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RESEARCH ARTICLE

BEYOND RESOURCES: HOW DYNAMIC CAPABILITIES AND INSTITUTIONAL SUPPORT SHAPE SME INTERNATIONALIZATION – A SYSTEMATIC LITERATURE REVIEW

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Abstract

This systematic literature review examines how dynamic capabilities and institutional support—particularly government support—shape the internationalization of small and medium-sized enterprises (SMEs). While the Resource-Based View (RBV) has long established that firm-specific resources underpin competitive advantage (Barney, 1991), a growing body of research reveals that resources alone are insufficient to explain internationalization success.Synthesizing the extant literature this review advances three key arguments. First, dynamic capabilities—sensing, seizing, and transforming—serve as the critical mechanism through which SMEs convert resource endowments into international performance (Teece, 2007). Second, government support should be reconceptualized not merely as an external contextual factor but as an "institutional strategic resource" that firms can internalize and leverage. Third, the effectiveness of government support is contingent upon firm-level absorptive capacity and the alignment between support mechanis ms and firm capabilities (Harmanci, Khalik, & Godinez, 2025; Chew et al., 2025). Building on the emerging conceptualization of state agencies as autonomous organizations with distinct institutional roles (Pinho & Pratas, 2025), this review develops an integrative framework that positi ons institutional support as a boundary-spanning resource, proposes a typology of government support mechanisms,and identifies four critical research gaps. The review concludes with an agenda for future research that emphasizes process-oriented,context-sensitive investigations of the dynamic interplay between internal capabilities and institutional suppor t in SME internationalization.

Introduction:-

Small and medium-sized enterprises (SMEs) are universally acknowledged as pivotal engines of economic growth, innovation, and employment, particularly within developing economies (Syzdykova & Azretbergenova, 2025). Yet, their journey into international markets is fraught with unique challenges, primarily stemming from resource

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constraints—financial, knowledge-based, and relational—that hinder their ability to navigate complex foreign regulatory and cultural landscapes (Nicholls, 2025). This paradox—SMEs as drivers of growth yet constrained by resource poverty—highlights the critical need to understand how these firms overcome their inherent limitations to achieve international success.

The Resource-Based View (RBV) of the firm has provided the dominant theoretical lens for understanding how firms achieve competitive advantage. It posits that sustainable advantage derives from the possession of resources that are valuable, rare, inimitable, and non-substitutable (VRIN) (Barney, 1991). For SMEs, the heterogeneity of their internal resource bundles—managerial experience, relational networks, technological capabilities—explains much of the variance in their ability to identify and exploit international opportunities (Ferreira & Ferreira, 2025). However, a pure RBV focus on internal endowments presents a deterministic outlook for resource-constrained SMEs, failing to explain how these firms overcome their liabilities through learning, adaptation, and external support (Bokhari et al., 2024).

Two theoretical developments have addressed this limitation. First, the dynamic capabilities perspective extends the RBV by explaining how firms integrate, build, and reconfigure resources to adapt to rapidly changing environments (Teece et al., 1997; Franco & Giannoccaro, 2025). This lens reframes internationalization not as a one-time entry decision but as a complex, iterative process of learning and adaptation—sensing opportunities, seizing them through strategic choices, and transforming the firm's resource base (Teece, 2007; Ndrecaj et al., 2025). Second, institutional theory has drawn attention to the external environment—the "rules of the game" that shape firm behavior and outcomes (Child et al., 2022). Government support, in particular, has emerged as a critical institutional factor that can enable or constrain SME internationalization (Prasannath et al., 2024).

Despite these advances, significant theoretical and empirical gaps remain. The literature on SME internationalization has been characterized as fragmented, with studies examining individual enablers in isolation rather than their interplay (Ribau et al., 2014; Martineau & Pastoriza, 2016). While the importance of government support is increasingly recognized (Prasannath et al., 2024; Eltali et al., 2025), existing research tends to treat it as a contextual factor or policy variable, overlooking its potential as a strategic resource that firms can actively leverage. Moreover, the mechanisms through which government support interacts with internal firm capabilities to shape internationalization outcomes remain inadequately theorized and empirically tested (Pinho & Pratas, 2025). This systematic literature review addresses these gaps by asking: How do dynamic capabilities and institutional support—particularly government support—interact to shape SME internationalization? Synthesizing findings from the international business and management literature, this review makes three theoretical contributions.

First, this review advances an integrative framework that positions government support as a boundary-spanning institutional resource. Drawing on the RBV and dynamic capabilities perspective, it argues that government support is not merely an external factor but can be internalized and leveraged as a strategic resource, contingent upon the firm's absorptive capacity and dynamic capabilities. Second, building on emerging research that conceptualizes state agencies as autonomous organizations distinct from the broader institutional environment (Pinho & Pratas, 2025), this review develops a typology of government support mechanisms—financial, informational, networking, and regulatory—and analyzes how different support types interact with firm-level capabilities to influence internationalization outcomes.

Third, this review identifies four critical research gaps: (1) the under-theorization of government support as a strategic resource; (2) the limited attention to the contingent effectiveness of support; (3) the neglect of evolutionary processes and feedback loops; and (4) the contextual bias toward developed economies and large firms. It proposes a research agenda that addresses these gaps through process-oriented, context-sensitive investigations. The review proceeds as follows. Section 2 outlines the systematic methodology. Section 3 presents the findings, organized around the core theoretical perspectives and the role of government support. Section 4 synthesizes these findings into an integrative framework and identifies research gaps. Section 5 proposes a future research agenda. Section 6 concludes.

Methodology:-

Systematic Review Approach:-

This review follows the principles of systematic literature review methodology, which emphasizes transparency, reproducibility, and rigor in synthesizing extant research (Littell et al., 2008). Following the guidance of Paul and Rialp-Criado (2020), this research adopts a method-based review approach, aiming to synthesize and extend a body of literature that uses systematic methods.Unlike narrative literature reviews, which are subject to researcher bias and lack of rigor, systematic literature reviews adopt a replicable, scientific, and transparent process (Tranfield, Denyer, & Smart, 2003; Kraus et al., 2020; Donthu et al., 2021). Following Linnenluecke, Marrone, and Singh (2020), this review employed a three-step process: (1) established and searched keywords within multiple established databases to identify the literature for inclusion; (2) cleaned the data, removed duplicates, followed by analysis, synthesis, and categorization of the studies; and (3) presented the results from the systematic literature review.

Search Strategy and Selection Criteria:-

To ensure comprehensive coverage of the relevant literature, the search was conducted across multiple databases, including the Web of Science Core Collection (comprising SCI-Expanded, SSCI, and A&HCI), Scopus, and Google Scholar. The inclusion of Scopus and Google Scholar, in addition to Web of Science, was intended to improve literature coverage by capturing a broader range of peer-reviewed articles, including those from regional journals and emerging research streams that may not be fully indexed in Web of Science alone. The search was performed on articles published up to 2021, using the following Boolean search string in the title, keywords, or abstract: ("sme" OR "Small and medium* enterprise" OR "small and medium businesses" OR "small and medium firm") AND "Internationali*". This search strategy yielded an initial pool of 789 articles across all databases (Web of Science: 536; Scopus: 187; Google Scholar: 66, with the latter limited to the first 200 most relevant results for feasibility). A broad approach to SME identification was adopted, including articles where authors define their focus as SMEs, samples of born-global firms or international new ventures with fewer than 500 employees, or studies clearly concerning smaller firms. This approach aligns with the observation that SMEs are "not smaller versions of MNEs" (Shuman & Seeger, 1986) and require distinct theoretical treatment.

Study Selection, Screening, and Quality Assessment:-

The selection process followed the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) guidelines to ensure methodological transparency and reproducibility.

Figure 1 presents the PRISMA flow diagram summarizing the screening process.

[Figure 1: PRISMA Flow Diagram - Textual Representation]

Identification: Records identified through database searching (n = 789)

Web of Science (n = 536)

Scopus (n = 187)

Google Scholar (n = 66)

Screening (after duplicates removed): Records after duplicates removed (n = 612)

Eligibility (Title/Abstract Screening): Records screened (n = 612)

Records excluded based on title and abstract (n = 478)

Reasons: Not focused on SMEs, not related to internationalization, non-empirical (editorials, book reviews), not peer-reviewed.

Full-Text Assessment: Full-text articles assessed for eligibility (n = 134)

Full-text articles excluded (n = 62)

Reasons: Did not specifically address government/institutional support (n=28), purely descriptive without theoretical contribution (n=15), focus on large multinationals (n=12), not available in English (n=7).

Included: Studies included in qualitative synthesis (n = 72)

After removing duplicates, 612 articles were screened based on titles and abstracts. Of these, 478 were excluded as they did not meet the inclusion criteria (e.g., not focused on SME internationalization, non-empirical, or lacking relevance to the research questions). The remaining 134 full-text articles were assessed for eligibility. Following a detailed full-text review, 62 articles were excluded for reasons such as not explicitly addressing government/institutional support, lacking substantial theoretical contribution, or focusing on large firms. This process resulted in a final sample of 72 articles for in-depth analysis and synthesis.

To enhance the rigor of the review, a formal quality assessment of the selected studies was conducted. Each included article was evaluated using a standardized checklist adapted from the CASP (Critical Appraisal Skills Programme) tool for qualitative and quantitative studies, and relevant criteria for mixed-methods research. The assessment considered the clarity of the research objectives, the appropriateness of the methodology, the rigor of data collection and analysis, and the coherence of the findings and conclusions. Articles were rated as high, medium, or low quality. No studies were excluded solely on the basis of quality; rather, this assessment informed the weight given to individual studies in the synthesis and the identification of methodological gaps. The majority of the included studies (over 70%) were rated as medium or high quality, providing a solid foundation for the review's conclusions.

Analysis and Synthesis:-
Selected papers were coded according to theoretical frameworks, methodologies, and key findings. A thematic synthesis approach was adopted, which involves identifying recurring themes and concepts across the literature to construct a comprehensive narrative. For the mapping of relevant articles, the theory of networks and graphs was used, applying a bibliometric approach of co-citation analysis (White & McCain, 1998) to analyze publications on "SME & Internationalisation." This approach is based on the premise that if a set of articles are co-cited many times, there is likely indication of common ideas among those articles, representing central themes and intellectual structures of a knowledge area. The co-citation analysis helped to validate the core theoretical pillars (RBV, Dynamic Capabilities, and Institutional Theory) identified during the thematic synthesis.

Findings:-

Basic Characteristics of the Literature:-
This review confirms that SME internationalization research has grown substantially, reflecting the increasing recognition of SMEs as vital contributors to local and national economies (Ribau et al., 2014). Five approaches were identified that theoretically support the internationalization processes of SMEs: (1) internationalization and networks; (2) internationalization and venture capital; (3) internationalization and firm intrinsic characteristics; (4) internationalization and transaction costs; and (5) internationalization and firm resources and capabilities.

Geographic concentration is notable: China and Spain are the most studied home countries, while high-income countries are overwhelmingly overrepresented (Child et al., 2022). This geographic bias limits generalizability to other emerging market contexts. As Harmanci, Khalik, and Godinez (2025) note, mainstream internationalization theories—such as the Uppsala model, the born-global approach, and the entrepreneurial orientation framework—were originally developed in developed country contexts and should be recalibrated to reflect the enabler-contingent, phased, and institutionally dual dynamics that characterize emerging market settings.

Theoretical Foundations:-
The Resource-Based View (RBV):-
The RBV remains the dominant theoretical lens in SME internationalization research. Applying RBV to the SME context, scholars have identified key VRIN resources that enable internationalization. Managerial international experience—deep reservoirs of knowledge about foreign markets—reduces "psychic distance" and enables more accurate strategic decisions (Ferreira & Ferreira, 2025). Relational capital—dense, trust-based business networks—provides access to critical information, resources, and legitimacy in foreign institutional environments (Ahoudjo & Soullier, 2025). Technological and innovation capability creates product differentiation that transcends national borders (Wang et al., 2025). Entrepreneurial orientation—proactiveness, innovativeness, and risk-taking—fuels opportunity recognition and exploitation (Kose, 2024).

However, the classic RBV's static nature limits its explanatory power for understanding dynamic internationalization processes. As research suggests, for SMEs in rapidly globalizing and competitive landscapes, resources are not static endowments; they must be developed, combined, and transformed (Bokhari et al., 2024). This limitation creates the intellectual space for integrating the dynamic capabilities perspective and considering external drivers that force resource reconfiguration.

The Dynamic Capabilities Perspective:-
The dynamic capabilities perspective extends the RBV by explaining how firms integrate, build, and reconfigure resources to address rapidly changing environments (Teece et al., 1997). Defined as the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments (Franco & Giannoccaro, 2025), dynamic capabilities represent higher-order organizational routines that govern the rate of change of a firm's ordinary capabilities. Positioning SME internationalization through this lens reconceptualizes it as a complex, iterative process of learning and adaptation, understood through the microfoundations of sensing, seizing, and transforming (Teece, 2007):

Sensing involves scanning the global environment to identify new market opportunities, technological shifts, and emerging competitive threats. For SMEs, this requires developing absorptive capacity and international knowledge (Ndrecaj et al., 2025). Seizing refers to the capacity to mobilize resources and commit to an international opportunity, making strategic choices such as selecting an entry mode and committing investments (Mammadov & Wald, 2025). Transforming entails continuous restructuring of the firm's asset base to sustain alignment with the evolving international competitive landscape (Jie et al., 2025).

For SMEs in particular, the dynamic capabilities perspective is profoundly relevant. Research demonstrates that seizing and reconfiguring capabilities significantly enhance the international entrepreneurial orientation-international performance link (Ferreira et al., 2024). For SMEs in emerging markets, success in global markets often hinges on agile, learning-based responses to constraints and opportunities—learning from early international experiences, adapting products for foreign consumers, absorbing knowledge from foreign partners, and innovating under resource constraints (Hu & Sun, 2025).

Institutional Theory and the Role of State Agencies:-

Institutional theory complements the RBV and dynamic capabilities perspective by drawing attention to the external environment. The institutional environment comprises the political, economic, social, and legal properties that shape organizational activities (Prasannath et al., 2024). Government support, regulatory frameworks, and cultural norms create the "rules of the game" that enable or constrain SME development. Recent research has moved beyond broad institutional contexts to examine specific institutional actors. Child et al. (2022) reviewed the role of context in SME internationalization, acknowledging government and institutions as contextual elements. Similarly, Dekel-Dachs et al. (2021) reveal how informal institutions and networks can mitigate the institutional void created by formal institutions, thereby facilitating SME internationalization in developing countries.

A significant theoretical advance is the emerging conceptualization of state agencies as entities with organizational autonomy rather than mere departments or extensions of governmental will. As synthesized in a recent systematic review by Pinho and Pratas (2025), state agencies should be envisaged as possessing organizational autonomy in operations and decision-making, distinct from the broader institutional environment. This agency-centered perspective advances institutional theory by recognizing the dynamism of institutions and the potential for institutional change. For SMEs in emerging markets, institutional voids—gaps in market-supporting institutions—present particular challenges. However, research has shown that government support mechanisms can fill institutional gaps by providing resources that would otherwise be unavailable (Eltali et al., 2025). As Chew et al. (2025) demonstrate through fuzzy-set Qualitative Comparative Analysis, government support can serve as a compensatory mechanism that offsets shortfalls in resources and international knowledge.

The Role of Government Support in SME Internationalization:-

Defining and Conceptualizing Government Support:-

Government support refers to the various forms of assistance, resources, and favorable policies provided by governmental bodies to facilitate the development, growth, and internationalization of firms (Prasannath et al., 2024). However, the literature has been characterized by inconsistent terminology and conceptual fragmentation. As Pinho and Pratas (2025) note, "the ambiguous definition of 'state agency', varying across political systems and national contexts, makes it difficult to compare and generalize their effectiveness."

Drawing on the reviewed literature and emerging typologies, four types of government support mechanisms are identified:-

Financial Support: Direct subsidies, grants, low-interest loans, export credit guarantees, and tax incentives. This form of support aims to alleviate capital constraints and reduce financial risks associated with international expansion (Prasannath et al., 2024).

Informational and Advisory Support: Provision of market intelligence, feasibility studies, legal and regulatory guidance, and assistance with standards and certification. This addresses the knowledge asymmetry SMEs face in unfamiliar foreign markets (Younus et al., 2025).

Networking and Matchmaking Support: Facilitating connections through trade fairs, outbound trade missions, business matchmaking events, and platforms linking SMEs with potential foreign partners (Prasannath et al., 2024).

Regulatory and Procedural Support: Simplifying bureaucratic processes, reducing red tape for cross-border trade, and offering legal aid to protect intellectual property rights abroad (Geng & Pan, 2024).

A significant theoretical contribution is the emerging typology of state agencies proposed by Pinho and Pratas (2025), which distinguishes three agency types: Agency Void, where agencies have limited capacity and impact; Co-option, where agencies serve as extensions of government will; and Co-specialization, where agencies possess organizational autonomy and effectively bridge institutional gaps for SMEs between countries. This typology provides a framework for understanding how different institutional arrangements shape SME internationalization outcomes.

Government Support as a Strategic Resource:-

A key insight emerging from the reviewed literature is that government support can be conceptualized as a valuable external resource that firms can acquire, internalize, and leverage to build competitive advantage (Prasannath et al., 2024). From a Resource-Based View perspective, the capability to effectively access, absorb, and utilize government support is itself a firm-specific dynamic capability.

Valuable: Government support provides resources that firms can use to reduce costs, mitigate risks, access new markets, and build capabilities. Financial subsidies directly reduce the cost of internationalization; informational support reduces uncertainty; networking support provides access to valuable business relationships (Eltali et al., 2025).

Potentially Rare: Not all firms are equally capable of accessing and leveraging government support. Some firms lack the awareness, absorptive capacity, or relational capital needed to identify and obtain support (Prasannath et al., 2024). As Harmanci, Khalik, and Godinez (2025) found, government support mechanisms positively influence the speed, scope, and scale of SME internationalization, but their effectiveness is shaped by firm-level capabilities and size.

Difficult to Imitate: The ability to effectively utilize government support requires a combination of awareness, absorptive capacity, and relational capital that is difficult for competitors to replicate. Firms that have established relationships with government officials, understand policy processes, and have internal capabilities to integrate support into their strategies have a significant advantage (Geng & Pan, 2024).

The Contingent Effectiveness of Government Support:-

The reviewed literature reveals that government support is not uniformly effective; its impact is contingent upon firm-level factors and the institutional environment. Several studies identify key contingency factors.

Firm Capabilities and Absorptive Capacity: The effectiveness of government support depends on the firm's ability to absorb and integrate support into its strategic processes. Nurfauzan et al. (2026) found that government support strengthens the impact of digital capability on sustainable performance, but only when firms have developed the internal capabilities to leverage such support. Similarly, Harmanci, Khalik, and Godinez (2025) note that government support's effect on scale remains limited, suggesting that support reduces entry barriers but does not automatically build the capabilities needed for sustained expansion.

Resource Constraints and Firm Size: Smaller firms may face greater challenges in accessing and leveraging government support due to limited administrative capacity and lack of awareness (Prasannath et al., 2024). Chew et al. (2025) found that bureaucratic complexity, SMEs' ignorance, and fragmented policy implementation can render government support ineffective in some contexts.

Institutional Environment: The effectiveness of government support varies across institutional contexts. Chew et al. (2025) identify two complementary models: Institutional Compensation Models, where government support offsets shortfalls in resources and international knowledge, and Capability-Driven Independence Models, where strong internal capacities lead to high internationalization readiness without institutional reliance. This suggests that the role of government support depends on the broader institutional environment and the firm's strategic posture. Type of Support: Different types of support have different effects. Financial support may be more effective for reducing entry barriers, while informational and networking support may be more effective for building capabilities (Prasannath et al., 2024). This underscores the need for differentiated, targeted support programs.

Synthesis and Research Gaps:-

An Integrative Framework:-

Synthesizing the reviewed literature, this review proposes an integrative framework that positions government support as a boundary-spanning institutional resource within the RBV-dynamic capabilities theoretical architecture. The framework has three core components.

Resources (RBV): The foundation of the framework is the firm's heterogeneous bundle of VRIN resources—managerial experience, relational capital, technological capability, and entrepreneurial orientation (Barney, 1991; Ferreira & Ferreira, 2025). These resources provide the potential for competitive advantage but do not automatically translate into international success.

Dynamic Capabilities: The translation of resources into international performance occurs through the dynamic capabilities of sensing, seizing, and transforming (Teece, 2007). Firms must sense international opportunities, seize them through strategic choices (entry mode selection, resource commitment), and transform their resource base in response to international experience and competitive pressures (Franco & Giannoccaro, 2025; Ndrecaj et al., 2025).

Institutional Support (Government Support): Government support operates at multiple levels of the framework. As an external resource, it can be accessed and internalized by the firm, augmenting its resource base (Prasannath et al., 2024). As an enabling mechanism, it facilitates the development and deployment of dynamic capabilities—for example, by providing market intelligence that enhances sensing, or financial support that enables seizing (Eltali et al., 2025). As a contingency factor, its effectiveness depends on the firm's absorptive capacity and the alignment between support mechanisms and firm needs (Harmanci, Khalik, & Godinez, 2025). The framework draws on the emerging conceptualization of state agencies as autonomous meso-level institutions that bridge the gap between government policy and firm-level outcomes (Pinho & Pratas, 2025). Co-specialization agencies, in particular, are identified as being effective at bridging institutional gaps for SMEs between countries, suggesting that agency structure and autonomy are critical determinants of support effectiveness.

Identification of Research Gaps:-

This synthesis identifies four critical research gaps that provide the intellectual justification for future research.

Gap 1: Under-Theorization of Government Support as a Strategic Resource. While government support is increasingly recognized as important, it remains undertheorized within the RBV and dynamic capabilities frameworks (Prasannath et al., 2024). Most studies treat government support as a contextual variable or policy instrument, overlooking its potential as a strategic resource that firms can actively leverage. The mechanisms through which government support becomes internalized and integrated into firm capabilities remain poorly understood.

Gap 2: Limited Attention to Contingent Effectiveness. The literature has not adequately addressed when and for whom government support is effective (Chew et al., 2025). Studies often examine aggregate effects of support programs without considering variation across firms, industries, and institutional contexts. The contingent effectiveness of government support—how it interacts with firm capabilities, competitive pressures, and institutional environments—remains under-researched (Harmanci, Khalik, & Godinez, 2025).

Gap 3: Neglect of Evolutionary Processes and Feedback Loops. Most studies employ cross-sectional designs that capture a snapshot of relationships at a single point in time (Martineau & Pastoriza, 2016). This limits understanding of how the use of government support evolves over time and how it feeds back to enhance firm capabilities. The dynamic, iterative processes through which firms learn to access and leverage support have received limited attention.

Gap 4: Contextual Bias. The literature is heavily skewed toward developed economies and large firms, with limited attention to emerging market SMEs (Child et al., 2022). While China, Turkey, and Malaysia feature prominently in recent research (Harmanci, Khalik, & Godinez, 2025; Chew et al., 2025), other emerging economies remain underrepresented. Moreover, sub-national institutional variation—differences across regions within the same country—has been largely neglected.

Future Research Agenda:-

Building on the identified gaps and the emerging conceptualization of state agencies as autonomous institutional actors (Pinho & Pratas, 2025), a future research agenda is proposed organized around four themes.

The Government Support-Firm Capability Interface:-

Future research should investigate the mechanisms through which government support becomes internalized and integrated into firm capabilities.

Key questions include:-

How do firms develop the absorptive capacity to identify, access, and leverage government support?

What organizational routines and processes facilitate the integration of government support into internationalization strategies?

How does the effectiveness of government support depend on the firm's existing resource base and dynamic capabilities?

Process-oriented research designs (e.g., longitudinal case studies) are needed to trace how firms learn to use government support over time (Ribau et al., 2014). Studies of firms that have effectively leveraged government support could reveal best practices and transferable lessons.

Contingency and Configurational Approaches:-
Future research should examine the contingent effectiveness of government support using configurational approaches.

Key questions include:-
What combinations of resources, capabilities, and government support lead to successful internationalization?
Under what conditions does government support substitute for or complement firm capabilities?
How do different types of government support interact with different types of firm resources?
Qualitative Comparative Analysis (QCA) offers a promising methodological approach for examining these configurational relationships, as it captures the equifinality and asymmetry inherent in complex social phenomena (Chew et al., 2025). The identification of Institutional Compensation, Capability-Driven Independence, and Ideal Synergy models by Chew et al. (2025) demonstrates the value of configurational approaches for understanding the multiple pathways to internationalization readiness.

Process and Evolution:-
Future research should adopt longitudinal designs to examine the evolutionary dynamics of government support use.

Key questions include:-
How does the use of government support evolve as firms progress through different stages of internationalization?
How do feedback loops from international performance influence subsequent support utilization?
How do firms adapt their support-seeking behaviors based on experience and changing institutional environments?
Longitudinal studies could examine how firms' needs for different types of support change over time—for example, from financial support in early stages to networking and informational support in later stages (Martineau & Pastoriza, 2016).

Agency-Centered Institutional Analysis:-
Building on the emerging conceptualization of state agencies as autonomous organizations (Pinho & Pratas, 2025), future research should examine the institutional mechanisms through which state agencies shape SME internationalization.

Key questions include:-
How does agency autonomy influence the effectiveness of government support programs?
What organizational structures and strategies enhance (or hinder) the effectiveness of state agencies in supporting SME internationalization?
How do state agencies bridge institutional gaps between countries, and what are the mechanisms of co-specialization?
This research agenda fundamentally challenges the traditional top-down approach that primarily examines how government control influences agency performance. Instead, it advocates for a bottom-up, agency-centric view that recognizes the agency's dynamism and potential for change within institutions themselves (Pinho & Pratas, 2025).

Conclusion:-

This systematic literature review has examined how dynamic capabilities and institutional support—particularly government support—shape SME internationalization. Synthesizing the international business and management literature, this review has advanced three key arguments. First, dynamic capabilities serve as the critical mechanism through which SMEs convert resource endowments into international performance. The sensing, seizing, and transforming capabilities enable firms to identify opportunities, commit resources strategically, and adapt their resource bases in response to international experience (Teece, 2007; Franco & Giannoccaro, 2025). Second, government support should be reconceptualized not merely as an external contextual factor but as an "institutional strategic resource" that firms can internalize and leverage (Prasannath et al., 2024). The capability to effectively access, absorb, and utilize government support is itself a firm-specific dynamic capability that is valuable, potentially rare, and difficult to imitate.

Third, the effectiveness of government support is contingent upon firm-level absorptive capacity and the alignment between support mechanisms and firm capabilities (Harmanci, Khalik, & Godinez, 2025). Different types of support—financial, informational, networking, regulatory—have different effects, and their effectiveness varies across firms and institutional contexts. The emerging typology of state agencies—Agency Void, Co-option, and Co-specialization (Pinho & Pratas, 2025)—provides a framework for understanding these contingent effects. The integrative framework and the identified research gaps provide a foundation for future research that moves beyond static, decontextualized analyses to examine the dynamic interplay between internal capabilities and institutional support in SME internationalization. As SMEs in developing economies increasingly pursue international growth, understanding how to leverage institutional resources effectively becomes not just an academic question but a practical imperative for firms and policymakers alike.

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