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From Local to Global: Assessing the Internationalization Pathways of SMEs in Albania

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Abstract

Small and Medium Enterprises (SMEs) constitute an essential part of the global economy and play a significant role in the economic development of countries by creating jobs and fostering innovation. In the era of globalization, internationalization has become a key strategy for the growth and survival of SMEs, especially in rapidly changing markets. Through internationalization, SMEs have the opportunity to expand beyond their local borders, enter new markets, and benefit from the growing number of international consumers.

This study aims to examine the internationalization process of SMEs, with a particular focus on Albanian enterprises and the challenges they face in global markets. It will analyze the main strategies SMEs use to enter international markets, the factors influencing their success or failure, as well as the role of entrepreneurs and government policies in promoting this process.

In addition, concrete cases of Albanian SMEs that have successfully internationalized will be presented, highlighting best practices that other enterprises can follow. Through this analysis, the paper provides recommendations for entrepreneurs and Albanian institutions to improve their policies and strategies in support of SMEs aiming to internationalize.

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1. Introduction

The entry of Small and Medium Enterprises (SMEs) into foreign markets is a strategic process that requires in-depth analysis and careful planning. As globalization continues to redefine market dynamics, internationalization has become a critical pathway for SMEs seeking to ensure growth, sustainability, and competitiveness. Expanding into new markets enables SMEs to diversify their customer base, enhance their innovation capabilities, and gain access to valuable resources and knowledge.

SMEs can pursue internationalization through a range of strategies—from direct export of products to the establishment of strategic partnerships with local firms. One of the initial and most important steps in this process is identifying potential markets. This involves evaluating factors such as consumer demand, competitive landscape, entry barriers, and regulatory environments. Moreover, understanding local cultures and business practices plays a crucial role in shaping successful market entry strategies.

The internationalization of SMEs is increasingly influenced by regional cooperation and integration. For Albanian businesses, the European Union remains the main point of reference, economically, politically, and institutionally, especially as the country progresses on its EU accession path. In this context, regional initiatives such as the EU Strategy for the Adriatic–Ionian Region (EUSAIR) play an important role. They encourage cross-border collaboration, help SMEs connect to wider regional value chains, and support innovation that can strengthen their competitiveness abroad. Recent reports, including the EUSAIR Annual Report (2023), show that this framework improves market connectivity, enhances cooperation between institutions, and opens more doors for Western Balkan SMEs to enter EU markets. Through these mechanisms, regional policies help reduce existing barriers and create new opportunities for Albanian SMEs that are looking to expand beyond the domestic market.

Exporting is often the most common and accessible strategy for SMEs to initiate international activities. It allows businesses to test foreign markets with minimal investment and risk, especially when facilitated by knowledgeable local agents or distributors. Other strategies include forming joint ventures or strategic alliances, franchising, or establishing wholly owned subsidiaries. Each approach varies in terms of required investment, risk exposure, and level of control, and must be selected based on the SME's resources, capabilities, and market objectives.

However, the process of internationalization is not without its challenges. SMEs often face significant barriers such as legal complexities, cultural differences, logistical constraints, and limited access to international networks. To overcome these hurdles, firms must adopt flexible strategies, invest in market research, and engage in capacity-building activities such as participating in trade fairs and establishing strong relationships with local distributors and stakeholders.

The internationalization of small and medium-sized enterprises (SMEs) has received considerable scholarly attention, particularly in light of globalization and digitalization. Knight and Cavusgil (2004) emphasized the role of innovation and organizational capabilities in enabling SMEs to internationalize

early, leading to the rise of "born-global" firms. Similarly, Rialp et al. (2005) identified that many SMEs, especially in dynamic environments, no longer follow traditional, gradual internationalization paths but instead adopt rapid entry strategies driven by opportunity and resource leverage.

The classical Uppsala model proposed by Johanson and Vahlne (1977) remains a foundational framework, explaining internationalization as a process of incremental learning and increasing foreign market commitment. However, more recent studies highlight that SMEs from emerging economies often adopt more flexible and network-driven strategies to overcome their resource limitations (Yamakawa, Peng, & Deeds, 2008). These include exporting, strategic partnerships, and foreign direct investment (FDI), as articulated by Root (1994), who classified entry strategies based on commitment level and risk tolerance. Institutional factors are also crucial. North (1990) argued that institutions shape economic performance and influence firm behavior by reducing uncertainty. In the context of SME internationalization, lack of institutional support may constrain growth, especially in developing countries. OECD (2018) supports this view, highlighting the need for tailored policy interventions to help SMEs navigate international markets. Moreover, Zahra and George (2002) introduced the concept of absorptive capacity, emphasizing the firm's ability to recognize, assimilate, and apply external knowledge—an essential capability for successful international expansion.

Collectively, the literature underscores the importance of managerial capabilities, institutional environments, and strategic flexibility as determinants of successful internationalization. These insights form the theoretical foundation for analyzing the Albanian SME context in this study.

This paper aims to examine the internationalization process of SMEs with a specific focus on Albanian enterprises. It explores key entry strategies, models of international expansion, and the role of strategic partnerships and technology in facilitating global integration. Drawing from both theoretical frameworks and real-world case studies of Albanian SMEs that have successfully entered foreign markets, the study identifies best practices and provides actionable recommendations for entrepreneurs and policymakers. Ultimately, this research highlights the strategic importance of internationalization for SMEs and offers guidance for leveraging global opportunities in an increasingly interconnected economic landscape..

2. Methodology

This research aimed to analyze the internationalization process of SMEs in Albania, with a particular focus on those operating in Tirana. A structured questionnaire was used as the primary data collection tool to explore the perceptions, challenges, and opportunities experienced by SMEs within this context. The questionnaire-based approach was chosen for its effectiveness in gathering data from a large number of respondents in a relatively short period. It allowed the collection of diverse perspectives from various SMEs, facilitating the identification of trends and common patterns.

The study involved 50 Albanian SMEs operating in Tirana. The businesses were selected randomly to ensure a diverse representation across different industries and economic sectors. The sample included SMEs from fields such as manufacturing, services, trade, and technology/innovation, ensuring a comprehensive view of the SME landscape.

Data was gathered using a structured questionnaire that included closed-ended questions, enabling participants to express their views in a standardized format. After data collection, responses were quantified and expressed in percentages to facilitate the interpretation of results. This quantitative approach enabled the identification of the frequency of specific responses and provided a clear overview of SME perceptions and behaviors regarding internationalization.

The research findings were presented in graphical format, including pie charts to illustrate the distribution

of business types participating in the study. Additionally, detailed data was provided on the main advantages and challenges identified by SMEs. This methodology offered an in-depth understanding of the current state of SMEs in Tirana with respect to internationalization, helping to identify both opportunities and barriers faced by these enterprises.

By employing a clear and structured approach to data collection and analysis, this research contributed to the development of informed policies and strategic recommendations to better support SMEs in Albania on their path to internationalization.

The target group for this study consisted of SMEs operating in Tirana, Albania. This group included 50 small and medium-sized enterprises from various sectors—namely manufacturing, services, trade, and technology. The objective behind selecting this target group was to ensure a diverse representation of industries and economic activities, thereby providing a more accurate reflection of the overall situation of SMEs in the country.

The selected participants included entrepreneurs, managers, and SME owners who had direct experience with internationalization efforts. Their involvement allowed for the collection of valuable insights into the challenges and opportunities encountered in their attempts to enter foreign markets.

Furthermore, the study aimed to include SMEs at different stages of the internationalization process, from those just beginning to explore international markets to those with some degree of success abroad. This approach helped build a more comprehensive picture of the various factors that influence internationalization and enriched the context for analyzing the data collected.

Although the study aimed for diversity through random selection within Tirana, the sample cannot be considered statistically representative of all Albanian SMEs. The findings therefore reflect the perceptions of the participating enterprises rather than the entire SME population. As a result, any generalisation should be interpreted with caution, acknowledging that SMEs in other regions or sectors may experience different dynamics.

3. Results and Discussion

This section presents and discusses the key findings of the survey conducted with 50 SMEs based in Tirana, Albania. The results are structured around five core dimensions: firm characteristics, internationalization experiences, entry strategies, enabling factors, and perceived challenges and opportunities. Each finding is critically interpreted in light of its implications for SME internationalization in emerging markets.

3.1. Firm Characteristics and Sectoral Distribution

The analysis of firm size reveals that 34% of SMEs employ between 6–10 workers, followed by 28% employing 11–50, and 26% exceeding 50 employees. Only 12% operate with fewer than five employees. These figures suggest that the majority of participating firms fall within the medium-sized category, equipped with sufficient workforce capacity to support international operations. Notably, the presence of firms with more than 50 employees—despite surpassing the EU's conventional SME definition—signals growing scalability and ambition within the local SME sector.

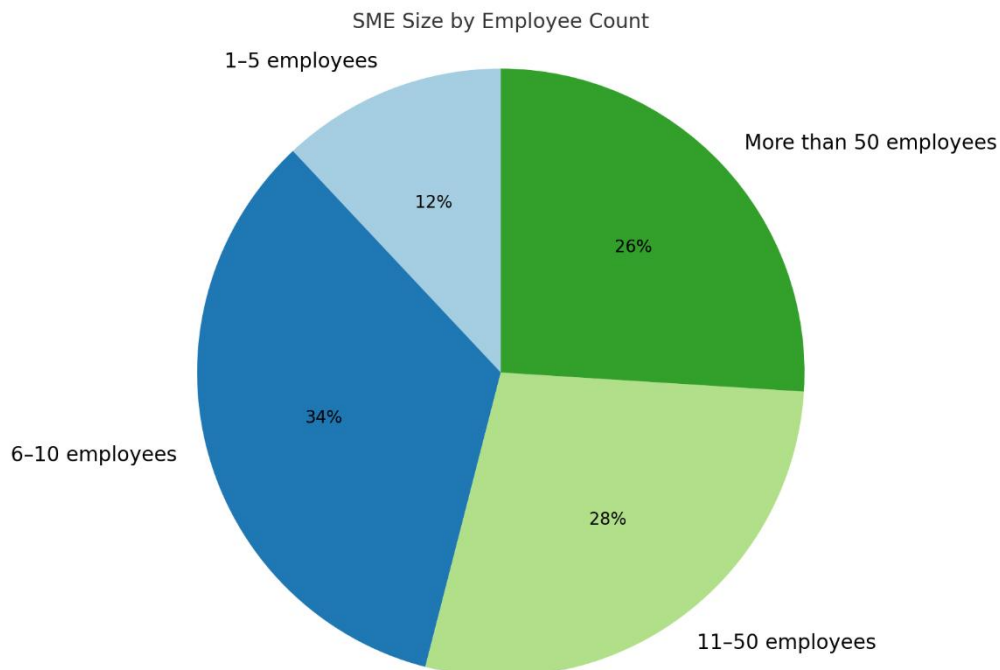


Figure 1: Distribution of SMEs by number of employees.

Regarding sectoral composition, 47% of firms operate in trade, followed by 34% in manufacturing, 17% in services, and only 2% in technology and innovation. The dominance of trade reflects the sector’s relatively lower barriers to entry in foreign markets, including ease of exportation and supply chain integration. The limited representation of technology-driven firms, however, suggests that the innovation ecosystem in Albania remains underdeveloped or that tech SMEs are still in early growth phases with limited international exposure.

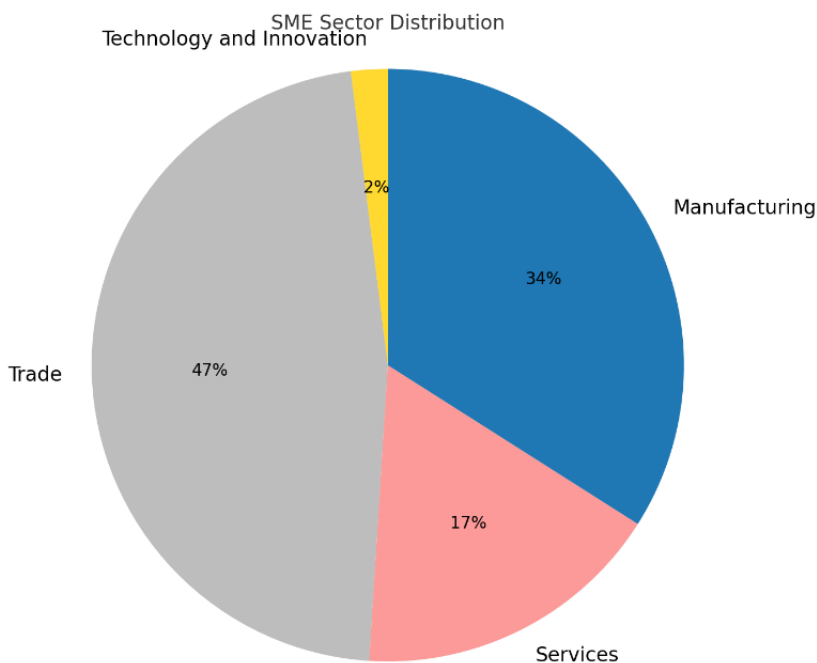


Figure 2: Distribution of SMEs by Sector of Activity.

3.2. Internationalization Experience and Strategic Orientation

A majority of SMEs (54%) reported having engaged in internationalization, while 46% had not. This modest yet significant level of engagement illustrates increasing awareness of the opportunities available beyond domestic borders.

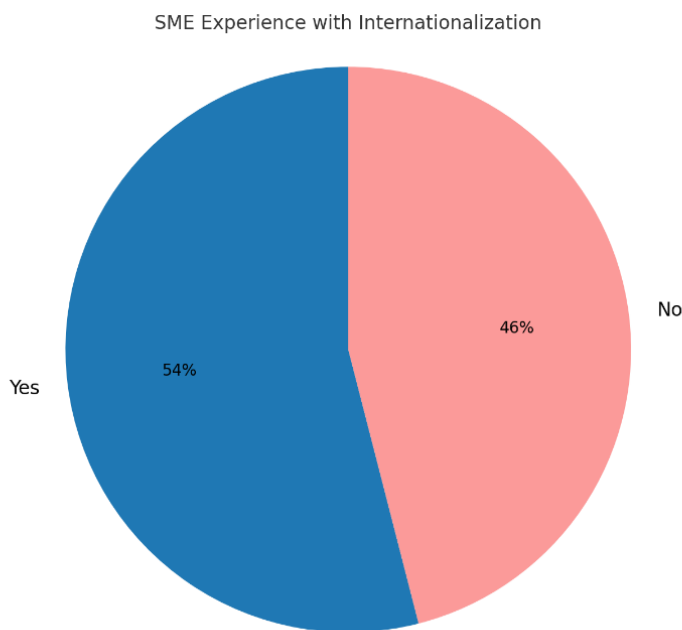


Figure 3: SME Experience with Internationalization

Among those who had internationalized, the leading motivations were customer demand (32%) and access to financing (32%), followed by market expansion (22%) and risk diversification (14%). These findings underscore a demand-driven approach to internationalization, where SMEs respond to external pull factors such as client expectations and financial incentives, rather than proactive strategic planning.

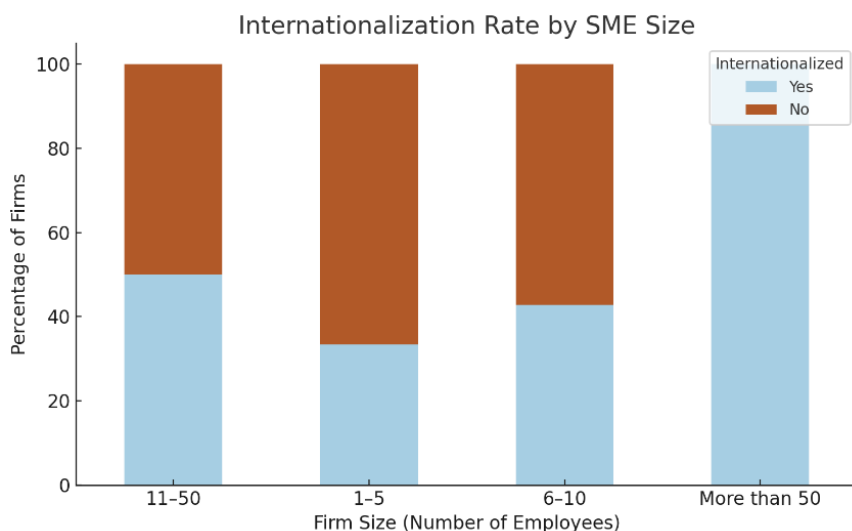


Figure 4: Internationalization by SME size

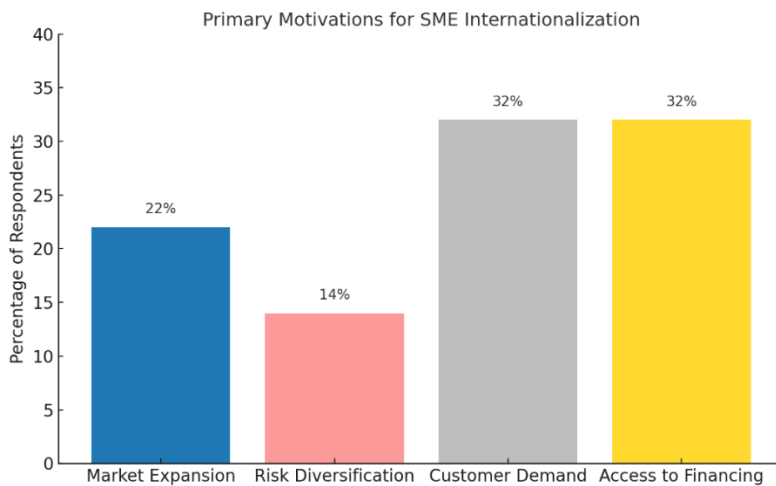


Figure 5: Primary motivation for SME Internationalization

Larger SMEs are far more likely to engage in international markets than smaller ones. Firms with over 50 employees show the highest levels of international activity, while very small enterprises, especially those with fewer than 10 employees, are the least likely to expand beyond national borders. This highlights how critical internal resources, such as skilled personnel and financial capacity, are in supporting international growth. The findings point to the need for more tailored support, especially for micro and small enterprises, which often lack the tools and capabilities to compete globally despite their potential.

Importantly, 80% of respondents rated internationalization as either “important” or “very important” to the growth of their enterprise. This strong perception of international engagement as a growth enabler reflects a shift in mindset among Albanian SMEs—from survival-focused operations to expansionist strategies.

3.3. Enabling Factors and Perceived Challenges

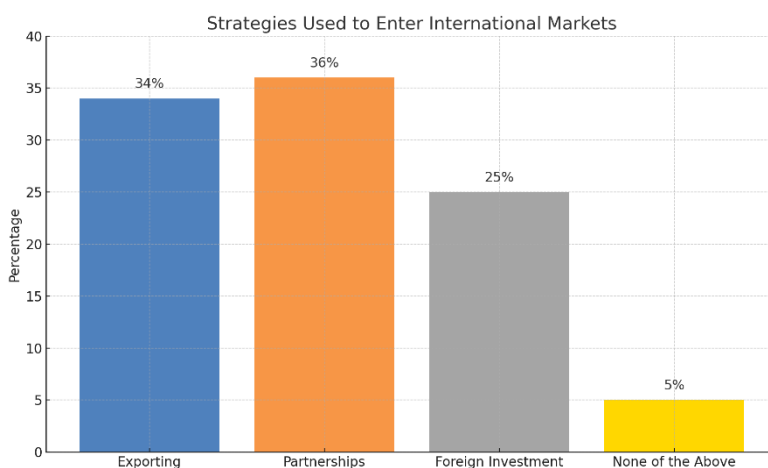


Figure 6: Strategies used to enter in international markets

The most significant factor influencing internationalization success, according to 56% of SMEs, was managerial capability. Financial resources (22%) and competitive environment (20%) were also noted, while only 2% cited institutional support. These findings reinforce the critical role of leadership, strategy, and adaptability in international expansion. SME owners and managers who possess global business acumen are far more likely to navigate entry barriers effectively and sustain operations in foreign markets.

Alarmingly, 82% of respondents stated that they had received no institutional support during their internationalization journey. This substantial gap reveals a lack of alignment between SME needs and available government or public-sector initiatives. The absence of dedicated advisory services, export facilitation programs, and financial instruments may hinder Albania's ability to develop a globally competitive SME sector.

Respondents identified financial risks (32%) and trade barriers (24%) as the most significant challenges in internationalization. However, 43% selected "all of the above," indicating that SMEs often face a complex interplay of barriers—including regulatory constraints, limited market knowledge, and logistical challenges. Only 1% cited lack of information as a standalone issue, implying that while awareness exists, the tools to act on that information may be lacking.

Conversely, when asked about perceived opportunities, 44% of SMEs cited profit growth, followed by customer base expansion (31%) and access to new technologies (24%). This reflects a generally optimistic outlook regarding the potential of foreign markets to enhance both financial performance and strategic capabilities. Notably, only 1% of firms saw no opportunity in internationalization, further affirming its perceived relevance.

The findings point to a maturing SME ecosystem in Albania, with increasing openness to international markets but constrained by internal capabilities and systemic limitations. While firms demonstrate strategic intent and an appreciation of the benefits of globalization, their efforts are hampered by limited institutional backing and risk exposure.

Strengthening managerial training programs, establishing public-private partnership platforms, and expanding access to internationalization support mechanisms are critical policy considerations. Moreover, fostering a culture of strategic collaboration—especially through international partnerships—may significantly enhance SMEs' ability to compete on a global scale.

3.4 Motivation and Strategy Alignment

To understand how Albanian SMEs choose their international strategies, we looked at the link between their main motivations and the strategies they used. Figure 7 shows how four common motivations—customer demand, access to financing, market expansion, and risk diversification—relate to different strategies like exporting, partnerships, foreign direct investment (FDI), and franchising.

As shown in Figure 6, exporting was the most common choice for all types of motivation. It was especially popular among businesses trying to reduce risk (66.7%) and those responding to customer demand (50%). Strategic partnerships were also widely used, especially by firms motivated by customer needs (40.9%) and risk reduction (33.3%). This suggests that many SMEs prefer safer, shared approaches when they do not have enough resources to expand on their own.

FDI was more common among firms aiming to grow into new markets (28.6%) or those with better access to finance (26.7%). These companies seem more willing to invest heavily when they have external support or big growth plans.

In short, SMEs often choose strategies that match their main motivation. Firms looking for growth or with financial support are more likely to take bigger risks, while others choose safer, lower-cost paths. This shows that policies should be tailored to different SME needs to support better results in international markets.

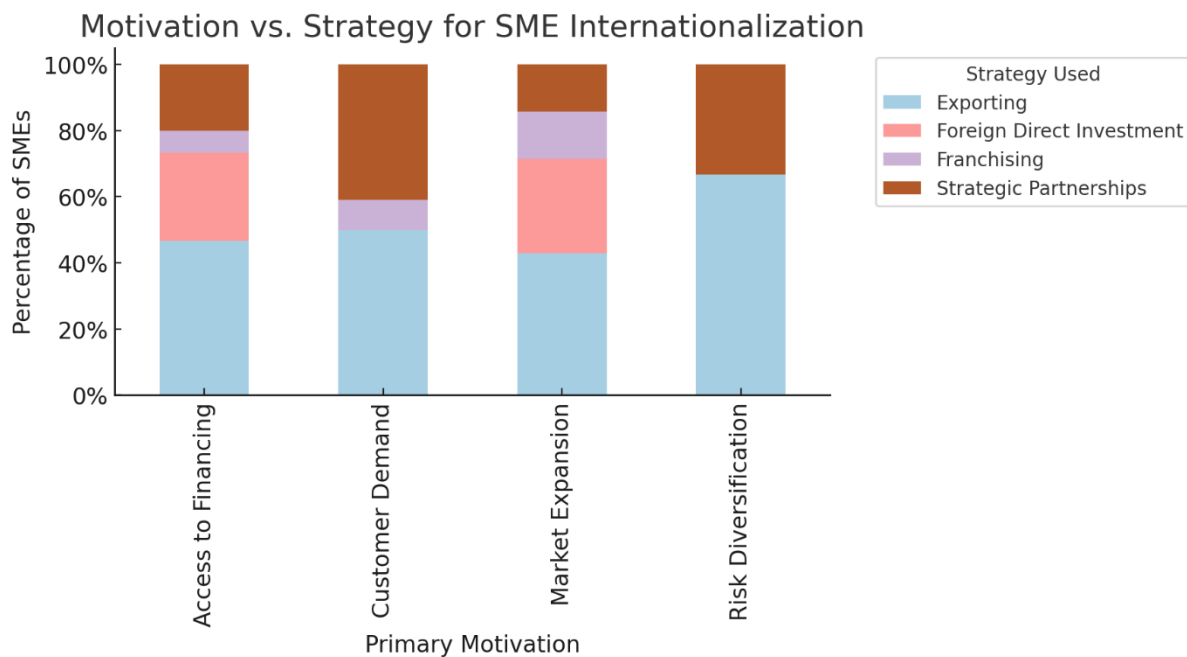


Figure 7: Motivation vs strategy for SME internationalization

4. Conclusions

This study explored how small and medium sized businesses in Albania, especially those based in Tirana, are approaching internationalization. The findings show that many SMEs are increasingly aware of the value of entering foreign markets, not just to grow profits but also to reach new customers and stay competitive. Most of the businesses in the study had between 6 and 50 employees, meaning they had some capacity to operate beyond Albania's borders. However, the smallest firms still face big challenges, especially when it comes to resources and experience. The trade and manufacturing sectors were the most active internationally, while businesses in technology and innovation were very few, suggesting more support is needed in those high potential areas. When asked what motivated them to expand abroad, many firms pointed to external factors like customer demand and financing opportunities. Exporting was the most common first step as it offers a low-risk way to test international markets. On the other hand, firms with more resources were more open to partnerships or foreign investments, which require more commitment but can bring greater rewards. Despite their efforts, many SMEs said they faced serious barriers, especially financial risks and trade obstacles. A large number also reported having received no institutional support at all. Even so, the overall mood was hopeful. Most business owners believed internationalization was important for their growth and wanted to keep moving in that direction. To help Albanian SMEs succeed globally, stronger support is needed. This could include better access to finance, training programs for international business skills, and initiatives that connect local firms to global networks. Special attention should also go to smaller firms and those in underdeveloped sectors like tech. This study provides important insights into how SMEs in Tirana approach internationalization, but several limitations should be noted. The sample of 50 firms is relatively small and may not capture the full diversity of Albanian SMEs. Since all participants are based in Tirana, the findings may not reflect conditions in other regions with different economic or institutional contexts. Additionally, the use of self-reported data introduces the potential for response bias. Despite these limitations, the mix of sectors and firm sizes offers valuable preliminary evidence to guide future, broader research.

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