SME Challenges and Solutions: A Study on Market Expansion among ASEAN Nations

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ABSTRACT: This study aims at assessing the challenges and solutions been faced by SMEs with a critical examination on market expansion among the Association of South East Asian nations (ASEAN). The small and medium scale enterprises (SMEs) are often referred to as the backbone of a country’s economy and this fact cannot be disputed. They are indeed very important because they provide jobs and contribute significantly to the wealth of a nation. The study will carry out an extensive literature review where concepts will be discussed. Findings in the study revealed that most SMEs focus on the domestic market where they are expected to look at the external market too. And for them to bring their businesses to new markets abroad they need to grow their sales, diversify revenue streams, reshape business risks and enhance tax planning. The study will access the dynamics of ASEAN nations where the population, GDP, per-capita, import and export trends will be examined. SMEs must be well prepared in order to take their businesses overseas and overcome their challenges taking into consideration key competencies such as their products, services, market, financial backing, people, management, tax policies etc.

KEYWORDS: ASEAN, Challenges, Market expansion, SMEs, Solutions.

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I. INTRODUCTION

Over the last decade, the SME sector has recorded a healthy growth in most countries around the world. SMEs are generally seen as key contributors and are prominent business set-ups in most countries. Hence their importance cannot be ignored.

According to a study conducted by the International Finance corporation (IFC) under the world bank group, entitled “Access to credit among Micro, small and Medium Enterprises (MSME)”, the formal SMEs contributed up to 45 percent of employment and 33 percent of GDP in developed economies. These figures are quite higher when we take in to consideration SMEs operating in the informal sector. The informal sector is one of the greatest challenges of the SMEs with issues that go beyond finance. A survey conducted by the IFC and management consulting firm McKinsey and company, suggested that there were about 445 million micro, small and medium sized enterprises in emerging markets out of which 30 million are formal SMEs and 70 million are micro enterprises, while the remaining 34 million are informal enterprises and non employer firms. According to the same study, close to 55 percent of the formal SMEs which is about 17 million in the emerging markets do not have access to formal financing despite the fact that it is actually needed.

When considering the micro and informal enterprises, the gap in access to finance is quite wide. Approximately 55 percent of the formal SMEs (17 million) in emerging markets need credit but do not have access to it, 24 percent (7 million) have access to some credit but identify financing as a constraint while 20 percent (6 million) do not need credit. The magnitude of the credit gap differs by size of enterprises where 22 percent of formal medium enterprises in emerging markets are unserved compared to 59 percent of very small formal enterprises. However, there are significant regional differences in terms of financial access. Access to credit for SMEs in Asia and Africa is quite discouraging. With an estimation of about 44 million SMEs globally, including those in high income organisation for economic co-operation and development (OECD) nations, about 70 percent of these SMEs are operating in developing nations. While most SMEs require external funding to grow their businesses, about 33 percent do not need any credit assistance. Those that need credit, sourced it mostly from private commercial banks (57.6 percent), followed by state owned banks or government agencies (30.1 percent). Another 11 percent source their own from non-bank financial institution and the remaining 3 percent from other sources.
On the Asian front, the Asia SME Finance Monitor (2014 report)\(^1\) by the Asian development bank indicated that, on average, the SME sector accounted for 96 percent of all enterprises and 62 percent of the national labour force in 2013. SMEs also contributed 42 percent of the GDP in Asia and have continued to influence international trade in the region. In China and India, SMEs accounted for 40 percent of total export value in 2013 and 26 percent in Thailand. SMEs that are part of the global supply chain have the potential to promote international trade and mobilize domestic demand. These statistics clearly summarizes the significant roles and contributions of SMEs in the Asian economies.

Being the backbone of the economies of Asia, the SME sector is confident to receive focus and full attention for growth. Fundamentally, there is no reason for any economy to ignore the importance of and the unlimited possibilities offered by SMEs. The main challenge is how each economy can help speed up the growth and increase the level of contribution by the SME sector. Despite the slowing Asian economies and challenges faced by SMEs in business expansion, most of them remain optimistic and confident in growing their businesses in years to come however, most of them are fully aware of the challenges to overcome in order to take their business to the next level.

II. LITERATURE REVIEW

Generally expansion of business can happen not only across borders but also domestically. One excellent approach in expanding the market reach globally is through e-commerce and despite the fact that this approach is seen to be relatively simpler and easier to execute, still many SMEs find it difficult to distribute their products overseas, either by exports or have a physical presence in foreign countries.

Most SME owners are excited to sell their products and services abroad but unfortunately not many of them are ready and determined to do so and this fact came to be known through frequent interactions with the SMEs that they actually want to go global. Many of them, regardless of the status of their set-ups, acknowledged the dynamics and importance for any business to explore beyond its shores.

Naoyuki, Y. & Ganeshan, W. (2015),\(^2\) asserted that, we know and recognize the limitations of the domestic market hence expansion abroad is inevitable. It's only a matter of time. Masahiro, K. & Kanda, N. (2015),\(^3\) opined that "The challenges and lack of resources however remain the greatest hindrance for SMEs to go abroad. We must continue to improve ourselves and elevate our competitive advantages in order to prepare on how to tackle the international market in the near future.”

According to Menaka, A. & Ganeshan, W. (2015),\(^4\) despite the willingness and drive to internationalise our businesses, many of us still lack the know-how and financial strengths in expanding our businesses to overseas markets. We are concerned about our ability to increase our capacity in meeting the enlarged demand for our products from overseas.”

Satoshi, K. et.al (2015),\(^5\) said that “No matter how difficult it is, we are prepared to learn and improve our business operations to a level where we can successfully tackle overseas markets with confidence.”

Theoretically, internationalization of business should be the ultimate goal of every enterprise irrespective of its size and nature. Nevertheless, in reality most businesses are ready for overseas expansion and not all actually need such expansion.

SMEs that have already started selling their products and services overseas would want to continue expanding to other new markets and despite the fact that expanding abroad offers unlimited opportunities, there are still great challenges been faced by the SMEs and not all of them can comprehend it. The SMEs actually need to be aware of these challenges and be prepared to face them when they eventually unfold.

Before dwelling further, SMEs must have clear reasons for bringing their businesses to new markets abroad. When asked further about the reasons for expanding overseas, the SMEs cited four key factors;

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Growing sales

SMEs see overseas markets as the right avenue and opportunity in growing their sales. New markets translate to greater demand for their products and services, when the expansion plan is carried out successfully. Most times SMEs refer to the small nature of their domestic market size as a limitation in growing their business effectively. This however makes the SMEs to look beyond their boundaries.

For example Malaysia which has a population of slightly above 30 million people, the market is relatively small compared to its neighboring countries such as Indonesia with a population of 255 million, Philippines (100 million), Thailand (70 million) and Vietnam (90 million).

The Malaysian population is however said to be less than five percent of ASEAN’s total population of 629 million and this implies that 95 per cent of ASEAN market is there for Malaysian SMEs to capitalize on.

As population is seen to be a good determinant of market size, SMEs must also look at other economic indicators to determine the suitability of their products and services for the targeted companies. The purchasing power, measured by GDP per capita of the countries, reflects the ability of the people to spend on products and services.

Identifying the right market is also crucial for any SME that plan to expand its products or services abroad. Though the main question now is, how do they identify the specific markets for their products and service and which particular product model should be introduced into the new markets?

Nevertheless, if the business internationalization strategy is carried out effectively, it will guarantee an effective avenue to grow their business in high volume.

Diversifying Revenue Streams

Ability to diversify revenue streams by capturing sales from new markets will make SMEs reduce their dependency on one country for revenue sources. As they expand their business across borders this will enable them spread their revenue streams across different markets.

Internationalizing the SME business will also help reduce concentration risk on a particular country, hence diversifying and managing the risks in each country more effectively. In addition to the sales volume, the proceeds realized in different currencies will provide good diversification of risks in terms of foreign currencies. As a matter of fact, SMEs no longer leave their currency risk in one single currency although this is an additional risk to the business if the foreign currencies are not managed properly and effectively. Thus SMEs are expected to be very much aware of these risks when trying to expand their businesses overseas.

Reshaping Business Risks

When SMEs start engaging in foreign trade they tend to develop new and different ways of doing business which might be quite different from the way they do it at home. SMEs that are not well prepared are likely to face challenges with these different approaches of doing business since it’s new to them. Also SMEs will face new experiences and new customers as the customer requirements and expectations in the foreign countries will be different. A track record of SMEs however showed that most of them made better profit margins and more favorable trading terms when diversifying abroad where many were gratified to receive foreign currencies from their sales which later turned to additional profits as the foreign currencies were stronger in value than their home currency. Most of the SMEs attributed product uniqueness and new-to-market as a strategy for their products to be sold at higher prices which resulted to higher profit margins. This was indeed a positive outcome for SMEs.

In the case of the exporters who seem to expand their sales overseas, they usually transact their business with foreign buyers through a letter of credit from banks. This trade arrangement provides better security on export proceeds from the buyer’s bank overseas. Also with this letter of credit the SMEs can seek financial aid against the instrument from their bankers to fund their working capital requirement and this will enable the SMEs have access to longer credit terms and extend it to their domestic buyers.

SMEs should also be prepared to face the challenge of declining profit margin when competition starts between the home and foreign buyers. And in order to save cost since there are more supply choices the buyers may even do business without letters of credit. Hence, SMEs must really have a critical look into their business operations and reshape their business risk profile which will surely enable them adopt new and better ways of doing business.
Enhancing Tax Planning

The idea of tax planning is very important for businesses that operate in different nations where different countries have different tax structures. The SMEs are expected to take out time and resources and study the taxation policies and procedures of the different countries they transact with in order to better plan for their own taxation. Some SMEs tend to minimize taxation through transfer pricing and this is regarded as manipulation of profits and it’s a great offence in many countries. What the SMEs are expected to do is to carefully plan their business in terms of volume and profitability so as to secure maximum tax payments. They should also capitalize on the incentives provided by different countries on some products in order to maximize taxation over profits.

III. RESEARCH OBJECTIVES

The main objective of this paper is to examine the vast opportunities available to the SMEs in doing business abroad. The specific objectives include:

- Examine the challenges in overseas market expansion
- Assess the business dynamics of the ASEAN nations
- Identify solutions to overcome market expansion obstacles

IV. METHODOLOGY

The study is empirical in nature and analytical in approach. It is based on mainly secondary data sources where data is collected from various published books, research publications, journal papers, reports, govt. publications, magazines, newspapers, thesis project and internet sources.

V. DATA ANALYSIS

Homogenous markets all over the world offer unlimited opportunities for growing business. However, brighter and more prospects have been identified to exist when business takes place in other Asian counties particularly China and India. The dynamics of the ASEAN nations will be examined where assessment of the Intra-ASEAN trade becomes imperative. This will be shown in the table below.

<table>
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</thead>
<tbody>
<tr>
<td>Brunei</td>
<td>412</td>
<td>17,108</td>
<td>41,535</td>
<td>10,584</td>
<td>3,597</td>
<td>14,181</td>
</tr>
<tr>
<td>Cambodia</td>
<td>15,184</td>
<td>16,771</td>
<td>1,105</td>
<td>10,681</td>
<td>18,973</td>
<td>29,655</td>
</tr>
<tr>
<td>Indonesia</td>
<td>252,165</td>
<td>983,571</td>
<td>3,901</td>
<td>176,293</td>
<td>178,179</td>
<td>354,471</td>
</tr>
<tr>
<td>Laos</td>
<td>6,809</td>
<td>11,777</td>
<td>1,730</td>
<td>2,640</td>
<td>2,749</td>
<td>5,389</td>
</tr>
<tr>
<td>Malaysia</td>
<td>30,262</td>
<td>328,346</td>
<td>10,784</td>
<td>233,927</td>
<td>208,850</td>
<td>442,778</td>
</tr>
<tr>
<td>Myanmar</td>
<td>51,486</td>
<td>65,785</td>
<td>1,278</td>
<td>11,031</td>
<td>16,226</td>
<td>27,247</td>
</tr>
<tr>
<td>Philippines</td>
<td>101,175</td>
<td>284,910</td>
<td>2,816</td>
<td>61,810</td>
<td>67,757</td>
<td>129,567</td>
</tr>
<tr>
<td>Singapore</td>
<td>5,470</td>
<td>307,872</td>
<td>56,287</td>
<td>409,769</td>
<td>366,247</td>
<td>776,016</td>
</tr>
<tr>
<td>Thailand</td>
<td>68,657</td>
<td>373,225</td>
<td>5,436</td>
<td>227,574</td>
<td>227,952</td>
<td>455,526</td>
</tr>
<tr>
<td>Vietnam</td>
<td>90,729</td>
<td>186,224</td>
<td>2,053</td>
<td>148,092</td>
<td>145,686</td>
<td>293,777</td>
</tr>
<tr>
<td>Total</td>
<td>622,349</td>
<td>2,573,589</td>
<td>126,925</td>
<td>1,292,401</td>
<td>1,236,216</td>
<td>2,528,617</td>
</tr>
</tbody>
</table>

Source: ASEAN Community in Figures (ACIF 2015)

The entire ASEAN population put together is said to be at 622 million and this invariably shows that SMEs have great market opportunities beyond their shores. For example a country like Malaysia with a population of 30 million, putting the GDP of the entire ASEAN nations together is almost eight times that of the country. And as shown in the table the GDP per capita income of most of the countries is very low with the exception of Brunei and Singapore which have US$41,535 and US$56,287 respectively and this implies that the purchasing power is also low for those countries with low GDP per capita. The average GDP per capita for the ASEAN countries in 2015 stood at US$12,692 and total trade registered by the ASEAN nations within that period was US$ 2.53 trillion where exports exceeded imports by US$36 billion. Most of the countries however recorded a favorable terms of trade and there was a balance in trade between exports and imports.

As stated earlier ASEAN provides lots of opportunities in the form of huge market and population. The most interesting part of it is that over 60 percent of the ASEAN populations are the youth below the age of 35 years and a young population implies that there will be high level of productivity from the workforce and high demand as well which will stimulate the consumption of many goods and services. The greatest strategy to take in to consideration is education and training of these youths where business opportunities will introduce new technologies to the countries via the educated youths.

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Analyzing market expansion beyond ASEAN, Asian countries like China and India were discovered to have great market opportunities for SMEs. These two nations are the worlds’ populated countries where China is the first with over 1.3 billion and India second with over 1.2 billion and put together they have a population of over 2.6 billion people which represents one-third of the world’s population with a total GDP of US$10 trillion. This is shown in the table below:

<table>
<thead>
<tr>
<th>Country</th>
<th>Population (in '000)</th>
<th>GDP (in US$ 'bill)</th>
<th>GDP per capita (in US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN</td>
<td>622,348</td>
<td>2,573</td>
<td>12,692</td>
</tr>
<tr>
<td>China</td>
<td>1,367,800</td>
<td>10,357</td>
<td>7,589</td>
</tr>
<tr>
<td>India</td>
<td>1,257,900</td>
<td>2,141</td>
<td>1,627</td>
</tr>
<tr>
<td>South Korea</td>
<td>51,000</td>
<td>1,410</td>
<td>28,101</td>
</tr>
<tr>
<td>EU-28</td>
<td>505,600</td>
<td>18,495</td>
<td>36,638</td>
</tr>
<tr>
<td>USA</td>
<td>319,100</td>
<td>17,348</td>
<td>54,597</td>
</tr>
</tbody>
</table>

Source: ASEAN Community in Figures (ACIF 2015)

The entire population of China and India of over 2.6 billion is four times the ASEAN population. This means that the opportunities in cross border trade are huge within ASEAN and Asia.

While population is considered an indicator for market opportunities, GDP and GDP per capita are also regarded as strong indicators of the purchasing power in those countries. Basically, consumers need money to buy goods and services and the purchasing power level is said to determine how suitable certain goods and services are in the country. This is also shown in “Fig.2” below where per capita of the EU and USA is very moderately high, that of South Korea is also not bad and encouraging but per capita of ASEAN, China and India needs to be improved. Also USA is said to have the highest GDP among the countries assessed followed by EU, while India is said to have the least GDP.

Source: ASEAN Community in Figures (ACIF 2015)
TABLE 3: ASEAN TRADE WITH SELECTED COUNTRIES (IN US$ ‘BILL’)

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<tbody>
<tr>
<td>ASEAN</td>
<td>401,914</td>
<td>376,213</td>
<td>598,377</td>
<td>602,048</td>
<td>608,558</td>
<td>608,207</td>
</tr>
<tr>
<td>China</td>
<td>171,089</td>
<td>178,223</td>
<td>280,150</td>
<td>319,485</td>
<td>350,508</td>
<td>366,526</td>
</tr>
<tr>
<td>India</td>
<td>37,243</td>
<td>39,075</td>
<td>68,191</td>
<td>71,816</td>
<td>67,862</td>
<td>67,708</td>
</tr>
<tr>
<td>South Korea</td>
<td>61,209</td>
<td>74,771</td>
<td>124,403</td>
<td>131,030</td>
<td>134,963</td>
<td>131,439</td>
</tr>
<tr>
<td>EU-28</td>
<td>187,307</td>
<td>171,431</td>
<td>234,621</td>
<td>242,599</td>
<td>246,228</td>
<td>229,042</td>
</tr>
<tr>
<td>USA</td>
<td>178,189</td>
<td>148,780</td>
<td>198,767</td>
<td>200,027</td>
<td>206,855</td>
<td>212,429</td>
</tr>
</tbody>
</table>

Source: ASEAN Community in Figures (ACIF 2015)

From the table above, ASEAN trade grew significantly by six percent annually from US$401.9 billion in 2007 to US$608.2 billion in 2014. During the same period under review, the volume of trade between ASEAN and China grew tremendously at 11.5 percent annually from US$171.1 billion to US$366.5 billion likewise between India and South Korea which recorded a significant growth in trade from US$61.209 billion to US$131.4 billion. These positive trends were possible as a result of the progressive policies, strong cooperation among the ASEAN countries in promoting trade and proactive steps made in the removal of trade barriers particularly among the ASEAN nations so as to promote a healthy environment for investment and trade in the region.

Fig.3 TRADE TRENDS OF ASEAN AND OTHER SELECTED COUNTRIES

Source: ASEAN Community in Figures (ACIF 2015)

As seen in “Fig.3” China has been witnessing a consistent rising growth in trade from 2007 to 2014, but the ASEAN nations and other selected countries have been experiencing some slight fluctuations in their trade growth level. But in general there has been a positive trend in the trade growth of all the countries assessed.

VI. BUSINESS EXPANSION MODE

Business organizations may choose to expand their business where this decision may be connected to the corporate objectives, financial strength, customer base and speed of market expansion. There are three important and major ways a business can expand its market internationally. This includes building, acquiring and partnering.

- **Build**
  
  For SMEs to grow and expand their businesses overseas they need to be sure and comfortable of the new market before venturing into it. This approach provides total control of the business for it is very key, but the only thing is that it requires longer-term investment where it will take the business longer time to stabilize and eventually achieve great results in the new market.

- **Acquire**
  
  By acquisition, businesses tend to accelerate their expansion plans. Companies would have established their brands and existing business in the new market they want to extend to and by acquiring these local companies, SMEs will be able to establish their presence in the new markets where they can gradually introduce their other products and services. This approach is however said to be a long and difficult process in the sense
that identification and selection of right target market is very crucial in this exercise. Hence SMEs must spend a lot of resources to ensure the right acquisitions.

- **Partner**

  This is one of the most complicated and difficult approach in expansion of business overseas. If the business organisation does not fully know the foreign partner which it will engage in business with, there is said to be a big problem. This approach is said to be quite risky because it does not only involve financial investment but also the nature of the foreign parties. Both partners must have a common principle, understanding, corporate objectives and values in order to grow their business and succeed in the partnership. The main benefit of this partnership is for both parties to share the risks and reward involved in the business activity and as well have a good understanding of local cultures. This approach will also make access to infrastructure and logistics easy and may require lesser investment when compared to acquisition of companies.

### VII. KEY COMPETENCIES

The fact which state that SMEs must be ready and fully prepared before taking their businesses overseas cannot be overemphasized. They really need to acquire some key competencies in taking their business abroad and this will however aid in limiting the obstacles they encounter drastically. SMEs are expected to have the following key competencies:

- **Product and Services**

  SMEs are expected to ensure that any product introduced to the new market overseas should be affordable and acceptable by consumers. They need to take into consideration local preference and purchasing power in order to be successful in the business; this is because the best selling product in one country’s market may not be widely accepted in another market. SMEs must understand the different needs and expectations of consumers in the new market they plan to explore likewise understand the purchasing power of potential consumers in the new market. They also need to carry out an analysis on the existing products and determine if the cost involved in modifying the product for expansion purposes warrants it or not. However product suitability is very important because high end products cannot be introduced to medium or low income earners because of difference in purchasing power and this may lead to poor performance of the business. Hence understanding the needs and affordability of consumers in the new market is of paramount importance and also identifying the right local requirement in terms of product specifications, features and attributes will lead to a successful business expansion into new markets.

- **New Market**

  Selecting and understanding new market is very important in business expansion. This is to ensure that the products going to be introduced will be accepted and saleable. SMEs need to determine the market size and demand for their products and services. This information can however be obtained when there is a dialogue between the SMEs and domestic banker’s counterparts in foreign countries where they link the SMEs with the counterparts for advice on the local market. Also any business that is exploring the international market for the first time it is advised that they focus on one market so as to avoid mistakes as a result of engaging with wrong partners, wrong consumers and even wrong color for a product. Thus the risks are generally high when venturing into a new market.
Financial Strength
For SMEs to have access to external funding for business expansion into new markets abroad is near impossible. Businesses need to be realistic when it comes to funding and must have sufficient financial backing before venturing into market expansion. At the first place most SMEs financed the expansion of their businesses overseas through internal funds where if not carefully managed the overseas operations would swallow the entire funds. Many of them that first started experienced lots of difficulties and incurred losses in the first few years of operation, though they learnt a lot of lessons from it and did not give up but continued to improve on the products, and changed the business strategy that will best attract foreign consumers. SMEs should however set clear goals for themselves; they should not over invest in the new markets abroad to the extent that it will have a negative impact on the main business in the home country. SMEs need to take advantage of bank financing in order to take their business to the next level.

People and Management
Possessing great talent is key in the smooth expansion of market abroad. Top management of an organisation need to have a good understanding of the economic fundamentals of the target market and have a vast experience in bringing business to the market overseas. Identifying the target market is one thing but the top management also needs to make a sound and practical budget and as well be able to select a competent local team to manage the overseas business operations. The local team need to well knowledgeable about the local market and have the right business connections. Hence the top management collaborating with the local team will drive the business strategy effectively.

Enhanced Business Model
By engaging in business operations abroad, this could be a more effective way of adapting different and new approaches in doing business, hence leading to enhanced operating model. Businesses operating abroad are expected to source suitable products from the right suppliers at competitive prices and when supply increases as a result of high demand from international market definitely production cost will reduce which translates to savings. Business expansion is said to be of great advantage because it helps them operate more cost-effectively. Also in addition to costs and change in the operating model, competition with foreign players in the new market will surely lead to new insights to the business back home by introducing the new operating model to enhance its effectiveness.

Tax and Regulation
Tax related matters in business should be taken with all seriousness, where failure to adhere to tax laws in new markets may lead to complications that can result to damages in terms of cost and reputation. Businesses are expected to register with an established tax advisory firm for periodic advice on tax related matters as it relates to foreign countries. SMEs may reorganize part of their businesses in different countries in order to take advantage of low tax rates and incentives existing in such countries such as relocating part of the entire production facility or profitable products to countries that offer incentives for such facilities and products. This in turn will reduce production cost and increase profitability.

Process and Governance
In the process of expanding business abroad, there is every likelihood that control of business operations will be compromised and this may be due to difference in business environment, local regulations, work ethics etc. It is however very important for SMEs to review, revise and customize their standard operating procedures to suit local requirements. Thus, this will lead to better control over the process in new markets.

Back-up Plan
Most SMEs fail in business due to lack of back-up plans. What they are expected to first ask themselves before even starting the market expansion process is; what will happen if this foreign venture fails? And is there a Plan B? Thus, it is very important for SMEs to prepare for future occurrences, have a clear and better understanding of the “do’s and don’ts” in doing business overseas.

VIII. MAJOR OBSTACLES OF SMES IN MARKET EXPANSION
SMEs encounter great challenges in the process of expanding their businesses to market overseas and this has caught many of them unprepared and off guard. They need to be aware of what are the likely challenges they are going to face in order to prepare for it. Some of this obstacles experienced by SMEs may include:
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- **Unclear Expansionary Agenda**
  SMEs that do not have a clear business agenda are likely to experience great challenges when exploring new markets. They need to take into consideration and have a fair knowledge of some points such as what drives businesses beyond shores, establishment of the domestic market, production capacity, expected outcome of the business, why select such new market, and proximity level of the new market. Hence without proper planning, the SMEs tend not to realize their expectations which later lead to financial and emotional burden.

- **Inexperienced Management Team**
  Having the right and competent team in driving the operation of business expansion is very key. When businesses do not place much emphasis on management capability when venturing into foreign markets such business tends to fail, this is because people remain the most critical factor for a business to succeed. Inexperienced management team cannot manage and resolve technical issues during business expansion and if such issues are not resolved on time, the damage can be so fatal and irreversible. Firstly for SMEs to succeed they need to bring competent management team that will bring business to the new market and this team must have cross-cultural knowledge and the ability to deal with people from different backgrounds in the foreign countries.

- **Lack of Market knowledge**
  Not having the adequate market knowledge will make businesses to fail. Market knowledge covers the geographical aspects, size, demographics, consumer preference, purchasing power, etc. SMEs need to carry out an extensive market research for better understanding of the new markets.

- **Knowledge gap on Tax laws**
  Lack of knowledge on tax laws and regulatory issues before venturing into business expansion in a foreign country is dangerous. SMEs must adopt the local tax, accounting and reporting requirements.

- **Ignorance of local culture**
  A situation whereby businesses do not understand the local culture of new markets, they tend to have difficulties in marketing their products and services. SMEs are expected not to be ignorant of such local culture where it influences the buying behavior in the market. Ignorance of local culture can also affect the potentials in the country. SMEs should acquire in-depth knowledge on local culture before venturing into cross-border trade.

- **Over confidence in products and services**
  This is one of the greatest mistakes made by most SMEs where they introduce their best selling product in the new market overseas and expect the outcome to be the same as domestic success. In reality, best selling products at domestic market may not necessarily be well accepted in the international market due to so many reasons such as cultural differences, purchasing power and consumer preference.

**IX. CONCLUSION AND RECOMMENDATIONS**

This study at this point has given a clear understanding of the significant role which SMEs play all over the globe. They contribute positively to the wealth of nations and are regarded as aggregate generators of employment. Having understood the opportunities, areas of focus and challenges to avoid, the SMEs need to take a bold move in internationalizing their businesses. They need to be clear about their business expansion
agenda or objectives before venturing into it and after taking such decisions, it is very important they map out strategies on how to penetrate the new markets such as products, services, marketing strategy etc. As earlier stated market research is very important for SMEs, for it gives a better understanding of the business environment and operating conditions in new markets such as market size, consumer preference, cost implication etc. It is also advised that decisions should be made after evaluating the results of the market research where they take in to consideration resources such as people, financial strength, products and services etc.

When a firm decision has been made to proceed with the market expansion overseas, SMEs are expected to review the possible mode of expansion where they are expected to build the new business from the scratch, acquire an existing one in the new market or partner with local entities. They also need to review their capabilities and readiness to start this expansion process overseas because if not done and they rush into such activity the end result tends to be very devastating. SMEs need to stay focused in executing their plans, and most importantly they need to have a firm back-up strategy which will be capable of tackling any challenge faced during market expansion overseas.

REFERENCES