail in these firms. The family usually wants to retain control over the business and see directors with apprehension.

However, there are several advantages which can be accorded to family ownership businesses which includes long term orientation, flexibility, speedy decision-making and family culture as a root of pride and commitment (Poza, 2004). Although there are numerous issues with family owned businesses which according to Jaffer and Bulent (2007) is that they see anything external with threat. It is for this reason that they are not easily convinced to go for external financing.

2.1.2 Non-family Business

On the other side is the non-family firm or corporation. This is usually a separate legal entity that has been incorporated through a legislative or registration process established through legislation. Incorporated entities have legal rights and liabilities that are distinct from its shareholders compared to the family business where the ownership structure is often rarely separated from the owners. Corporate control is enhanced through pyramid structures and cross-holdings among firms and separation of management from ownership.

Shareholders are the legal owners of the company. They have the right to elect the Board of Directors and the Board then elects the Chief Executive Officer (CEO). How much effective exercise each of them has over the other is central question to non – family business governance. The role of shareholders is related to equity they provide and alternate way of financing the firm is discussed. Although the principals in this case are shareholders who are numerous and have no direct participation in the decision making of the firm. Non – family ownership can also be the combination of ownership between family and corporation and would get more advantages from corporations: such will help strategy adoption to get market access; and will favour the introduction of mechanisms aimed at resolving the conflicts of interest traditionally present in family firms.

SMEs with a corporate ownership would not be expected to face the difficulties found with family business. This is because ownership numbers are larger and they can finance the SMEs and provide collateral. Also, such SMEs could get technology access, commercial and organizational knowledge (Allen and Phillips, 2000). Good structure, high product quality control and efficient choice in organization management are the condition that could make SMEs wider access to finance and market. Observably, non-family businesses have its disadvantages -

difficulty in establishment, separation of owners from the control of the business, and interpersonal squabbles among the partners (Nwoye, 2010).

In corporate governance, the board is seen as the mechanism through which the business achieves its vision and objectives. For example, the agency theory has been used as the predominant approach to the role of boards. It explains problem of the conflicting interests of owners and managers, which can arise when managers (agents) manage a corporation (non-family business) on behalf of the owners (principals). It further emphasises that boards should act as watchdogs to align the managers' interests with the shareholders' interests (Fama and Jensen, 1985) and monitoring and controlling of the management is seen as the main role of the board (Jensen and Meckling, 1976), thus reducing agency costs. Importantly, the board influences the direction and survival of the business.

The central role theory, on the other hands, perceives the board as the provider of resources such as strategy, service and legitimacy. The resource-based theories focus on the board as a human capital resource, and see it as the primary task of the board members to use their powers, knowledge and skills internally to advise the management of the firm (Prahalad and Hamel, 1990; Mustakallio, Autio and Zahra, 2002). The board can thereby add to the value-creation of the firm, giving it competitive advantages. Boards are also seen as having an important external role.

The resource dependence theory emphasises that the board members have an external function linking the firm to its external environment, such as through networking (Zahra and Pearce, 1989; Borch and Huse, 1993). Boards, and especially outside board members, can bridge the gap between the firm and its environment and serve as a mechanism for attracting resources and thereby add to the value-creation of the firm. The Stewardship theory falls into this second category. It sees managers as stewards whose motives are aligned with the objectives of the business (Arosa, Iturralde and Maseda, 2010). Thus board members are not inclined to indulge in opportunistic behaviour but will instead pursue the interests of the owners (Davis, Schoorman and Donaldson, 1997). The main task of the board is to ''serve and advise'', and to contribute by bringing different competences and experiences that can help managers in their decision-making (Minichilli, Zattoni, and Zona, 2009). They facilitate the process of strategic change in family businesses (Brunninge, Nordquist and Wirklund, 2007).

As mentioned above, it is obvious that the role of boards may differ in family firm than in non-family ones. Thus, whether SMEs is family owned or managed by a corporate board, there is a growing realisation of the need for businesses to look beyond national border for market opportunities. And the potential to explore and exploit these opportunities is a functionally decision from management (Family or Non-family management).

3. SMEs OWNERSHIP INVOLVEMENT AND INTERNATIONALISATION DECISION

Evidence abound that internationalisation is an important growth strategy for businesses whose home country market is limited as this enables them to realise economies of scale and scope (Caves, 1996), increase their market power (Kogut, 1985) and reduce input costs (Dunning, 1988). It also allows firms to exploit their firm-specific assets, especially intangible ones in international markets (Caves, 1996). For SMEs, international expansion progresses through stages of understanding international theories, developing expertise and managing activities. However, they are likely to have a distinct level of interest in the international market and require different types of information and help in understanding the benefit of internationalisation. SMEs with subsidiaries in different countries have the opportunity to access host-country-specific advantages and subsequently, to increase their knowledge base, capabilities, and competitiveness through experiential learning (Ghoshal and Barlett, 1990). Expansion into new geographic markets presents an important opportunity for business growth and value creation.

The uncertainties that are inherent in internationalisation – psychic distance (Johanson and Valhne, 1990), makes some SMEs to perceive internationalisation as an 'ignorable opportunities', especially those that enjoy a strategic niche in their local market and ownership-management is strongly constricted. Such risk averse attitude may be in the interest, understanding and experience of owners. But where ownership and management is relatively loose, managers, are usually risk inclined and are in constant search of opportunities to create value for the enterprise (managers' opportunistic behaviour). Invariably, the behaviour of manager-controlled enterprises is different to that of owner-controlled – the views on the internationalisation of an enterprise will be different.

3.1 Manager's Perception on Internationalisation

Jensen and Meckling (1976), used the agency theory to explain the consequences of the separation of ownership and control. Their assumption is that a firm's shareholders (principals) are interested in the maximisation of firm value while the managers (agents) pursue the maximisation of their own utility. Consequently, there is a strong believe that manager-controlled firms are more likely to maximise sales than profit and are likely to make decision that smooth income (Boudreaux, 1973). Those behavioural characteristics of manager-controlled firm are interpreted as the result of managers' opportunistic behavior as this firm behavior seems to be contradictory to the goal of firm value maximisation (Lloyd, Modani, and Hand, 1987).

Analysing internationalisation as an agency problem is not that simple. Internationalisation becomes an agency problem as managers in general tend to withhold free cash flows, and internationalisation requires going into new territories with the free cash flows (Jandik and Makhija, 2005). Internationalisation might be pursued by managers for goals other than firm value maximisation. This is in line with Penrose's (1959) observation that a firm's internationalisation is a response to unutilised resources. Other Empirical findings concerning the relationship between ownership involvement and internationalisation are still in conclusive. For example, Wen-Tsung, Chen and Cheng, (2012) report a negative effect of CEO on internationalisation. While Fisch *et al.,* (2012) show a positive influence of ownership involvement on the degree of internationalisation. Zahra, Neubaum and Naldi (2007) find a positive linear relationship while Denis, Denis and Yost (2002) report a negative linear one. Christopher and Lee (2005) show a U-shaped relationship and Ruigrok, Amann, and Wagner (2007) find an inverted U-shaped relationship; Contractor, Kundu, and Hsu (2003) and Lu and Beamish (2004) hit upon an S-shaped relationship while Chiang and Yu (2005) detect a supposed inversed S-shaped relationship.

In general, it may be possible that managers adopt internationalisation strategies in good faith while they act in a manner not driven by self-interest but as stewards for their firm as proposed by Lane, Cannella and Lubatkin, (1999). However, when analysing internationalisation as an agency problem, the argument according to the inverted U-shaped and S-shaped relationships is that if the internationalisation rises and exceeds a certain point, it has a negative impact on firm profit. So, the agency problem arises when managers who pursue the maximisation of their own interest (income) over-internationalising the firm. Although the managers' opportunistic benefits that can be gained from national expansion or diversification are not the same as those that can be gained by internationalisation (Denis et al., 2002).

3.2 Owner's perception on Internationalisation

As the firms' shareholders (principals) are interested in a maximisation of the firm value, there is a potential incentive for managers to internationalise even if those activities reduce firm value and thereby counter the shareholders' interests. Consequently, shareholders are to be aware of this potential agency conflict and to install governance mechanisms to avoid such opportunistic managerial behavior. There are two ways to achieve this. First, giving managers incentives to act according to the shareholders' interests. This is derived from the assumption that if managers are shareholders themselves their interests are matched with those of the other 'normal' shareholders. The same interests can be achieved if managers' contracts are designed in such a way that managers' compensation is linked to shareholders' wealth (Denis, Denis and Sarin, 1999). Such incentives as profit-sharing schemes, bonuses, stock options, and ownership participation still link the managers' wealth to the firms' long-term well-being and thus strengthen their desire to minimize their firm's risk. The assumption is that if managers own a significant amount of shares in the firm, there are chances that their opportunistic behaviour towards internationalisation would be minimal. Denis and McConnell (2003) point out that the relationships between ownership, control, and firm value are more complicated as larger management ownership on one hand aligns managers' and shareholders' interests, but on the other hand, larger ownership gives managers more freedom to pursue their own interests.

Shareholders (principals) may also constrict opportunistic behaviour by monitoring the managers. This monitoring however may not be too effective due to the managers' private decision domains which the shareholders cannot control directly (Denis et al., 1999; Shleifer and Vishny, 1997). Shareholders of firms with strictly dispersed ownership are described to feel less of the managers protecting their investments (Berle and Means, 1932; Dodd, 1932; Ryan and Schneider, 2002). While in firms with slightly dispersed shareholders, monitoring becomes a public good as each shareholder benefits from them monitoring activities of others (Stieglitz, 1982).

Overall, it is assumed that small shareholders who are not satisfied with a firm's performance do not engage in monitoring and influencing the management but sell their shares instead (Nassauer, 2000). Individual shareholders who have more significant ownership positions have greater incentives to expend resources on monitoring and influencing managers and thus that managers of firms with large shareholders have less freedom to pursue their own interests (Denis and McConnell, 2003; Lloyd et al., 1987; Thomsen and Pedersen, 2000). Additionally, owners who invest a significant share of their wealth in a single firm are more likely to advocate low-risk strategies and may thereby favour internationalisation (Faccio, Marchica and Mura, 2010; Thomsen and Pedersen, 2000). Anderson, Reeb and Zhao (2011) point out that highly concentrated owners, particularly those of family-controlled firms, also have the opportunity to use their superior knowledge derived from their prominent ownership position to use short sales as an alternative risk diversification device. However, it is assumed that owners tend to favour internationalisation as a means of minimising their risk if the ownership concentration increases.

Despite the numerous articles and underpinning theories of the relationship between ownership involvement and internationalisation decision of SMEs, there is no conclusive theoretical perspective to it, especially SMEs from the developing economies. This study takes an empirical examination of this relationship.

4.0 METHODOLOGY.

The survey research design was adopted for this study. The reason for the adoption was – it is a faster and more direct means compared to many other methods; and it is less expensive as it brings an issue into focus by defining and specifying its various elements (Chauvel and Despres, 2000). Using the purposive sampling technique, 60 SMEs in Lagos State of Nigeria were selected for the study, importantly, three local government areas (prominent for SMEs commercial base in Lagos State) with twenty SMEs selected from Ikeja, Lagos Island and Victoria Island. Of the 60 questionnaires distributed, the same amount was returned by the respondents.

Since the aim of the study was to examine the effect of ownership involvement in the internationalisation decision of SMEs in Nigeria, a self-reporting survey questionnaire (Avolio, Yammarino and Bass, 1991) was adopted. The questionnaire was classified into three sections: section one relates to personal data; section two relates to ownership involvement (whether the business is a family or non-family) and their internationalisation direction; while section three relates to the factors affecting their internationalisation. All the statements in section two and three used the five-point Likert type scales. This allowed the respondents to rank the statement in order of agreement with response one indicating that the statement received 'strongly disagreed' and response five indicating that the statement received 'strongly agreed'. This approach allowed the researchers to minimise cost and enjoy some degree of convenience and reliability.

As literature states that family SMEs tends to be cautious with internationalisation decision as they are often risk averse while the non-family ones are opportunistic in nature as they perceive internationalisation as new business opportunity to growth the business as well as its market size. In section Two of the questionnaire, understanding the nature of their degree of risk averseness, ownership involvement and decision making process, especially as it affects their internationalisation, statement were coined along the following attributes: ownership types; year of operations; nature of production; highest decision maker; experience (number of years) of highest decision maker; percentage of Shareholding of the highest decision maker; potential of foreign operations; potential source of capital needed for foreign operation; and who is the most important decision maker for foreign operations.

Beyond the degree of risk averseness, ownership involvement and decision making process, there are other critical factors that influence their internationalisation decision. These factors were measured using the following attributes: saturation of local market; language challenges; access to foreign exchange; set up cost of foreign operations; size of the firm; foreign host infrastructural availability; location and product type.

4.1 Data Analysis

Data gathered through the self-reporting questionnaires were analysed using the Simple linear regression from the statistical package for social sciences (SPSS). To test the level of relationship between ownership involvement and internationalisation decision of these SMEs, that is, whether the ownership structure (family and non-family business) influences the internationalisation decision of the SMEs, since the ownership structure determines the nature of ownership involvement, the simple linear regression (Table 1, 2 and 3) were used to examine the relationship. To carry out the analysis, we assumed two hypotheses from the literature review: the first one is, 'there is no statistically significant relationship between ownership involvement and the internationalisation decision of SMEs'; and secondly, 'there is no statistically significant relationship between factors affecting SME internationalisation and the internationalisation decision of SMEs'.

Reliability test.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.983	.987	21

The table above shows that the Cronbach's alpha is 0.983 which indicates a very high level of internal consistency for our scale. Therefore, the research instrument is reliable with a coefficient of 0.983 which indicates 98.2 % reliability.

Hypothesis One:

H_0: There is no statistically significant relationship between ownership involvement and the internationalisation decision of SMEs;

Table 1: Ownership Involvement (Highest decision maker in the company, Ownership type, Shareholdings of highest decision maker) and Internationalisation (Owner sourced capital for foreign operation).

Table 1.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.855[a]	.730	.716	.44112

a. Predictors: (Constant), Highest decision maker in the company, Ownership type, Shareholdings of highest decision maker

Table 1.2: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29.503	3	9.834	50.540	.000[b]
	Residual	10.897	56	.195		
	Total	40.400	59			

a. Dependent Variable: Owner sourced capital for foreign operation

b. Predictors: (Constant), Highest decision maker in the company, Ownership type, Shareholdings of highest decision maker

Table 1.3: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.862	.244		7.627	.000
	Ownership type	-.094	.145	-.092	-.648	.520
	Shareholdings of highest decision maker	.609	.126	.845	4.843	.000
	Highest decision maker in the company	.209	.208	.110	1.004	.319

a. Dependent Variable: Owner sourced capital for foreign operation

RESULT 1: Table 1(Table 1.1, Table 1.2 and Table 1.3) shows the statistical relationship between our dependent variable and the predictors. From Table 1.1 (model summary) above, the R^2 indicates 0.73 (73%). This indicates a strong statistical relationship between our dependent variables (Owner sourced capital for foreign operation) and the predictors ((Highest decision maker in the company, Ownership type, Shareholdings of highest decision maker). That is, the variation in our dependent variable can be explained by 73% of our predictors. The result from the ANOVA (Table .2) also indicates that the overall model is statistically significant at F = 50.54 and P-value of 0.000 (< 0.05). This further indicates that the model applied statistically predicts the outcome variable.

Besides, the Coefficients (Table 1.3) explain the relationship between our dependent variable and each of the predictor. Overall, the Coefficient indicates that the relationship is statistically significant with a t-value of 7.62 and a P-value of 0.000 (< 0.05) except for the two of our predictors (ownership type and highest decision maker) which show a t-value of -0.648 and 1.004 and P-value of 0.52 and 0.319 (>0.05) respectively. Thus, we reject the null hypothesis (H_0) of our first assumption (hypothesis one), that is, 'there is no statistically significant relationship between ownership involvement and SME's internationalisation decision' and accept the alternative hypothesis (H_1) as indicated by our analysis of our dependent variable and its predictors.

Table 2: Ownership Involvement (Highest decision maker in the company, Ownership type, Shareholdings of highest decision maker) and Internationalisation (Potential of Foreign Operation).

Table 2.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.925[a]	.856	.848	.36097

a. Predictors: (Constant), Highest decision maker in the company, Ownership type, Shareholdings of highest decision maker

Table 2.2: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	43.303	3	14.434	110.777	.000[b]
	Residual	7.297	56	.130		
	Total	50.600	59			

a. Dependent Variable: Potential of Foreign Operation

b. Predictors: (Constant), Highest decision maker in the company, Ownership type, Shareholdings of highest decision maker

Table 2.3: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.063	.200		5.317	.000
	Ownership type	-.094	.118	-.082	-.792	.432
	Shareholdings of highest decision maker	.609	.103	.755	5.919	.000

	Highest decision maker in the company	.609	.171	.287	3.573	.001

a. Dependent Variable: Potential of Foreign Operation

RESULT 2: Table 2 (Table 2.1, Table 2.2 and Table 2.3) shows the statistical relationship between our dependent variable and the predictors. From Table 2.1 (model summary) above, the R^2 figure (0.856, that is, 85.6%) gives the proportion of our dependent variables (Potential of Foreign Operation) that can be explained by our predictors (Highest decision maker in the company, Ownership type, Shareholdings of highest decision maker). The variation shows that, using the potential of foreign operation as our dependent variable, there is a very strong statistical relationship (85.6%) between our dependent variable and the predictors. The result from the ANOVA (Table 1.2) also indicates that the overall model is statistically significant at F = 110.777 and a P-value of 0.000 (< 0.05). This further explains the variation and strong statistically relationship between our dependent variable and its predictors.

In the Coefficients (Table 2.3), the strong statistically significant relationship between our dependent variable (Potential of Foreign Operation) and the predictors is confirmed with a t-value of 5.317 and a P-value of 0.000 (< 0.05) except for, time around, one of our predictors (ownership type) shows a t-value of -0.792 and a P-value of 0.432 (>0.05). Again, we reject the null hypothesis (H_0) of our first assumption (hypothesis one), that is, 'there is no statistically significant relationship between ownership involvement and SME's internationalisation decision' and accept the alternative hypothesis (H_1) as indicated by our analysis of our dependent variable and its predictors.

Table 3: Ownership Involvement (Highest decision maker in the company, Ownership type, Shareholdings of highest decision maker) and Internationalisation (Owner's decides to Invest in Foreign Operation).

Table 3.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.903[a]	.816	.806	.38722

a. Predictors: (Constant), Highest decision maker in the company, Ownership type, Shareholdings of highest decision maker

Table 3.2: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	37.253	3	12.418	82.817	.000[b]
	Residual	8.397	56	.150		
	Total	45.650	59			

a. Dependent Variable: Owner's decides to Invest in Foreign Operation

b. Predictors: (Constant), Highest decision maker in the company, Ownership type, Shareholdings of highest decision maker

Table 3.3: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.426	.214		6.651	.000
	Ownership type	-.167	.127	-.154	-1.314	.194
	Shareholdings of highest decision maker	.691	.110	.901	6.254	.000
	Highest decision maker in the company	.329	.183	.164	1.800	.077

a. Dependent Variable: Owner's decides to Invest in Foreign Operation

RESULT 3: To test for our R^2, ANOVA and Coefficients, we used, this time, 'Owner's decides to Invest in Foreign Operation' as our dependent variables as against our previous predictors. Table 3 (Table 3.1, Table 3.2 and Table 3.3), our summary model indicates the R^2 figure as 0.816, that is, 81.6% which means that there is a very strong statistical relationship (81.6%) between our dependent variable and the predictors. The result from the ANOVA (Table 3.2) also indicates that the overall model is statistically significant at F = 82.817 and a P-value of 0.000 (< 0.05). This further explains the variation and strong statistically relationship between our dependent variable and its predictors.

In the Coefficients (Table 3.3), the strong statistically significant relationship between our dependent variable (Owner's decides to invest in foreign operation) and the predictors is confirmed with the overall t-value of 6.651 and a P-value of 0.000 (< 0.05) except for, once again, two of our predictors (ownership type and highest decision maker) which show a t-value of -1.314 and 1.8 and P-value of 0.194 and 0.077 (>0.05) respectively. Thus, we reject the null hypothesis (H_0) of our first assumption (hypothesis one), that is, 'there is no statistically significant relationship between ownership involvement and SME's internationalisation decision' and accept the alternative hypothesis (H_1) as indicated by our analysis of our dependent variable and its predictors.

Hypothesis Two:

H_0: There is no statistically significant relationship between factors affecting SME internationalisation and the internationalisation decision of SMEs.

To carry out the analysis, we identified factors that are affecting SMEs internationalisation based on the literature review. These factors were then subjected to extraction (factor analysis) using the SSPS so as to identify those critical factors. These identified critical factors were then correlated against the internationalisation decision of the SMEs.

Table 4: Factor Analysis.

Table 4.1: Total Variance Explained

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.673	85.255	85.255	2.891	32.126	32.126
2	.590	6.558	91.813	2.399	26.657	58.783
3	.310	3.442	95.254	2.109	23.432	82.215
4	.144	1.597	96.851	1.063	11.807	94.022
5	.110	1.220	98.071	.364	4.048	98.071
6	.062	.689	98.760			
7	.061	.675	99.435			
8	.029	.324	99.759			
9	.022	.241	100.000			

Extraction Method: Principal Component Analysis.

Table 4.2: Rotated Component Matrix[a]

	Component				
	1	2	3	4	5
Foreign host Infrastructural availabilty	.817	.405	.293	.257	.043
Product type influence the direction of foreign operation	.800	.437	.284	.203	.138
cost of Foreign operations set up	.663	.374	.376	.275	.442
Foreign Exchange challenge	.445	.844	.201	.170	.092
Owner determines the choice of foreign location	.447	.633	.417	.353	.260
Language barrier as determinant of SMEs foreign invest decision	.412	.620	.499	.391	.100
Years of Experience of the Highest Decision Maker	.252	.212	.924	.165	.088
Oversaturation of local Market	.476	.419	.545	.488	.198
The size of the firm	.536	.432	.431	.556	.122

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

From Table 4.2 (rotated component matrix), factor with the highest loading along the component include foreign host infrastructure, product type, cost of foreign operation set up, foreign exchange, language challenge, location, and years of experience of the highest decision maker. These factors were then test against the internationalisation decisions of the SMEs (Potential of foreign operation) Table 5 (Table 5.1, 5.2 and 5.3).

Table 5.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.965[a]	.930	.921	.26048

a. Predictors: (Constant), Foreign Exchange challenge, Years of Experience of the Highest Decision Maker, Product type influence the direction of foreign operation, cost of Foreign operations set up, Language barrier as determinant of SMEs foreign invest decision, Foreign host Infrastructural availability, Owner determines the choice of foreign location

Table 5.2: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	47.072	7	6.725	99.112	.000[b]
	Residual	3.528	52	.068		
	Total	50.600	59			

a. Dependent Variable: Potential of Foreign Operation

b. Predictors: (Constant), Foreign Exchange challenge, Years of Experience of the Highest Decision Maker, Product type influence the direction of foreign operation, cost of Foreign operations set up, Language barrier as determinant of SMEs foreign invest decision, Foreign host Infrastructural availability, Owner determines the choice of foreign location

Table 5.3: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.784	.717		-2.489	.016
	Language barrier as determinant of SMEs foreign invest decision	-.090	.088	-.129	-1.013	.316
	cost of Foreign operations set up	.516	.128	.428	4.024	.000
	Foreign host Infrastructural availability	.359	.186	.250	1.928	.059
	Product type influence the direction of foreign operation	-.221	.176	-.172	-1.257	.215
	Years of Experience of the Highest Decision Maker	.058	.052	.076	1.111	.272
	Owner determines the choice of foreign location	.240	.101	.326	2.382	.021
	Foreign Exchange challenge	.497	.202	.255	2.466	.017

a. Dependent Variable: Potential of Foreign Operation

RESULT 4: From the test we can see that the relationship between the factors affecting international of SMEs and their international decision is statistically significant with R^2 0.930 (93%), that there is a very strong statistical relationship (81.6%) between our dependent variable and the predictors. The result from the ANOVA (Table 5.2) also indicates that the overall model is statistically significant at F = 99.112 and a P-value of 0.000 (< 0.05). In the Coefficients (Table 5.3), a strong statistically significant relationship (reverse effect) between our dependent variable and the predictors is confirmed with the overall t-value of -2.489 and a P-value of 0.016 (< 0.005) except for some of the factors (product types, language challenge, years of experience of the highest decision maker and foreign host infrastructural availability) which indicate t-value of -1.72, -1.013, 1.111 and 1.98 and corresponding P-value of 0.2.15, 0.316, 0.272 and 0.059 (>0.005) respectively. Yet we reject the null hypothesis (H_0) of our second assumption (hypothesis Two), that is, ‘there is no statistically significant relationship between factors affecting SMEs internationalisation and the internationalisation decision’ and accept the alternative hypothesis (H_1) as indicated by our analysis of our dependent variable and its predictors.

Conclusion and Recommendations

SMEs play a critical role in the growth and development of national economies. And as globalisation reshapes markets around the world, SMEs internationalisation become vital. This certainly opens new markets, access to technologies and importantly, creation of economies of scale. However, due to SMEs ownership structure and involvement, internationalisation is seen as a huge risk as most SMEs are risk averse and protective. Often, their internationalisation decision is skeptical and skeletal. This paper provides an empirical evidence of the relationship between ownership involvement and the internationalisation decision of SMEs. From our analysis, our first assumption (Hypothesis 1) is that there is no significant relationship between ownership involvement and internationalisation decision of our surveyed SMEs in Lagos State. This assumption was tested using the simple linear regression method on three instances (Table 1 (1.1, 1.2 and 1.3), Table 2 (2.1, 2.2 and 2.3) and Table 3 (3.1, 3.2 and 3.3). On each instance, the result (Result 1, 2 and 3) showed a statistically significant relationship between ownership involvement and the internationalisation decision of SMEs. The implication of the finding is that we rejected our first assumption and concluded that there is a statistically significant relationship between ownership involvement and the internationalisation decision of SMEs.

However, critical to our rejection of the first assumption, as noticed in our analysis is the 'shareholdings of the highest decision maker'. On the three instances that we tested our first assumption, from the coefficient tables (1.3, 2.3 and 3.3), shareholding of the highest decision maker indicated a statistically significant relationship with the internationalisation decision of the firms. Thus, we further conclude that, ownership involvement (shareholdings of the highest decision maker) has a greater influence on the internationalisation decision compare to other ownership involvement measures used in the analysis. The implication is that units of shares is central to ownership in the management of these SMEs and consequently, it is the highest shareholders that influence whether the SMEs will internationalise or not.

On the other hand, our second assumption (Hypothesis Two), there is no statistically significant relationship between factors affecting SME internationalisation and the internationalisation decision of SMEs. From our reviewed literature, we extracted factors affecting SMEs internationalisation and they were structured into statements in our survey questionnaire. These factors were analysed using the factor analysis (see Table 4.1 and 4.2). The factors with the heavy loading were extracted and analysed (Table 5.1, 5.2 and 5.3). Our finding revealed that there is a statistically significant relationship between these factors (factors affecting SMEs internationalisation) and their internationalisation decision (Result 4). Thus, we rejected our second assumption and concluded that there is a statistically significant relationship between factors affecting SME internationalisation and their internationalisation decision.

However, further revelation from the coefficient (table 5.3) show that factors like product type, foreign host infrastructure and years of experience of the highest decision maker (Heaviest factor loading) is critical to the internationalisation decision of the firms. The implication is that, beyond the shareholding of the highest decision maker, other critical factor that may influence SMEs internationalisation decision are those factors with the heaviest factor loading.

In summary, the research generally acknowledged that the ownership involvement will have significant implications on the operation of the firms, specifically, their decision to internationalise. This might be affected by different types of ownership because different owners have differing values, incentives, and temporal preferences and reasons for taking a particular decision. The active involvement of business owners in strategy decision is considered to be one of the most important tasks of the board. Apparently, the knowledge, experience and expertise accumulated by directors will be a valuable resource to critical decision. Directors with different functional backgrounds, education, and experiences will, therefore, foster internationalisation of SMEs by connecting the firm to its competitive environment and give the firm information about the domestic and international markets. However, greater influence comes from the owners who have the highest shareholding and this shareholdings empowers the owner to influence the strategy path of the firm.

Based on the result of the study, we however recommend that SMEs who have the intention to internationalise, should critically examine the business resources in order to be sure they have the potential and capacity to engage in international business; acquire as much experience and understanding of the local and potential host country they intend to enter. They must also study and understand other factors that affect the decision to internationalize; they must understand that there are several ways to enter into international market, the most suitable one for their business should be employed for high profitability and survival, and importantly, the ultimate decision to internationalize and success of the business in the global market lies with them, so all personal benefits should be taking aside and much concentration put on the actualization of business objective.

During the course of our study, we noticed that there is a need for further research in other areas of SMEs internationalisation to ascertain the general application of present findings. In addition, further studies on ownership involvement and internationalization of SMEs need to examine under which conditions owners–managers are willing to take the risks connected to internationalization; what role might socio emotional wealth preservation have on internationalization decision of these SMEs and more importantly, there is the need to examine the modes of international expansion for SMEs and how they might change over time.

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