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SME Internationalisation in the United Arab Emirates: Home-host Country Characteristics and the Role of Cultural Distance

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This study assesses the influence of home and host country characteristics (HHCC) and cultural distance (CD) in SME internationalisation strategies related to the United Arab Emirates (UAE) market. We focus on their effect on SMEs' host market entry mode (MEM) choice and firm performance in the host market, with the UAE considered as either home or host market. The main purpose of the study is to determine how SME decision-makers perceive the influence of HHCC, CD and other distance dimensions on their choice of MEM.
Our analysis is based on a multi-method approach split into two phases. Phase 1 is used to achieve a broader view of the studied phenomena through quantitative analysis with the use of a structured questionnaire and a tentative sample of 27 SMEs operating in the UAE. In phase 2, we employ a qualitative approach, using semi-structured personal interviews and secondary data analysis (SMEs' internal and external documents) on a sample of 20 SME managers operating in the UAE. In phase 2 we employ five methods of analysis: coding, document analysis, content analysis, thematic analysis, and comparative analysis.
Our research results indicate that in some cases, the MEM choice is shaped by specific host country characteristics, such as government restrictions (Demirbag et al. 2008; Harzing and Pudelko 2016), trade barriers (Morschett et al. 2010), and taxes and liabilities (Yurdagul et al. 2012). Research results also indicate that in most cases, where CD or other distance dimensions are perceived by SMEs as influencers on their MEM decisions, these perceived distances actually represent host market characteristics, more than distances between home and host country. Drawing from these results, CD and other distance dimensions have a very limited influence on the decision of MEM. Instead, home and host market characteristics, including primarily opportunities and advantages in the host market and challenges in home and host market, usually moderate this choice. These results support Harzing and Pudelko (2016) conclusions that when home and host country context characteristics are included, the CD effect becomes not a make-or-break factor.

Keywords: host country characteristics, home country characteristics, cultural distance, market entry mode, firm performance

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