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Internationalization Barriers of Nigerian Manufacturing SMEs

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Abstract

This study aims to identify the barriers facing Nigerian manufacturing SMEs during their internationalization. SMEs play a significant role in Nigeria, and their impact can be observed in the country's macroeconomic performance, making up 96.9% of all businesses in Nigeria, contributing almost half of the country's Gross Domestic Product (GDP), and accounts for 84% of employment. However, their contribution to exports remains low. This low participation in export activities affects Nigeria's ability to diversify its economy away from oil, reduce its exposure to external shocks. Adopting a qualitative approach for this study, data was collected from 10 SMEs through the conduct of semi-structured interviews, and we analysed our data through content analysis to identify important themes. Findings reveal that the internationalization barriers faced by Nigerian SMEs are both internal and external. Internal barriers include a lack of finance and access to credit, and poor product quality. External barriers included a lack of market knowledge, and export regulations bothering safety. Our findings also show that SMEs engage the services of export intermediaries to navigate the market and overcome export barriers. We recommend that SMEs should partner with export intermediaries and target regional internationalization. We also recommend that the government should provide access to finance for SMEs, support SMEs with export information through relevant agencies, and promote knowledge and skills development for international trade.

Keywords: Manufacturing SMEs, Nigeria, Internationalization, Barriers

Wordcount: 222

1.0 Introduction

Globalization is not only the territory for large multinational companies as research in SME internationalization has shown that business opportunities and growth have been found by smaller firms in the international marketplace (Winch and Bianchi, 2006). Johnson et al. (2014) identified the reduction in barriers to international trade, investment and migration as reasons for this success. On why SMEs decide to go international, Lesáková, (2005) and Hollensen (2008) identified small size and saturation of the home market as factors. Eziashi and Abamu (2023) found that foreign market opportunities, unsolicited foreign orders and the need for growth and profitability as strong motives for internationalization. However, SMEs have been found to face more barriers than larger firms (Acs et al., 1997; O'Farrell and Wood, 1998), as internationalization involves a high degree of risks by its nature, which SMEs usually have limited capability to deal with, due to a lack of resources (Buckley, 1989). SMEs are often more vulnerable to barriers linked to trade restrictions, difficulties in operations, as well as resource limitations (Katsikeas and Morgan, 1994; Leonidou, 2004).

SMEs are recognized as important contributors to economic development of countries, especially for the global south economies such as Nigeria, where they contribute significantly to job creation and poverty reduction. The need to diversify the Nigerian economy whose source of revenue and foreign exchange is dependent on oil sales, makes SMEs a crucial player in building a resilient economy. Oil accounts for almost 90% of Nigeria's exports revenue, thereby making the country's economy vulnerable to oil price volatility and external shocks. SMEs have been identified as potential contributors to non-oil exports; however, they continue to play a minor role in this area. The internationalization of Nigerian SMEs is crucial for economic diversification, but they are faced with challenges that slow their growth, including their ability to enter new foreign markets.

The purpose of this paper is to identify the challenges or barriers faced by Nigerian manufacturing SMEs in internationalization activities and provide recommendations for overcoming these barriers based on our findings. Based on the purpose of our study, the following research questions have been formulated:
RQ1: What are the main barriers SMEs face going abroad?
RQ2: How do SMEs overcome these barriers faced during internationalization?

2.0 Theoretical Development and Literature Review

2.1 Theories of internationalization

2.1.1 Uppsala model (U-model)

The Upsala model of internationalization describes the firm's entry into a foreign market as a stage-by-stage process, where firms take incremental steps that can be referred to as "establishment chain" (Johanson and Wiedersheim-Paul (1975; Johansson and Vahlne, 1977). This gradual commitment to a market is done to overcome uncertainty and minimize risk that is influenced by the level of market knowledge. The model explains that as a firm's knowledge of the market increases, they increase their resource commitment as well. Four stages of entry were identified, where each stage represents a higher level of market involvement/commitment: i) No regular export activities (sporadic export), ii) Export via independent representatives (export modes), iii) Establishment of a foreign sales subsidiary, iv) Foreign production/manufacturing units.

2.1.1.1 Model revisited

Recognizing the role of globalization, relational structures and digitization in the internationalization of firms, Johanson & Vahlne (2009), reconceptualized the model from its focus on geographic location to a focus on networks and relationships.

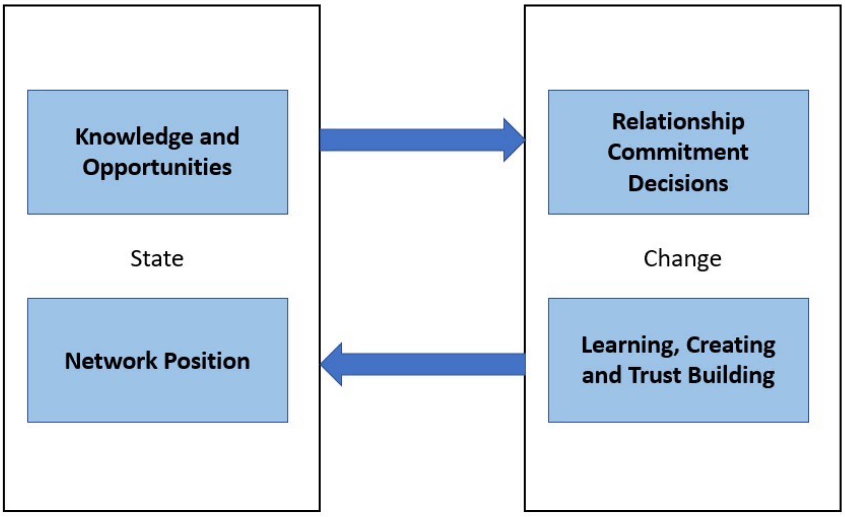

Figure 1: Uppsala Model (Johanson & Vahlne, 2009)

Identifying the internationalization process as a "liability of outsidership" and not a "liability of foreignness" issue, Johanson & Vahlne (2009) argue that the internationalization success of firms does not totally depend on country-level factors such as psychic distance and market commitment, but on network relationships. The revised model views internationalization as a process that is carried through business networks that provide an opportunity for building trust, commitment and learning (Schweizer, 2013).

2.1.2 Innovation related model (I-model)

The innovation-related model (I-model) of internationalization was adopted by several authors (Bilkey and Tesar, 1977; Cavusgil, 1980; Reid, 1981 and Czinkota, 1982) as a stage-model similar to Uppsala but was originally derived from Roger's "stages by adoption process" (Roger, 1962).

Table 1:
Classification of the I-Models

Stage	Bilkey & Tesar (1977)	Cavusgil (1980)	Czinkota (1982)	Reid (1981)
1	Management is uninterested in exporting	Domestic marketing: firm sells only to the home market	The completely uninterested firm	Export awareness: problem/opportunity recognition, arousal of need
2	Willing to fill unsolicited orders, but makes no effort to explore active exporting	Pre-export stage: firm searches for information and evaluates feasibility	The partially interested firm	Export intention: motivation, attitude, beliefs, expectancy about export
3	Management actively explores the feasibility of exporting	Experimental involvement: exports on an experimental basis to a psychologically close country	The exploring firm	Export trial: personal experience from limited exporting
4	Firm exports on an experimental basis to a psychologically close country	Active involvement: exporting to more new countries, direct exporting, rising sales volume	The experimental firm	Export evaluation: results from engaging in exporting
5	Firm is an experienced exporter; management continually allocates limited resources between domestic and foreign markets	Committed involvement: management continually allocates limited resources between domestic and foreign markets	The experienced small exporter	Export acceptance: adoption of exporting / rejection of exporting
6	Feasibility of exporting to more psychologically distant countries is explored by management	— *(model ends at stage 5)*	The experienced large exporter	— *(model ends at stage 5)*

Under the I-model, internationalization is considered as a process that is similar to the stages of product adoption. It suggests that each stage is viewed as an innovation for firms. The stages in the I-model differ and varies from five to six which makes it different from the Uppsala model. The different steps in the I-models are connected to the value of exports as a proportion to the turnover of the firm, and this relationship reveals the degree to which the firm exports (Gankema et al., 2000).

2.1.3 Born global/ International New Ventures (INV)

Researchers in the 1990s identified an increasing number of firms that shortly went international after being founded (Coviello and Munro, 1992; Oviatt & McDougall, 1994). These firms were described as born global firms (Knight and Cavusgil, 2004) and international new ventures (Oviatt and McDougall, 1994). These firms were found to have not undergone the traditional "stage by stage" pattern of internationalization. Rather, they entered foreign markets directly after creation (Hollensen, 2017). The rapid internationalization was aided technological advancements, globalization, management expertise and international network relationships (Madsen & Servais, 1997).

In born global and international new ventures, developing specific capabilities is crucial to identifying and creating opportunities (Buccieri et al., 2023). The role of digital technologies in driving rapid internationalization has been highlighted by recent research in international entrepreneurship (Knight et al, 2025). How firms approach internationalization has been reshaped by the internet, advanced communication tools and digital platforms. Firms are able scale up operations and accelerate their international expansion through digitalization. According to Coviello et al (2024), they can also expand their output at a rapid rate with less additional resources.

Research on digital born global firms have examined how they leverage artificial intelligence, e-commerce, social media blockchain and other similar technologies and other technologies in reaching international customers from creation (Brouthers et al., 2018; Monaghan et al., 2020). These digital advances are reducing costs and market entry barriers by increasing the fluidity of internationalization (Knight et al, 2025).

2.2 Modes of Internationalization

One of the key decisions on internationalization that needs to be made is the choice of entry mode (Andersen, 1997; Brouthers & Brouthers, 2001). There are several ways entry modes differ, which determines what grouping they belong to. This include the level of control, associated risks involved, and level of flexibility.

2.2.1 Exporting

Exporting is the most common way adopted by firms when entering an international market and is regarded by Esu and Awara (2010) as an indispensable part of international business whether a firm markets its goods in one country or in the global market. To expand their business internationally, firms can decide to sell their products in a foreign country through exporting. Baker (2013) explains that exporting is simply the process of sending products to a foreign market for the purpose of sales and trade. According to Rugman et al (2006), these products are either a good or a service and are produced by a firm in one country and sent to another country as exports. Exporting has been traditionally seen as the first step when entering international markets (Kogut & Chang, 1996). Exporting as an entry mode can be carried out through a direct or an indirect approach (Kotler and Keller, 2006). Direct exporting occurs when a firm carries out its exporting activities by itself, and indirect exporting occurs when a firm engages an independent intermediary to carry out its exporting activities rather than do itself.

2.2.2 Franchising

Franchising is an internationalization mode that involves the acquisition of firm's rights (franchisor) by another firm (franchisee) that allows them to conduct certain business activities under the name of the firm from whom they acquire the rights. The franchisor gives the franchisee the right to use, for example, its trademark, business system or processes, etc. in return for royalty payments (Hollensen, 2007). According to Ajami et al (2006) the franchisor also supports and assists the franchisee with materials supply or operations or both.

2.2.3 Licensing

Licensing is an agreement that involves the granting of rights to an intangible property by one firm (licensor) to another firm (licensee) to use for a specific period of time in return for a royalty fee (Hill, 2007). Under a licensing arrangement, the products are not sold by the licensor, but rather the licensee who now possess the right to the intellectual property that may come in the form of a patent, manufacturing process, trademark, expertise, copyright, etc. This form of market entry mode is mostly used in the pharmaceutical industry, where it is common for firms to deal with the issue of patents, research and development, innovations and formulas. As an entry mode, it allows a firm to enter a market with less risk (Kotler and Keller, 2006).

2.2.4 Joint venture

Joint ventures are business arrangements between two or more firms that come together to carry out a business operation. A company can decide to partner with another foreign company by sharing the ownership and control of the firm`s operations and property rights. According to Kotler and Keller (2006), a firm can decide to participate in a joint venture when it has limited resources, investment and market knowledge to enter a foreign market. Through a joint venture, a foreign firm can leverage the knowledge of its local partner about the market, culture, political system, competitive conditions, and the general business environment (Hill, 2007; Collinson et al, 2020). Hollensen (2007) adds that partnership with local firms can help reduce barriers to entry in the target market. According to Collinson et al (2020), joint ventures help in cutting through red tapes, which can include a legal requirement of the host country for foreign firms to partner with local firms. Another reason for a joint venture can be due to the requirement of the host country to partner with a local firm (Kotler and Keller, 2006). Through encouragement and legislation, the host country government makes it attractive for foreign firms to get local partners involved (Collinson et al, 2020).

2.2.5 Foreign direct investment

Foreign direct investment (FDI) is the flow of funding provided by an investor or a lender (usually a firm) to establish or acquire a foreign company or to expand or finance an existing foreign company that the investor owns and controls' (Pugel, 2009). This definition is relevant as it identifies two ways in which FDI can be carried out-establishing a foreign company or acquiring an existing one. As a market entry mode, FDI always occurs either through greenfield investments and cross border mergers and acquisitions (M&As). Greenfield investments are investments where the subsidiary of foreign firm is built from the ground up in a foreign country. It involves the construction of new production facilities and the local purchase or building of real estate office buildings, distribution hubs and living quarters. In such FDI, employees are also recruited and trained using the management, know-how and technology of the investor. According to Harzing (1998), the subsidiary will be highly integrated with the global operations of the parent company. On the other hand, Mergers and Acquisitions (M&As), also called brownfield investments are investments where a foreign firm purchases or leases already existing production facilities. They involve a transfer of ownership of existing assets. Kogut and Singh (1988) refer to Acquisition to as the 'purchase of stock in an already existing company in an amount sufficient to confer control'. In this type of FDI, the new affiliate or subsidiary begins as a going concern that is already in possession of production facilities, sales force and market share (Estrin, 1999).

2.3 Barriers to Internationalization

The barriers and obstacles to internationalization is one of the most investigated issues in internationalization (Bell, 1997). Several barriers have been identified in the theories of internationalization (Leonidou, 2004; Morgan & Katsikeas, 1997). However, there is a variation in their intensity in how they are perceived (Morgan & Katsikeas, 1997). These barriers have been classified as either external or internal.

2.3.1 External barriers

External barriers or obstacles are barriers from the domestic or international markets (Fillis, 2001), that can be governmental, task, environmental and procedural in nature (Leonidou, 2004). As SMEs encounter culture differences, new regulations and financial market imperfections (Acs et al., 1997), the prospects for SMEs to enter new markets are perceived as risky (Masurel, 2001). As a result, they are more exposed to challenges than larger firms.

2.3.2 Internal barriers

Internal barriers are those difficulties related to organizational resources and capabilities (Leonidou, 2004). Several studies have determined internal barriers as more significant in restricting the internationalization of SMEs, given that going abroad is a decision made by owners of the firm (Cateora and Graham, 2001; Fillis, 2001). The seminal classification of internationalization barriers by Leonidou (2004) is one of the most widely used frameworks for analyzing the challenges faced by SMEs going abroad. However, the strict internal-external dichotomy might be debated as there can be deep interconnection of barriers. An internal constraint is mostly triggered by external factors. Furthermore, some external barriers can be bypassed. For instance, issues such as finding new markets or connecting with customers are external task barriers. But the adoption of digital technology platforms, trade expos or international business networks can help firms lower these barriers.

3.0 Overview of SMEs in Nigeria

3.1 SMEs classification in Nigeria

Defining SMEs is becoming complicated as every country and its government have their own measures used for classifying business as SMEs. Studies also reveal that there is no collective agreed definition of an SME, as such definition depended on the extent of the country's economic development (Mutula and Brakel, 2007; Aruwa and Gugong, 2007). While their definition varies from country to country, SMEs are a defined based on the number of employees, their asset value, or the combination of both (Jutla et al., 2002). The definition of Small and Medium-Sized Enterprises (SMEs) in Nigeria is not uniformly applied across all government agencies and institutions. This lack of a harmonized definition poses significant challenges for policy formulation, data collection, and the effective targeting of support initiatives for the sector. Different bodies employ varying criteria and thresholds, leading to a fragmented understanding of the very entities they aim to support.

Table 2:
Definition of SMEs by different bodies

	Employment	Asset (=N= Million)
SMEDAN	1-199	Less than 500
National policy on MSME	1-199	Less than 1000
CBN	1-300	Less than 500

For this study, we will be adopting the definition from SMEDAN as it is the apex body for registered SMEs

Table 3:
SME classification in Nigeria by SMEDAN

	Employment	Asset (=N= Million)
Micro	Less than 10	Less than 5
Small	10-49	5 to less than 50
Medium	50-199	50 to less than 500

Source: SMEDAN (2014)

3.2 Contribution of SMEs to development

SMEs play a significant role in Nigeria, and their impact can be observed in the country's macroeconomic performance. SMEs comprises of 96.9% of all businesses in Nigeria, indicating their dominance in terms of business density. They are also the leading source of employment generation and account for almost half of the country's Gross Domestic Product (GDP). According to the Nigerian Bureau of Statistics, SMEs contributed 46.32% to GDP, and 84% of employment, making them and their immense contribution a critical part of Nigeria's economic present and future. The table below shows a comparative data of SME contributions in various countries against Nigeria.

Table 4:
A comparative analysis of SME contributions from selected countries

Countries	Share of Total Businesses (%)	Share of GDP (%)	Share of Employment (%)	Share of Exports (%)
Nigeria	96.9	46.3	84	6.21
Ghana	92	70	80	N/A
Kenya	98	40	96	N/A
UK	99.8	52	60	25.6
Germany	99	55	53	20
Turkey	99.7	72	73.5	15
China	99	60	80	60
Indonesia	99.9	60	97	15

Despite their significant contribution to GDP and employment, the contribution of Nigerian SMEs to export performance is very low. Share of exports stood at 6.21% as seen in Table 3, which indicates that SMEs in Nigeria rely on the domestic market. This also indicates that exports in Nigeria is dominated by large corporations, especially multinational corporations (MNCs) in the oil sector, as findings show that oil accounts for 86% of total export revenue. In comparison, SMEs in several countries contribute to exports more significantly than Nigeria. Share of exports are significantly lower than advanced economies such as the UK and Germany, where SMEs are crucial manufacturing exports, and lower than Indonesia and China, where the country's SMEs deeply integrated into global supply chains. The lack of export activities from SMEs severely affects Nigeria's ability to reduce its dependence on oil, which is usually affected by price volatility, and makes the country vulnerable to external shocks. Therefore, promoting exports from SMEs, and identifying whatever barriers they may face is crucial for enhancing their capacity, which in return motivated this study.

4.0 Methodology

This study adopts a qualitative approach to accomplishing our research aim, which is to identify the challenges facing Nigerian manufacturing SMEs during internationalization. We collected data through semi-structured interviews, as it allows a deeper examination of the problem (Creswell and Creswell, 2017), where we can further explore the context of how and why SMEs face challenges going abroad, and their strategies for navigating these challenges. We used a multiple-case study approach and studied multiple SMEs involved in internationalization to predict similar or contrasting results (Yin, 2003).

4.1 Data collection

Multiple sources were used to gather information, but the source for primary data collection was semi-structured interviews whose design is informed by our review of literature. Due to the significance of this study, we chose to collect data via semi-structured interviews as it is more flexible and allows us to gain a more in-depth insight of the research phenomenon. As recommended by Coviello and Jones (2004), we selected participants with the most in-depth knowledge of their firm's international operations.

4.2 Data Sampling

For this study, we used purposive sampling and only SMEs with international experience or the ambition to internationalize were selected. They were selected because they are central to our research aim and are significant to the theme of our investigation. They also possessed the qualities we were seeking in a sample population (Denscombe, 2007), which is beneficial to understanding the internationalization barriers faced by SMEs and how they navigate these challenges. A purposive sample of 10 SMEs with experience in export activities were selected to participate in the study. Based on our judgement, we believe the selected samples are adequate for our research, and appropriate for a case study analysis (Stake, 2005). It is not a sample population of SMEs, but only SMEs connected with internationalization. Our aim is not to statistically generalize the total SME population in Nigeria, but to gain a deep insight and understanding into the particular barriers faced by SMEs engaged in, or attempting to participate in export activities. We judged a sample of 10 participants as sufficient to achieve saturation thematically. This is consistent with guidance on qualitative methodology for sample size adequacy. We observed the study of Guest et al (2006), who sought to interview 60 participants in a relatively purposeful and criterion-based homogenous sample set, but found more than half of thematic codes within their first 6 interviews, and the substantial majority by the 12th interview. Another case is the study from Hennink et al (2017) who observed 25 in-depth interviews, and reached code saturation at 9 interviews, where they identified the range of thematic issues. All interviews were coded and no new codes were found after the 7th interview. But our analysis coding of all 10 interviews reinforced the barriers we already identified from the previously coded data.

Table 5:
Profile of SMEs

SME	State/Location	Position of Respondent	Years of Operation
MF1	Lagos	Manager	17
MF2	Lagos	Manager	10
MF3	Lagos	Supervisor	2
MF4	Lagos	Export Manager	3
MF5	Rivers	Export Manager	1
MF6	Rivers	Managing Director	11
MF7	Anambra	CEO	5
MF8	Abia	Manager	1
MF9	Abia	Manager	5
MF10	Abia	CEO	7

4.3 Data analysis

To allow for the emergence of important patterns and themes in the data, the analysis of data and collection went hand in hand throughout the research duration (Ticehurst and Veal, 2000). Through a thematic content analysis on the interview and documented data, key themes were identified. This was characterized by a data reduction process, where we summarised and generated themes through coding. The data collected was verified for consistency (Patton, 2002) and was analysed independently by members of the research team (Carter et al. 2007). Our coding procedure began with the familiarization of the data and the independent open coding process. All coders independently studied the transcripts and generated initial codes without a reference to the shared codebook. We then moved on to review and compare our coding sets collectively at the second stage. At this point, differently labelled codes that were conceptually similar where merged. Our comparative process aligns with the view of O'Connor & Joffe (2020) on multi-coder qualitative reliability. In third stage we conducted a second round of independent coding on the transcripts with the codebook developed at the second stage. This was done to test the applicability of codebook and to identify any excerpts or transcripts where the application of the codebook remained vague. Finally, through a process of conceptual clustering related codes, we grouped codes into proposed themes. We reviewed these themes against the complete dataset to confirm that each theme was distinct from other proposed themes, internally coherent, and supported by data provided by more than one single respondent.

To assess coding consistency, we cross-checked through a consensus where all coders agreed on the final code after a review, as well as the theme assignments for the excerpts used in the findings. To ensure validity and provide a credible theoretical analysis, we included direct verbatim quotations from the participants to build an understanding of the barriers facing the manufacturing SMEs they represent. We took several additional steps beyond independent coding to strengthen the trustworthiness of our research. Through our multi-coder approach involving all four coders, we ensure a strong triangulation and reduced the risk of allowing a single coder's perspective to influence our analysis and cause bias (Carter et al., 2014). All coders also retained verbatim excerpts which we reported alongside each theme to encourage an independent assessment of the fit between the claims made and the data (Shenton, 2004).

5.0 Findings

5.1 Barriers to internationalization

After the data analysis, several factors were identified as barriers facing Nigerian manufacturing SMEs in their internationalization, which our study classified as either internal or external barriers based on Leonidou's (2004) classification. We presented these factors below in a Fishbone diagram to summarize illustratively the various internationalization barriers.

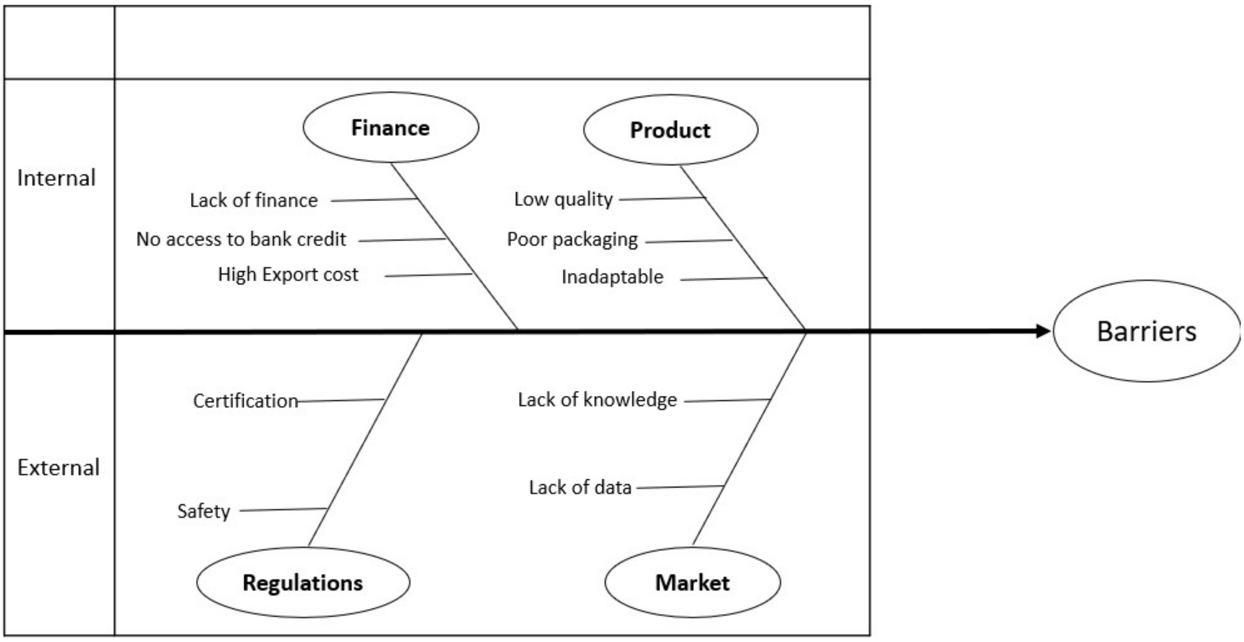

Figure 2: Internationalization barriers facing Nigeria SMEs

5.1.1 Finance

The lack of financial resources and access to credit facilities is a common challenge among manufacturing SMEs from Nigeria seeking to internationalize. Several SMEs admit that they do not have the financial resources to engage in internationalization and even struggle to access capital from lending institutions due to the stringent requirements. One SME says that "*Our biggest challenge so far is money. There is demand for what we have and so the opportunity is there. But we don't have the financial resources to expand. It's also hard to take loan from the bank and so we're lacking support"* (MF2). Another SME claimed the *"Lack of funding is a problem for us. We tried getting a bank loan, but the requirements were too much"* (MF3). One SME with goals to internationalize said "*Exporting my goods abroad was always a dream of mine but I never had the financial resources. However, I still intend to pursue my international plans"* (MF6). Another SME which identified the lack of financial resources as a barrier, explained that "*For me the capital is my main problem. The banks and their requirements to get a loan are not encouraging. We need money to buy machinery, buy raw materials and even employ people. If we can't have them, it will be difficult to go abroad* (MF7)."

Export costs, which represent the cost of sending your goods also is high based on findings, and SMEs lack the funds to finance this process. One SME said *"Sending your goods from Nigeria to abroad is very expensive. Besides shipping costs, the exports tariffs by the Nigerian customs are expensive".* Another one said *"I was discouraged from exporting due to the expensive custom duties, just to ship my goods. It affected my profit margins".* A third SME explained that *"the freight costs are high and small businesses like mine will not export if we can no longer sustain it".*

5.1.2 Product

Product barriers are a significant issue for SMEs, as the sale of products to customers in return for monetary value remains the main goal of Nigerian SMEs. Many SMEs encountered product issues and specifically faced problems with product quality and packaging, which did not satisfy the specifications of their target market. They also mentioned the problem of product adaptation. Quality standard requirements posed a challenge to some SMEs with little experience, as they were not aware of some of the expected quality requirements in their export market. One of the SMEs further added that one of its target export market had changed product requirements without its knowledge leading to its inability to export- *"We were not aware of the change in product requirements, and by the time we realized, it was too late recall our products which still failed either way"* Another SME with packaging issues stated that *"I had challenges exporting to Europe because of the strict laws regarding my product's packaging*". Other SMEs exporting the same product to more than one country face the challenge of product adaptation and specification. One SME explained that there was a difference in the usage of their products in different markets. In their own words "The purpose for the demand of our product in both markets were different. Therefore, the two markets had different requirements". Another SME with similar experience noted the difficulty in adapting their products to satisfy several markets at the same time. They stated *"We had to adapt our products for the markets we serve, but this issue of adaptation has limited our entry into other markets. It takes more money and time".*

5.1.3 Market

SMEs who recognized market-related barriers identified a lack of knowledge about the market as well as the unavailability of data. The lack of knowledge about the international market is a fundamental barrier to the internationalization of Nigerian SMEs, and most of the SMEs interviewed admitted that they lacked information on export market, which includes understanding the international regulations, finding potential markets, and navigating customs requirements. On the lack of knowledge, one SME admitted that *"We did not understand the market or know much about".* Another SME said *"When we first started, it was difficult because we had no knowledge of our export market. This caused a delay in our export ambitions, because we had to conduct our own research before starting.*' Another SME explained that *"our biggest issue is the custom requirements in the foreign market. We have to do our research before exporting because our products have been rejected before for not meeting requirements. It's not easy"* Our findings also suggests that these barriers are the reason why Nigerian SMEs cannot engage in more complex market entry mode.

5.1.4 Regulation

Regulatory barriers were a significant hurdle for Nigerian SMEs seeking to export their products. This centred around the lack of certification and other documentations that guaranteed safety of their products. This comes down to a difference in country procedures as well as socio-cultural differences. One SME who initially faced regulatory challenges explained that "*When we first started, we faced difficulties because our products were rejected due to the lack of documentation on safety. We managed to overcome that later on as we learnt from it. However, new bureaucracies keep coming, and it is very costly to overcome them*". Another SME simply stated that "*I was told my goods did not comply the advisory guidelines, but I have no idea of these guidelines or even how I can access them*". A third SME stated "*My goods were rejected for a lack of safety assurance. I needed documentation to prove which I didn't have. There is no problem with the safety of my products here in Nigeria, and even in African countries where I export to*".

5.2 The role of intermediaries

Our findings on how SMEs navigate the barriers of internationalization reveal that SMEs engaged the use of export intermediaries, where they mostly confirmed the importance of agents, middlemen or intermediaries in their export process. Several SMEs have identified the engagement of intermediaries as a strategy for navigating some of their internationalization problems, specifically the external barriers. The intermediaries performed almost the same roles for SME, which could be attributed to the same barriers. On their use of intermediaries, they claim that these agents have a familiarity with the market, better market network and advanced knowledge of internationalization procedures.

MF4's response to engaging intermediaries indicates an established and functioning relationship. They stated in their response that *"For our company, working with agents both in Nigeria and abroad has helped us"* (MF4). They describe the relationship as positive and a success, and we observed the relationship is mature with operations going on for a while. This is also similar to MF10 who also engages with intermediary. Although less descriptive but their recognition of the barrier that is removed by intermediaries is clear. They state that *"We hired an intermediary that understands our market and the custom laws over there".* (MF10).

MF5 on the other hand has decided to engage intermediaries after experiencing less success on the international market. In their response, they said *"After two attempts at exporting and having issues with export regulations, we contacted an agent with experience in export business. He's responsible for sorting out the necessary documents we need for exporting."* (MF5). This represents a reactive adoption after previous failures, and we observed a causal sequence which first started with an export initiation, then two unsuccessful export attempts, next is the adoption of intermediary, and finally the delegation of a specific documentation function. For MF9, they seek intermediaries for market knowledge. They state that "We are looking for reliable agents in those countries that can assist us with information about the current market situation" (MF9). This recognizes the role of intermediaries or export agents in providing market intelligence.

6.0 Discussion

6.1 Barriers facing Nigerian manufacturing SMEs during internationalization

This study sought to identify the internationalization barriers facing manufacturing SMEs from Nigeria, with the findings corroborating findings from other studies. Findings reveal that manufacturing SMEs from Nigeria encounter both internal and external barriers going abroad. Our study resulted in similar findings from other studies on SME barriers and internationalization. Okpara and Koumbiadis (2010) in their study on the export orientation and internationalization barriers of Nigerian SMEs found resource constraints, knowledge barriers, lack of incentives to export, and lack of export assistance as important variables. Onjewu et al (2026), on their evaluation of export performance barriers found bureaucracy, complex regulation, high cost of capital and complex regulation as some of the biggest challenges facing Nigerian firms.

SMEs lack market knowledge despite the existence of an export promotion agency. However, this is not uncommon, as proven by studies. According to Francis and Collins-Dodd (2004), firms may be aware of the existence of export promotion agencies but lack awareness of the services it offers. The admission of one of the SMEs on their lack of awareness and eventual failure to comply with international guidelines does not indict export agencies who may or may not have published them. Rather, it reveals a disconnect between SMEs and the available institutional resources.

Nigerian SMEs are also faced with product barriers, particularly around quality and packaging, which is like other studies showing that product standard requirements affect the internationalization processes of SMEs, and their international development in general, as well (Martinovic & Matana, 2017; Kahiya, 2017; Revindo et al., 2019). According to Hollensen (2008), the differences in product specification and usage are risks facing SMEs, which we identified in our Nigeria case study. Bonga (2017) also explained that SMEs must recognize the uniqueness of each market, and ensure that their products, and services as well, are tailored according to their target markets.

Financial barriers are a major problem for SMEs in Nigeria, specifically a lack of funding to upgrade and expand their production capacity, and the difficulties to access credit facilities from lending institutions due to stringent conditions. Our study found financial constraints as the most immediate barrier limiting the internationalization of Nigerian manufacturing SMEs. The lack of financial resources has also been noted as a critical barrier facing SMEs by Alvarez (2004) who identified access to credit, payment delays and cash flow as factors dissuading SMEs. This is consistent with the resource-based perspective as the availability of financial capital is important for the acquisition of raw materials, labour, technology, and other tangible resources. This is also relevant for the case of one SME with plans for internationalization. They have acquired knowledge of the market, an important incremental step. However, they lack finance develop full export capacity. This has its own implications, as it shows that many SMEs have the international orientation to expand beyond their domestic boundary, a fact already backed by the findings of Eziashi and Abamu (2023) who identified SMEs with the managerial urge to internationalize based on their previous international business experience, possession of a unique product, and the knowledge of the target market.

6.2 Export Intermediaries

To overcome these barriers, SMEs engaged the services of intermediaries, who are mostly familiar with the foreign markets. Intermediaries play an important role in internationalization, specifically in helping SMEs overcome the barriers. Some Nigerian SMEs do not export directly to their target foreign markets, but engage the use of agents or middlemen, who are also referred to as "intermediaries" Kotler and Keller (2006). Intermediaries are economic agents that link buyers and suppliers or sometimes buy from suppliers for the purpose of reselling to buyers, and their existence can be theoretically explained by their role in facilitating international business activities.

The engagement of intermediaries clearly aligns with the Uppsala model's liability of foreignness and liability of outsidership theories. While the earlier internationalization model links the barriers faced by firms to a liability of ownership (Johanson and Vahlne, 1977), Johanson and Vahlne (2009) in their revised Uppsala model, argue that outsidership is the true root of uncertainty in modern international business, and this supports our findings showing the development of business networks can help SMEs overcome internationalization barriers. The decision of one SME to engage export intermediaries after two unsuccessful attempts clearly demonstrates that the inability to develop relationships and networks is a barrier connected to the liability of outsidership.

It is assumed by intermediary models that export intermediaries or agents source products from firms with insufficient capability to export and cover the costs from exporting (Ahn et al., 2011; Mínguez and Minondo, 2026). The main function for intermediaries is the deployment of superior trade capabilities to promote and sell the products of other firms in foreign markets (Crozet et al., 2013; Akerman, 2018). Based on our findings, SMEs admit that intermediaries possess capabilities such as market intelligence and export regulation expertise to help them navigate internationalization barriers.

6.3 Cross-country comparison of SME internationalization barriers

We present a cross-country comparative analysis because the barriers we identified among SMEs in our study do not exist in isolation from the broader SME internationalization experience. This analysis clarifies which barriers are peculiar to the Nigerian experience, and those barriers that are broadly generic regardless of context.

Table 6:
Cross-country analysis of SME internationalization barriers

Country	Barriers	Author\Source
Nigeria	Product quality and packaging, lack of finance and limited access to financial credit, lack of market knowledge and data, certification and safety	Authors
United Kingdom	Custom procedure and documentation, geopolitical events, export documentation, regulation and standards	British chamber of commerce
Germany	Bureaucracy, high energy costs, environmental and climate regulations, and EU taxonomy application	Abel-Koch (2025)
Malaysia	Finance and resources, advanced technology and management skills, lack of market savviness, business culture and an understanding of the trade rules in new markets	ACCCIM

Nigeria faces both internal and external barriers, like Malaysia. In contrast, the internationalization barriers facing UK SMEs are mostly external barriers but there are similarities among SMEs and distinctions as well. Financial barriers are common among Nigerian and Malaysian SMEs and not the UK and Germany. This could indicate a unique distinction between emerging economy and advanced economy SMEs, especially in Nigeria where its financial challenges have been linked to the inability to access credit. Regulatory compliance and documentation is a barrier that is present across SMEs. While it appears as "certification and safety" among Nigerian SMEs, it appears as "understanding of the trade rules in new markets" in Malaysia (ACCCIM), "bureaucracy" and "EU taxonomy application" in Germany (Abel-Koch, 2025), and "custom procedure and documentation", and "regulation and standards" in the UK (British Chamber of Commerce). The similarity among SMEs is established in the literature on export barriers, however Kahiya (2018) and Leonidou (2004) argue that smaller firms are more affected by the cost of such barriers. The barrier is framed as complex in the UK and Germany, as SMEs know the rules but find it time-consuming and costly. On the other hand, Nigerian SMEs are burdened by the lack of awareness on those rules. Market knowledge as a barrier is mostly common among Nigerian and Malaysian SMEs but absent from the UK and German SMEs. This provides a distinction between SMEs in emerging and advanced economies. It indicates that gaps in experiential market knowledge among firms are dependent on how long SMEs have been involved in export activity, established buyer-networks, and strong institutional knowledge, which could be present in the UK and Germany.

On unique barriers, product quality and packaging are peculiar to Nigeria, with no similar equivalent among UK, German or Malaysian SMEs. This implies that Nigerian SMEs might be experiencing earlier in their manufacturing operations, compared to the others. On the other hand, barriers such as geopolitical events for the UK and high energy costs, environmental and climate regulations, and EU taxonomy application for Germany, are absent from Nigerian and Malaysian SMEs. These barriers are not direct market entry barriers but are barriers faced by firms already established or operating within a system. Brexit for example, represents a geopolitical issue that that caused disruptions for SMEs already in operations.

7.0 Conclusion and Recommendation

This study set out to examine the complexities of SME internationalization, specifically the barriers faced by Nigerian manufacturing SMEs when internationalizing. Manufacturing SMEs in Nigeria are pivotal to the country's economic health through job creation, and their potential role in reducing the dependence on oil exports as the main source of foreign exchange. While SMEs are motivated to internationalize, they are faced with internal and external challenges that hinder this ambition. Studying 10 SMEs through a thematic analysis of their interviews, we identified five major barriers that border on finance, product, market and regulation. We found financial constraints critical among SMEs, as it limits their ability to acquire other resources. Product barriers stemmed from low quality, packaging issues and product inadaptability. SMEs were also affected by the lack of market knowledge and data, and finally the export regulations specifically on certification and safety.

However, most of the barriers were resolved through the adoption of intermediation. SMEs who engaged with export intermediaries resolved their challenges, specifically in the area of market knowledge and documentation. The practical implication from this decision is that Nigerian SMEs may be more efficient and internationalization-oriented if they have access not just to finance, but to reliable and affordable export intermediaries. Our findings did show that intermediation resolved some barriers, proving its effectiveness in facilitating SMEs internationalization.

Our study shows that no single internationalization theory describes the experiences of SMEs as they navigate the international market. The Uppsala and Innovation-related theoretical framework explain the regulation, knowledge and documentation-related barriers, since these models focus on staged confidence building and experiential learning. However, Born Global theory seemed to explain the international orientation needed by SMEs to skip steps found in other theories, but not enough to internationalize due to financial barriers. The revised Uppsala model also explains the adoption of intermediaries for exports, indicating that internationalization success of Nigerian SMEs is dependent on building business relationships and networks.

A cross-country comparison of Nigerian SMEs against those in Malaysia, the UK and Germany suggests that the barriers faced by Nigerian SMEs may determine the position of SME sector on the internationalization maturity curve, as Nigerian SMEs seemed to face market entry barriers such as product quality, market knowledge and certification, while those in Germany and UK face operational stage internationalization barriers such as climate regulation and geopolitical risks.

Based on our findings, we have made the following recommendations:

- Improve product quality standards: Nigerian manufacturing should focus on improving the quality of their product to meet international standards and obtain the required export and product certifications to gain access to international markets.
- Explore foreign collaborations: Nigerian manufacturing SMEs should seek collaborations or partnerships with foreign businesses to increase their international market presence of their products. This partnership can take the form of joint ventures or distribution agreements.

- Target regional internationalization: Regional internationalization presents a faster way for SMEs to enter foreign markets. The membership in existing regional trade blocks such as the African Continental Free Trade Area (AfCFTA), and the Economic Community of West African States (ECOWAS) allows access to the other African markets through reduced trade barriers and can facilitate SME expansion. Proximity from a market and cultural perspective also presents an advantage.

We also recognize the role of government in facilitating the internationalization of SMEs and have presented the following recommendations

- Promote knowledge and skills development for international trade: The Nigerian government should invest in initiatives that develops the human capital of SMEs in international trade including export knowledge, marketing skills other international business competences.
- Provide access to finance: The government should improve access to finance for SMEs by creating special financing opportunities for small businesses seeking to internationalize. Financing opportunities can take the form of low-interest loans and export credit guarantees.
- Information support on foreign markets: The government, through its agencies should support Nigerian manufacturing SMEs with international market knowledge. For instance, the Nigerian export promotion council (NEPC) should be empowered to assist SMEs with information on potential export markets, and the country's diplomatic missions should identify export opportunities for SMEs.
- Harmonization of SME definition: The government should adopt a unified and inclusive definition of SMEs to ensure SMEs are not excluded from support programs due to criteria issues.

Study Limitations

The SMEs selected for this study were purposively drawn from Southern region of Nigeria (South-East, South-West, and South-South), reflecting the high agglomeration or clusters of SMEs with export activities and relevant infrastructures, with the SMEs either located in commercial or manufacturing hubs, significant manufacturing activities or proximity to international trade infrastructure like seaports. We acknowledge that the sample is not reflective of the geographic composition of Nigeria, as all participants are located in the south of the country. Nevertheless, our findings provide insights into exporting issues SMEs need to take into consideration before internationalization. In consideration of this, we recommended further qualitative studies on internationalization that covers the broader geographic scope of the country.

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