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Global E-commerce Readiness of U.S. SMEs towards the Mexican Market: Are American Small Businesses Prepared for Digital Commerce to Mexico?

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*Global E-commerce Readiness of U.S. SMEs
towards the Mexican Market*

Are American Small Businesses Prepared for Digital Commerce to Mexico?

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Abstract

The entry into force of the United States-Mexico-Canada Trade Agreement on July 1st, 2020, ushered in a new era of regional trade for the region. The modernized agreement's inclusion of a chapter specifically focused on expanding digital trade and investment reflected a business phenomenon that had expanded markedly over the last ten years: cross-border e-commerce within the former NAFTA region. This article examines the literature needed to assess the readiness of U.S. small and medium-sized businesses (SME's) to sell to the Mexican market online based on the degree of localization of their firm's websites towards the Mexican market. First, a comprehensive review of export readiness will be presented, highlighting the critical role of market readiness in the internationalization process of SMEs. Next, a detailed overview of key findings in the international marketing literature will be surveyed on the advantages and disadvantages of standardization-localization in international firm expansion and the critical role that localization plays in determining the international success of an SME. Finally, the author will examine the role of website localization as an integral aspect of adaptation to foreign markets, including assessment frameworks, identification of its role in export marketing success, and critical localization components. Future research includes assessing the global e-commerce readiness of U.S. firms in Mexico by using established frameworks to evaluate their website's degree of localization for the local Mexican context.

Keywords: Export readiness, localization, USMCA, website localization, SMEs

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1 Introduction

The implementation of the North American Free Trade Agreement (NAFTA) in 1994 lifted tariffs on most goods produced between the signatory countries, thus launching unprecedented levels of trade and investment between the United States and Mexico. Since then, Mexico has converted into our closest and most important trade partner. The novel United States-Mexico-Canada Trade Agreement (USMCA) created a new chapter on digital trade, unseen in NAFTA, with regulations on online consumer protection, electronic transactions, cybersecurity, and access to open government data (USMCA, 2020). A new era of trade fitting the rise of online commerce has created new opportunities and challenges for businesses to perform cross-border e-commerce. E-commerce within the USMCA region is expanding, as shown in 64% of Mexican customers buying products online from the United States in 2019 (AMIPCI, 2020). Determining if American businesses are aware of this growth in online commerce can aid them in becoming knowledgeable of what aspects of their organization they should optimize.

There is much research on the internationalization of multinational corporations (MNCs) and their global strategies. This article mainly focuses on small-and-medium-sized businesses (SMEs) internationalization and the concepts they must consider to obtain successful e-commerce international performance. Oviatt and McDougall (1994) referred to global SMEs as *international new ventures* that "from inception, seek to derive significant competitive advantage from resource use and the sale of outputs in multiple countries." Oviatt and McDougall (1994) constructed a framework to conceptualize how firms evolve from organizations to sustainable international new ventures. To become a new venture, firms must internalize economic transactions and increase their use of alternative transaction governance structures to reduce the risk of asset expropriation. New ventures then have to gain foreign to location advantage to be considered international and secure unique resources to become self-sustainable. Also referred to as *born globals*, these firms strive to improve their international business performance rather than strictly gaining a competitive advantage (Knight & Cavusgil, 2004). SMEs can effectively meet the needs of small and specialized markets due to being dynamic, easily adaptable, and flexible. SMEs positively impact economic growth and competitiveness as their business initiative often leads to innovation. Unlike MNCs, SMEs possess relatively lower production

costs, higher labor productivity, lower transportation costs, and efficient management (Petkovska, 2015). SMEs are vital forces of economic growth and employment due to their ability to quickly adapt to market changes, target niche markets, and bolstering innovation.

A lack of awareness and information has not permitted American SMEs to take advantage of the opportunities in the online marketplace provided by the new trade agreement. The aim is to assess whether US SME exporters can sell via cross-border e-commerce to Mexico. Assessing global e-commerce readiness involves examining website translation and localization, various international payment and shipping options, tax calculations, and supply chain management. The hypothesis is that SME exporters are not sufficiently prepared for cross-border e-commerce with Mexico. The assumption that bases this hypothesis is the short amount of time SMEs currently have experimented with the new USMCA regulations and the level of uncertainty most American SMEs still experience when dealing with e-commerce. In this article, an extensive literature review will examine the themes needed to assess whether US SMEs can perform e-commerce in Mexico. The themes analyzed are *export readiness* and its dimensions, *localization* and its importance to international success, and the necessity of *website localization* to culturally adapt web content.

2 Export Readiness

2.1 Defining Export Readiness

Analysis of empirical literature on the internationalization processes of small and medium-sized enterprises (SMEs) provides insights into the defining characteristics of export readiness. Knight and Kim (2009) identified the unique characteristics of small and medium-sized businesses in the internationalization process to possess fewer tangible human and financial resources than multinational enterprises (MNEs). Furthermore, SMEs' small scale and size allow for flexibility and versatility as they navigate international markets. Therefore, whether they are adept at the transition from domestic markets to international ventures is determined by export readiness. Tan, Brewer, and Liesch (2010) define export readiness as "the

internationalization readiness as a firm's preparedness and propensity to commence export activities overseas." As SMEs do not benefit from a vast and established line of resources as MNCs, research on export readiness has provided the most concise and beneficial assessment of a firm's ability and means to operate in foreign markets. A firm's readiness to export decreases the risk of allocating human and financial resources to a level of export operations that of the firm's current resource availability that is not supported (Zou, Kim, & Cavusgil, 2009). Vital dimensions and constructs comprise export readiness consistently across various literature, albeit with slight variations. (Knight & Kim, 2009, Zou, Kim, & Cavusgil, 2009, Tan, Brewer, & Liesch, 2010).

2.2 Dimensions of Export Readiness

The critical dimensions of export readiness identify what resources a firm should possess before going international. Notably, Johanson and Vahlne (1977) developed the Uppsala model, one of the initial frameworks used to aid exporters in their internationalization process. Johanson and Vahlne identified that changes in a firm and its environments expose new problems if a firm lacks an appropriate routine to solve such unforeseen issues. Additionally, lack of knowledge and culture between countries reveals another obstacle to decision-making as a firm undergoes the internationalization process. To address these obstacles, Johanson and Vahlne constructed the Uppsala model that focuses on developing an individual firm through the internationalization process. They detailed how firms intensify their operations in foreign markets through a leading step-by-step process of gaining knowledge through experience. The model distinguishes between the state and changes aspects of internationalization variables. State aspect consists of *market knowledge* of foreign markets and operations and commits resources to foreign markets - *market commitment*. The commitment decisions and current activities a firm will act upon based on the state aspects compose the change aspect of the model. The model establishes the two dimensions a firm must consider before exporting, market knowledge and commitment. These dimensions are further elaborated upon to obtain a detailed analysis of the internationalization process.

The initial framework conducted an internal audit into management's goals alignment and a product's potential in foreign markets. Still, the minimal context was provided into how

these variables are determined. Cavusgil and Nason (1990) identified *organizational readiness*, firm's resources, commitment and motivation, and *product readiness*, the fit between product and prospective markets as the key dimensions to measure export readiness. These two key dimensions were later elaborated upon to provide a thorough assessment of a firm's export readiness. Organizational and product readiness attest to a company's substantial structure and its product's adaptability, respectively. Zou, Kim, and Cavusgil (2009) expanded upon these dimensions by listing key internal factors within these dimensions. Within organizational readiness, a firm must improve in the following categories: *human resources* by training and developing suitable employees; *export experience* by reviewing previous sales or requests for product information abroad; *financial resources* by accounting for R&D, legal fees, tariffs, warranties, transportation, and product modifications; *manufacturing capacity* to ensure capacity for export demand in addition to domestic demand; *marketing expertise* to gather knowledge of export markets, customers, channels, and competitors; *marketing intelligence* to collect knowledge on logistical costs, trade barriers, competitors' strategies, and risks involved; *technical knowledge* to analyze the strengths and weaknesses of a firm; and *planning and systems for internationalization* by thoroughly research and planning for the export venture (Zou, Kim & Cavusgil, 2009). To thoroughly evaluate product readiness, a firm must assess its product support (after-sales service, training, and information as key elements, consider logistical costs (can include packaging, shipping, storage, and insurance), and maintain a popular product line abroad (Zou, Kim, and Cavusgil, 2009).

To analyze an SME's means and stimuli to internationalize, Zou, Kim, and Cavusgil (2009) stressed the importance of an internal audit and included new dimensions to the export readiness concept. The areas analyzed in the audit of an SME are its competitive capabilities in the domestic market, motivation for going international, top management commitment, organizational readiness, product readiness, and company resources (Zou, Kim, & Cavusgil, 2009). First, Zou, Kim, and Cavusgil used *domestic competitiveness* as an indicator of competitiveness in foreign markets. By analyzing a firm's "defensive competitiveness" in their domestic market, one can infer their performance in the global marketplace. Defensive competitiveness is evaluated mostly by sales and distribution structure, sales revenues, number of employees, customer base, market share, and growth prospects. Second, *motivation* and *commitment* signal a firm's strategic intent to internationalize. These are mistakenly used

interchangeably but are two different areas that mark the level of readiness of the internationalization process of a firm. Exporters who are proactively motivated focus on customer satisfaction, marketing strategy adaptation, competitive advantage and understand they must set critical objectives that are solid and sustainable (Zou, Kim, & Cavusgil, 2009). Commitments are a firm's export effort to achieve those critical objectives in a well-founded long-term strategy. Exporters should be willing to sacrifice short-term gains for longer-term recompense from its internationalization to ensure export success. By following these dimensions, a firm has a stable foundation to which commence the internationalization process. These dimensions of export readiness built upon the aspects of internationalization established by Johanson and Vahlne (1977) and the principal dimensions of Cavusgil and Nason (1990). New stages and dimensions of the internationalization process to determine export readiness would attempt to align these concepts.

Building upon these dimensions, the pre-internationalization phase is employed to complement the Uppsala model and adds dimensions to examine a firm's export readiness. Tan, Brewer, and Liesch (2007) reviewed the relevant constructs within the pre-internationalization phase. Any form of recognition of relevant information that impacts a firm's internationalization involvement is considered stimuli (Tan, Brewer, & Liesch, 2010). First, *internal stimuli* influence decision-making to internationalize due to proactive risk control, corporate goals, and competitiveness. For example, organizational commitment, managerial aspirations, possession of distinctive products, and excess capacity. Second, *external stimuli* influence decision-making through competitive pressures, such as heightened domestic competition, inquiries from foreign customers, or encouragement from business partners (Tan, Brewer, & Liesch, 2010). Third, the *attitudinal/psychological commitment* construct measures how a firm is willing to stake its resource commitment towards internationalization and how the information presented through stimuli is acted upon (Tan, Brewer, & Liesch, 2010). Fourth, the *firm's resources* construct highlights the amount of intangible and tangible resources a firm decides to invest in the internationalization process (Tan, Brewer, & Liesch, 2007) and, with said resources, how it can sustain long-term sustainable competitive advantage (Andersen & Kheam, 1998). Lastly, the *lateral rigidity* construct, the limited perception of stimuli factors and biased search leading to scarcity of information (Tan, Brewer, & Liesch, 2007) and causes inelasticity in decision making (Tan, Brewer, & Liesch, 2010) for a coherent internationalization process (Tan, Brewer, &

Liesch, 2007). These constructs uncover why a firm decides to go global and whether it possesses the means to do so.

The most recent research by Gerschewski, Scott-Kennel, and Rose (2020) expanded upon the dimensions within the pre-export period. They reevaluated the export stimuli on why an SME turns international and concluded that internal stimuli directly impact export readiness over external stimuli from competitive or market pressures, as Tan, Brewer, and Liesch (2007) suggested. They sent one thousand surveys (9.6% response rate) to members of top management teams of New Zealand SMEs from the manufacturing industry to determine their export readiness based on antecedents of export readiness, inward internationalization, pre-export preparation, and export performance. Gerschewski, Scott-Kennel, and Rose (2020) concluded that inward internationalization, such as importing before export initiation, has no bearing on export readiness. Within pre-export preparation, export planning and the formalization of export activities (Gerschewski, Scott-Kennel, & Rose, 2020) are proven to be associated with export readiness. These elements of pre-export preparation respectively demand a rational approach to exporting and preparing a firm's organizational structure as it pertains to exporting. Their findings reassure export stimuli and preparedness as critical dimensions for export readiness.

Pre-export preparation also includes the inward examination of SMEs' international motivations, skills, and resources. Accordingly, Knight and Kim (2009) conceptualized International Business Competence (IBC) to reveal how SMEs effectively perform business in foreign markets. Within IBC, strong international orientation stimulates focused goals in foreign markets (Knight & Cavusgil, 2004), international marketing skills serve international customers effectively (Knight & Kim, 2009), international innovativeness spreads novel products of interest to international markets, and international market orientation coordinates between a firm's inter-functionality, customer and competitor orientation. Accordingly, these constructs describe the means an SME possesses to verify their resources and lateral rigidity.

Dimensions of export readiness have connected and elaborated upon each other to create a coherent checklist to determine a firm's export readiness. To enumerate, Cariou and David (2014) developed an international qualification framework with the following six overall dimensions with their respective criteria. First, *management competencies*, referring to knowledge and experience in foreign markets, which assimilates with Knight and Kim's (2009)

international orientation and market orientation. Second, *heritage*, defined as a firm's global recognition and presence, and intellectual property held in foreign countries before exporting (Cariou & David 2014), Gerschewski, Scott-Kennel, and Rose (2020) conclusions on inward internationalization refuted as a necessity to the internationalization process. Third, *established digital presence* and *business relationships*. Fourth, *offerings focused on assets*, similar to firm resources (Tan, Brewer, & Liesch, 2007), and SMEs product adaptability, linking with Zou, Kim, and Cavusgil product readiness (2009). Fourth, once again attributed to firm resources, *means of operational capacity*, and available capital. Finally, Zou, Kim, and Cavusgil (2009) initially examined the *engagement of top management*, then Tan, Brewer, & Liesch (2007) redefined it to include their level of risk tolerance. Still, empirical measurement of these dimensions is required to allow researchers to assess a firm's export readiness.

2.3 Evaluating Export Readiness

The previous section identified the dimensions of export readiness but provided minimal context on measuring these dimensions. This section presents the tools utilized and developed throughout the literature to determine an SME's export readiness empirically. Exporters formulated empirical tools to assess export readiness. Cavusgil and Nason (1990) used organizational readiness and products readiness as measures to the CORE (Company Readiness to Export) software used as a decision-support tool to aid small businesses to identify their strengths and weaknesses in the context of exporting. The PC-based tool adopted by the U.S. Department of Commerce evaluates an SME's internal strengths and weaknesses in the exporting context (Zou, Kim, & Cavusgil, 2009). The program guides the user through questions that measure export readiness dimensions and compares their results with an ideal exporter. The software provided a weighted score out of 100 and classified a firm into nine possible scenarios with a unique set of recommendations for each. Furthermore, Knight and Kim (2007) created a formula to calculate intention to export. The independent variables included in the formula are a competitive advantage, organizational readiness, and perceived relative risk (Knight & Kim, 2007). Moreover, researchers developed additional tools to measure dimensions within export readiness further. For instance, Tan, Brewer, and Liesch (2007) constructed an export decision matrix to pinpoint the possibility of an SME undergoing the internationalization process. The matrix determines the type of firm based on its level of resource commitment to export and

global readiness (Tan, Brewer, & Liesch, 2007). However, the matrix required testing to verify that its constructs add value to the dimensions of the pre-internationalization phase. In addition, Tan, Brewer, and Liesch (2007) reframed the Uppsala-based internationalization model to assess the commitment decision of an SME. Within the model, an SME must pass the four dimensions detailed in the previous section of the pre-internationalization phase to top management in the form of a questionnaire survey (Tan, Brewer, and Liesch, 2007). Then, a firm that possessed all dimensions would be considered export-ready, and depending on the level of resource commitment, it would be considered an internationalized firm. For an SME to be considered export-ready, it must pass through a series of stages and checklists to transition to the internationalization process.

Researchers quantify these dimensions through subjective responses from management in the form of surveys or focus groups. The following tools to evaluate export readiness developed frameworks from which empirically measure export readiness dimensions. Tan, Brewer, and Liesch (2010) elaborated on their export readiness evaluation by constructing an export readiness index (ERI) refined with eight factors. The drivers and inhibitors extracted (market similarities and advantages, growth and profits potential, limited growth and profits, market evaluation and assessment, satisfaction, complacency, aversion to changes, limited knowledge and experience, managerial competence, network membership, and ties) ran through logistic regression in SPSS. The analysis helped identify the most critical predictors of an SME's preparedness and propensity to export (Tan, Brewer, & Liesch, 2010). Finally, Carious and David's (2014) CHROME (acronym of the first letter of each export readiness dimension) SME XYZ framework not only evaluates an SME's internationalization capacities, but it applies in dual phases, an international qualification, and international validation. The SMEs are categorized into classes depending on their scores out of 200, which verify whether they impasse, entry-level pass, or mid-level pass into the internationalization process. These tools measure the dimensions of export readiness to provide a concise determination of the stage in which an SME finds itself. However, it is left to explore the dimensions of international success to link with those of export readiness.

2.4 Export Readiness to SMEs' International Success

The following sub-section analyzes the factors that connect export readiness to an SME's international success. First, Tan, Brewer, and Liesch's (2010) ERI findings demonstrated that growth and profits potential positively correlate with exporting readiness. Limited knowledge and experience and minimal market evaluation and assessment negatively correlate with exporting readiness. However, from these findings, there is not much indication of what composes successful international performance. Nonetheless, Knight & Kim (2009) have identified global market share, sales growth, profitability, and export intensity as quantitative performance indicators of success in international markets. Observing these indicators aid in understanding if an SME does possess the qualities of IBC.

Export readiness can beneficially influence these indicators. Studies found dimensions of export readiness having positive associations to a firm's international success. Recently, Gerschewski, Scott-Kennel, and Rose's (2020) study showed empirical support for the positive relationship between export readiness and the sample firm's initial export performance. Furthermore, the study demonstrated significant support for a positive relationship between the formalization of export activities and marketing-related export readiness. Finally, there is empirical support for the positive relationship between export readiness and the sample firm's initial export performance. This section's critical dimensions and tools reaffirm SMEs' organizational and product planning requirements before entering foreign markets. Export readiness is an essential criterion for successful firm internationalization.

3 Localization

3.1 Standardization and Localization

Analysis of literature on the localization-standardization debate in international marketing provides critical insights on how foreign firms prepare to adapt their organizations and products to foreign markets. Commonly defined as the strategy in which a firm accounts for local consumer preferences and institutional mandates, *localization* is diverse across the international market and adapts its marketing mix to complement the consumer needs and wants (Alhorr, Singh, & Kim, 2010). Its counterpart, *standardization*, is defined in literature as the strategy

whereby a firm treats the international market as homogeneous (Alhorr, Singh, & Kim, 2010), and as a result, uses a standard product, price, distribution, and promotion program with little to none modifications (Jain, 1989).

Jain (1989) noted standardization occurs within the marketing program, composed of various marketing mix elements. Jain (1989) identified the critical elements in the marketing program as the following: product design, product positioning, brand name, packaging, retail price, advertising message, creative expression, sales promotion, media allocation, the role of salesforce, management of salesforce, the role of intermediaries, type of retail outlets, and customer service. These marketing program components can be used as part of a localization strategy, even though Jain identified them for standardization. From the marketing mix, Kotler (1986), who recommends localization, presented labeling, packaging, materials, colors, name, product features, advertising themes, media, execution, price, and sales promotions as the quintessential marketing elements adapted in the international marketplace.

Advocates for standardization argued that technology had forced the world toward a converging commonality resulting in the emergence of global markets for standardized consumer products. These standardized products being advanced, functional, reliable, and low priced (Levitt, 1983). Levitt (1983) suggested companies should act as global corporations instead of multinational corporations, operating at resolute consistency to maintain low relative costs instead of adjusting products and practice at high relative costs. Standardization's main advantages are the conservation of financial resources and maintaining stable marketing and operating plans. By conserving the amount spent on product customizations and having a single streamline of production and supply chain, a firm can maintain resources otherwise spent on product specifications. The exact process applies to marketing, as firms can focus on obtaining the most profit out of a single target market instead of diverting and attending to the preferences and necessities of various markets. Adding to Agrawal's timeline, Levitt (1983) argued that the current phase of globalization maintains customers' preference for world-standardized products no matter market research to national or regional tastes. Overall, the standardization approach can serve as a cost-efficiency strategy, and create greater brand identification across the globe and ease management and operations (Papavassiliou & Mitchell, 1997; Samiee & Walters, 2003).

Still, Levitt (1983) mentions a deterrent for standardization in the form of economic nationalism. Conservative trade practices, special tax aids, or restrictions for home market products can construct barriers that hinder the pace of the globalization of markets on which standardization depends.

Standardization can come in two forms in the internationalization process: designing a product and using practices from the domestic market or designing one product and marketing program for the global marketplace (Kotler, 1986). The first form can come across as chauvinistic due to ignoring abundant global marketing opportunities. By focusing on a homogeneous system across international markets, a company could potentially fall victim to insiderization. Ohmae (1989) defined insiderization as the process of replicating a home-country business system in a new market. A common conflict of insiderization is a misplaced home-country reflex, when headquarters intervenes on foreign operations, thus slowing progress and eventually receiving disappointing IBC indicator results. The second form consists of researching and developing one set of product and marketing features that would consistently function in the worldwide marketplace (Kotler, 1986). Ohmae (1989) mentioned a method in which a company would add up all the national preferences and divide by the number of countries. However, Ohmae disregarded this method, explaining that consumers do not like average tastes and aesthetic preferences. Consumers want their products to be optimized to their specific needs and wants and could care less about consumers' preferences in other countries. Furthermore, Jain (1989) stated that across-the-board standardization is an unthinkable practice. An average product requires four to five adaptations, from the previously mentioned marketing elements, at the planning stage before exporting (Kotler, 1986). On the other hand, localization can serve as a cost-saving strategy by reducing the lack of local insensitivity that could lead to financial losses or the cost of modifying the marketing mix (Alhorr, Singh, & Kim, 2010). Thus, localization can build better customer relationships that could lead to potential increase in sales (Agerbo & Byklum, 2011). A firm implements a standardization or localization strategy based on the advantages and disadvantages based on the aforementioned advantages and disadvantages.

The degree to which an international firm employs a standardized or localized strategy is determined by its structural and organizational characteristics. Barlett & Ghoshal (1998) divided

MNCs into three classifications depending on their degree of localization or standardization. Firms that manage a portfolio of multiple countries are sensitive and responsive to environmental forces, and developed strategic postures and organizational capabilities to address such forces are referred to as *multinational companies*. *Global companies* use a standardized strategic approach to treat the world market as an integrated whole, whose units of analysis solely consist of the global operating environment and worldwide consumer demand. *International companies* transfer their country of origin knowledge and structure into foreign markets, whereas headquarters maintains considerable control over the subsidiaries but allows independence and autonomy to a certain extent. Finally, Bartlett & Ghoshal (1998) proposed a *transnational* solution that involves a mixture of centralized and decentralized decision making with a need to adapt to satisfy local needs. Bartlett & Ghoshal (1998) claimed that global integration, local differentiation, and innovation had obligated firms to respond to multiple strategic competencies and break away from traditional management. These companies respond to pressures of local responsiveness and to reduce costs. Localization strategy is a mode that allows firms to survive these pressures and change their organizational model, as seen with multinational and transnational companies.

3.2 Importance of Localization

The world is at a semiglobalization phase that requires managers to adjust to consumer demands repeatedly. Ohmae (1989) emphasized that effective global operations mandate equidistance of perspective following the golden rule to see and think global first primarily. Ohmae (1989) added that environmental factors do not drive globalization, such as diversification and competition. Instead, globalization is driven by consumers, who currently want to purchase the best and cheapest products, regardless of country of origin. Still, adaptation can mitigate political or competitive forces altering international marketing strategies due to organizational change. *Organizational change* is the difference in form, quality, or state over time in an organizational entity (Greenwood and Hinings, 1996). Given that organizational change is a given inevitability in all institutions, firms can experience change ranging from radical and convergent or between revolutionary and evolutionary at various scales (Alhorr, Singh, & Kim, 2010). As organizational change occurs, localization can aid a firm to coexist

with these external forces it cannot control. Overall, consumer preferences and characteristics diverge across countries leading academicians to favor localization as the preferable advertising strategy abroad (Agrawal, 1995). SMEs are subject to shifts in consumer preferences and environmental forces, which are composed of several factors. A valuable lesson in developing an international business strategy is to live by Ohmae's golden rule with the addition of adaptation, hence embracing "think globally, but act locally."

3.3 Localization Factors

Several factors have influenced the decision-making process of marketers on whether a firm localizes or not its international advertising. Whether a firm standardizes or localizes has been a longstanding debate for several decades within the international business community. Agrawal (1995) provided an overview of the stance of academicians and practitioners on this debate from the 1950s to the 1980s. Practitioners have been the most experimental in this dispute, shifting twice from adaptation to standardization. First due to increased exposure to foreign goods, then turned back to adaptation as nationalistic forces trended, following a second reversal to standardization due to the rise in multinational ad agencies and growth of ad agencies in under-developed countries. On the other hand, academics have consistently advocated for an adaptation approach or contingency approach (Agrawal, 1995). The political environment and consumer preferences have acted as the recurring factors that have historically driven localization and standardization.

The degree of localization of international advertising depends on the factors affecting an SME's organization and product. First, Kotler (1986) explained the concept of *psychic distance* used by international managers to judge how much customization a marketing program and product might need in a foreign market. The three forces within psychic distance are: product dissimilarity, the extent customers require special product features, buyer behavior dissimilarity, the extent customers vary in resources and buyer behavior; and environmental dissimilarity, the extent environmental factors vary across countries (Kotler, 1986). The degree of localization depends on the similarity of psychic distance between an SME's country of origin and its host country. Second, Jain (1989) listed the factors that influence a firm's marketing program as the

host country's target market, market position, nature of product, environment, and organization's products. Unlike Kotler, Jain prioritized components of the marketing mix to judge the level of modifications a marketing program or product would require for exporting. Third, Samiee, Jeong, Pae, and Tai (2003) classified factors affecting advertising programs into external and internal determinants. Marketers observe consumer similarity, market (macro-environment) similarity, advertising infrastructure, and competitive position within *external determinants*, relatively following Kotler's psychic distance. Within *internal determinants*, marketers focus on a firm's country of origin, global identity and branding, organization coordination and control, and the size of the subsidiary. Fourth, Constantine, Sae ed, and Marios (2006) elaborated upon environmental factors influencing the marketing program as macro-environmental and micro-environmental. *Macro-environmental* factors impact the marketing program elements as large societal forces in shifts in the economy, regulations, technology, and customs and traditions of the host country. *Micro-environmental* factors affect a company's ability to function in foreign markets, including customer characteristics, marketing infrastructure, the product's life cycle, and the intensity of competition. Micro-environmental factors focus on consumer behavior and internal determinants of a firm. Finally, organization change encapsulates the factors influencing a marketing program mentioned in Samiee, Jeong, Pae, and Tai's (2003) external determinant and Constantine, Sae ed, and Mario's (2006) macro-environmental factors. When institutional change occurs in a host country, firms are obligated to alter their strategies to seize opportunities, keep up with the competition, or avoid the risk of submitting to the threats that come with said institutional change (Alhorr, Singh, & Kim, 2010). These factors can unexpectedly evolve, thus requiring SMEs to adjust their marketing programs or products.

3.4 Localization to SMEs' International Success

Export readiness demands localization, as it requires product adaptability as part of product readiness and modifications of an SME marketing program as part of organizational readiness. Despite the extent of cultural or environmental similarity between a firm's country of origin and host countries, studies have shown that, in practice, localization is more favorable than standardization for international success. Samiee, Jeong, Pae, and Tai (2003) found that despite the relative cultural similarity across markets in Southeast Asia, the extent and the drivers

of the advertising program in the subsidiaries of American, European, and Japanese MNCs are vastly dissimilar. Firms prefer to pursue a localization strategy even in markets where standardization is rational due to cultural similarities. Additionally, Cheon, Cho, and Sutherland's (2007) meta-analysis of international marketing/advertising research concerning standardization versus localization marketing approach across North America and Asia, and North America and Europe markets showed results in favor of localization. In addition, their results support positive associations between localization and the following concepts: target market, market positioning, environmental factors, agency-related moderators, and advertising message. These cases demonstrate firms need to adapt their marketing programs, strategies, and products to specific markets for favorable internationalization processes.

SMEs are required to adapt various aspects of their marketing program, their digital presence gaining utmost importance. Alhorr, Singh, and Kim (2010) suggested that the extent of change in global e-commerce strategies depends on the nature of the environmental variations, such as those mentioned in Constantine, Sae ed, and Marios' (2006) macro-environmental and micro-environmental factors. Localization can enable SMEs to modify their strategies and structures to match the periodical changes of their context. As technology evolves, the necessity for SMEs to localize their web content becomes more apparent. The means SMEs can measure the impact of localizing their websites for international markets is by tracking website traffic, web usage behavior, and getting ahold of novel web metrics (Alhorr, Singh, & Kim, 2010). SMEs should be aware of new opportunities and restrictions created from recent developments in trade agreements, increased internet usage among consumers, and execution of digital regulation. Websites within a marketing program are no longer regarded as a luxury but instead as a necessity. Even more, a localized website based on the factors mentioned has greater potential for international success. As Singh and Pereira (2005) stated, "web localization and cultural customization of websites is not only desired but should be an important part of companies' global strategy, as global online consumers prefer local content adapted to their unique language and cultural preferences."

4 Website-Localization

4.1 Defining Website Localization

A key component of marketing localization within an SME intending to internationalize is localizing their web content. SMEs should be concerned with ensuring the output of content in their website matches the end-users needs and wants. Matthaiakis and Gibb (2006) coined this strategy as the repurposing of content, consisting of three approaches. The first approach is *customization* which adapts content for different channels instead of for different users. The second approach is *personalization*, which requires users' information and input to adapt content and layout to satisfy their specific needs. Most important to our research, *localization*, which focuses on communities of users to meet their language, culture, and other more general needs. In the matter of internationalization, website globalization, the process of developing customized global websites (Agerbo & Byklum, 2011), attempts to achieve "cultural congruence" by reflecting a website to a target country's culture (Singh & Baack, 2006; Vyncke & Brengman, 2010). Within website globalization, there are two complementary processes: *website internationalization*, which uses global websites that support front-end customization through back-end technologies, and *website localization*, which also supports front-end customization but adapts websites to meet the needs of specific international target markets (Singh & Pereira, 2005; Agerbo & Byklum, 2011). Website localization is a critical component of export readiness by targeting critical international markets and accounting for an SME's resources and commitments.

When localizing a website, there are various integral factors to adapt and elements that require modifications. The most generic factors to localize based on a target country's culture include date order, language, colors, icons, images, and legal requirements (Matthaiakis & Gibb, 2006). The more subtle and not so obvious are a web page's layout, text length, navigation mode, currency, measures, characters, and examples (Agerbo & Byklum, 2011). These elements are modified to emulate a country's form of communication from a linguistic and psychological sense. The objective is to make the target market comprehend the information on a website and persuade them to purchase a product or contact its services. Though, these element adaptations

should not remain fixed as website adaptation's constant drivers shift depending on a target country's macro-environmental forces and other external determinants.

Firms must constantly adapt their websites due to changes in a target countries' national cultures. Steenkamp (2001) identified two types of cultures found between countries. *Meta cultures* are less crystallized and do not share many commonalities between countries as much as between communities between countries (Hannerz, 1990). Emerging global cultures grow as modernity, technology, freedom, and individual choice become prioritized. *Micro cultures* are less homogeneous due to factors such as individualization and migration. Micro cultures preserve cultural heterogeneity that allows for developing a natural culture that creates its unique behaviors and patterns among its citizenry (Steenkamp, 2001). Knowing which type of culture a country belongs can help marketers determine the extent and thoroughness of localizing their websites for specific regions. Website localization depends on the level of cultural similarity between countries. A website may target two nations that share the same language but differ on cultural values, which may negatively influence the decision-making process. Understanding cultural differences is vital to predicting consumer behavior online.

Among cultural differences, cultural values are the most impactful on consumer behavior and how consumers interact with websites. Caprese, Capece, and Di Pollo (2014) argue that the internet is not a culturally neutral communication medium. Users are more attracted to content that reflects or reinforces their beliefs and biases. There are cultural markers within a website that will aid in engaging users to optimize website adaptation based on a target market's cultural values, which include: language, layout, symbols, animation, content and structure, colors, images, and information of the organization (Moura, Singh, & Chun, 2016). The influence of these cultural markers on a user's perception of online stimuli analyzes their attitude towards the site, online trust, purchase intention, satisfaction, web page viewing pattern, and willingness to travel (Moura, Singh, & Chun, 2016). Adapting a website's elements based on a target market's cultural specifications influences users' experiences and expectations. So, when localizing websites for the Mexican market, there are cultural-specific components and values to consider.

The Mexican target market has cultural values that influence their consumer behavior when navigating a website. Mexican web pages differ from American web pages in family theme, tradition theme, use of local terminology, proper titles, and rank or prestige (Singh & Baack, 2006). Furthermore, a study by Singh and Baack (2008) to generate an experiential account of US Hispanic consumers web design expectations using the focus group method found the core themes and ideas desired from the Hispanic community include: family values, giving back to the community, inform people of their home country, use Hispanic role models, legitimacy and prestige of the company, use of proper form, show of diversity, explore gender role differentiation, and ease of navigation. The findings showed more commonalities than differences within US Hispanic online preferences, proving they share a relatively similar set of beliefs and expectations for website design and content (Singh & Baack, 2008). Firms targeting Hispanic markets have identified these themes as critical in their website content and layout for outstanding user experience.

4.2 Measuring Website Localization

Analysis of methodologies used to assess a website's degree of adaptation provides critical insights on how SMEs should localize cultural elements and what dimensions they should use. Researchers' leading national cultural frameworks for measuring website localization are Hofstede's and Schwartz's cultural dimensions. *Hofstede's* framework contains four relevant dimensions: *individualism/collectivism* (the relationship between the individual and the group), *power distance* (the degree of social inequality), *masculinity/femininity* (social implications of gender), and *uncertainty avoidance* (the approach of uncertainty in economic and social situations) (Steenkamp, 2001). Likewise, *Schwartz's* framework examines societal issues within three dimensions: *autonomy* (relations between the individual and the group), *egalitarianism* (assuring responsible social behavior), and *mastery* (the role of humankind in the natural and social world) (Steenkamp, 2001). Baack and Singh (2007) aimed to statistically confirm that these cultural typologies applied to the studies of marketing communication and whether they aided in creating culturally adapted websites. An amalgamation of Hofstede and Schwartz frameworks best explains culture's influence on web communication. Thus, their ability to be used as measurements for website localization. Furthermore, Steenkamp (2001) suggested four

national cultural dimensions derived from Hofstede and Schwartz's frameworks: autonomy versus collectivism, egalitarianism versus hierarchy, mastery versus nurturance, and uncertainty avoidance. These cultural frameworks aided researchers in categorizing firms based on their level of website localization.

A number of different frameworks have been set forth to determine the degree of localization and commitment of firms. For instance, Maathaiakis and Gibb (2006) developed a two-by-two matrix to test the breadth and depth of localization of websites in the Greek exporting sector. This matrix divided companies into four categories: *Flounderers* who made little to no attempt to localize their website, *Fishers* who made some attempts to adapt their website by translating their sites into languages of their target markets, *Focusers* who concentrated on a few number languages to enhance translated content with additional localization features, and *Farmers* who addressed the needs of their target markets through large-scale localization. Eventually, results showed that most Greek companies fall under the Flounderer category, showing minimal attempt to localize their web content. This matrix provides a wide-scale overview of the level of website localization but provides little information on which elements within a website should localize.

Singh and Boughton (2005) proposed five levels of website localization with more context on which elements should adapt and which ones are left neutral. The first level is *standardized websites* with the same web content and uses the same language for domestic and international customers. The second level is *proactive websites* that are similar to standardized websites but with contact information on international subsidiaries and activities. *Global websites* are the third level of website globalization that contain contact information on foreign subsidiaries and operations and a description of the activities carried out in those foreign countries. Fourth, *localized websites* that, in addition to global websites, contain a foreign country-specific time, date, zip code, and number formats. Finally, *highly localized websites* are highly constructed and optimized for country-specific requirements and preferences based on foreign users' needs and institutional mandates. This classification of websites determine whether businesses are localizing their websites based on the elements aforementioned within each category. Agerbo and Byklum (2011) utilized this classification in their research to determine if

American firms localized their websites towards the Norwegian market. Their study found that 50 out of 155 international firms fell under the localized and highly localized categories, showing that American firms made minimal localization efforts. On the other hand, Singh and Boughton (2005), using their classification of websites, found that countries such as Switzerland, Netherlands, Sweden, and the United States do highly localize their websites, especially within the consumer software, electronics, entertainment, and durable consumer industries. This classification framework can determine the level of website localization of US SMEs toward the Mexican market, similarly as Agerbo and Byklum (2011) and Singh and Boughton (2005) utilized in their research.

4.3 Website Localization to SME's International Success

Website localization is a critical component of market localization, which, as seen in the previous section, is a vital factor for global market success. For example, Calabrese, Capece, and Di Pollo (2014) proved that companies operating in Portugal, Brazil, Macau, and Angola need specific cultural adaptation of their websites for each country, despite cultural similarities and sharing the same language. They concluded their study by recommending that web design complies with the hosting country's cultural values. In addition, localized websites show a more significant positive reaction among users. Snelders, Morel, and Haverman (2011) hypothesized that culturally adapted homepages to a local industry style would be perceived as more trustworthy and generate a more favorable impression than unadapted homepages. They used four groups of individuals who tested different versions of a new homepage. The homepage was either adapted or unadapted based on industry style and localized to Spain or Germany. Results demonstrated that users preferred adapted homepages and had a clear and positive effect on trustworthiness and attitudes towards the homepage. Another example of website localization's effect on international market success is a study by Xin-Song Shi and Wen-Juan Xu (2020) on whether Chinese brands culturally adapt their overseas websites. They tested websites developed for the US market by analyzing cultural dimensions by Hofstede, being individualism/collectivism, masculinity/femininity, and uncertainty avoidance; and Schwartz, being hierarchy and harmony. The study confirmed that 14 out of 31 Chinese brands had significantly customized their websites toward the American market. These localized brands

happened to be among the top-ranking in their overseas revenue. These authors show significant evidence that firms with localized websites have antecedents in being successful targeting overseas markets.

Localized websites are an essential part of a company's success in international endeavors, as proven in their effectiveness in attracting international consumers. Website localization is a necessity in international success as it improves the business excellence of a firm's online environment (Calabrese, Capece, & Di Pollo, 2014). As previously stated by Caprese, Capece, and Di Pollo (2014), the online space is not a culturally neutral medium. Local cultural elements are an important factor in web design. Firms have increasingly culturally adapted their web content to meet their international users' expectations (Moura, Singh, & Chun, 2016). Culturally congruent websites outperform culturally incongruent websites with respect to "usefulness", "ease of use", "generated positive attitude", "positive intentions", and "overall effectiveness" (Vyncke & Brengman, 2010). In summary, localized websites effectively maximize a firm's performance in international markets by meeting the expectations and preferences of its users.

5 Methodology

An established methodology allows empirically to determine the global e-commerce readiness of US SMEs towards the Mexican market. The research design consists of doing a content analysis, based on Steve Stelmor's method, and replicating Singh's website localization assessment. As described by Holsti, content analysis consists of "any technique for making inferences by objectively and systematically identifying specified characteristics of messages" (Holsti, 1969). The sample size consists of 100+ websites of U.S. exporters listed in NASBITE International's National Small Business Exporter Summit, only including US firms. The NASBITE summit brings together every year SME exporters, trade professionals and trade assistants from a wide range of industries across the United States (NASBITE, 2021). The criteria for selection include companies that participated in the summit from 2019 and 2021 and have some experience in exporting. The objective is to assess the global e-commerce readiness of US exporters towards the Mexican market by analyzing the content of their websites. The content analysis will classify a website's degree of localization and measure the cultural

markers specifically adapted to the Mexican market. First, The degree of localization will be assessed using Singh and Boughton (2005) classification of website globalization along standardization-localization continuum: standardized websites, proactive websites, global websites, localized websites, and highly localized websites. Then, Singh et al. (2009) framework will be applied for analyzing website localization looks at the localized elements towards the Hispanic online market. The framework examines 14 variables under four categories: *content localization* (percentage of Spanish-translated websites, content synchronization, navigation, and website service and support), *cultural customization* (web page structure, graphics, colors, and promotion products and services), *local getaway* (hispanic getaway visibility and hispanic URL usability), and *translation quality* (Agerbo & Byklum, 2011). The data collector will subjectively scale these variables from 1 to 5 based on their level of localization. Finally, the cultural markers will be also scaled from 1 to 5 following Hofstede and Schwartz national cultural frameworks within the spectrum of each dimension: individualism/collectivism, masculinity/femininity, power distance, uncertainty avoidance, autonomy, egalitarianism, and mastery.

Using Singh's established research design, descriptive statistics for data analysis is performed through ANOVA and factorial analysis to gather the standard deviation and mean values from each cultural item. ANOVA would determine any statistically significant differences between the means of three or more independent groups. The factorial analysis aids in understanding whether associations exist between the initial variables, and if so, where they lie and how they are grouped. The variables to be used are language and cultural aspects and operational aspects such as product pricing, local payment options, local payment methods, shipping, and logistics. The significant difference based on the t-test results shows if average scores for both cultural dimensions and individual items are depicted differently between US and Mexican websites. An unexpected direction implies 'bad' localization and an expected direction implies 'good' localization as showcased in Figure 1. The degree of localization are subjective assessments based on the interpretation of empirical data (Agerbo & Byklum, 2011).

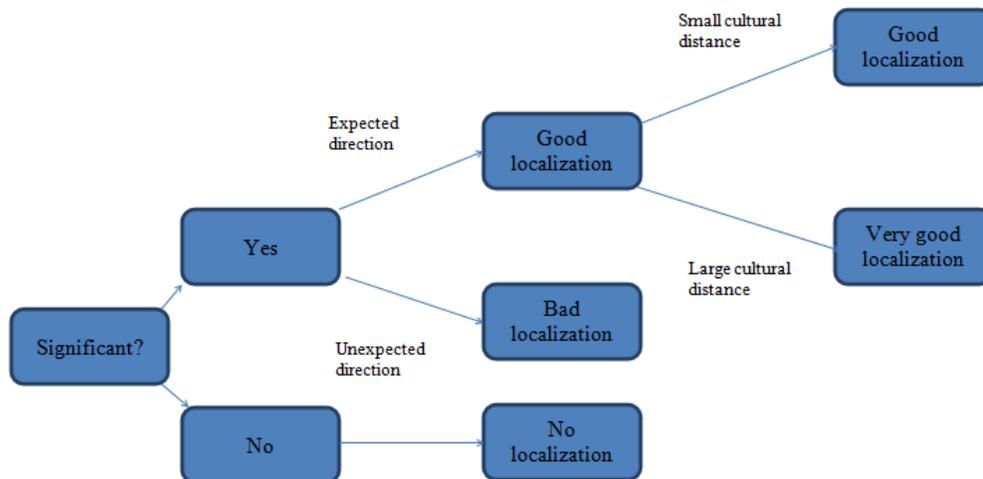


Figure 1: Framework for analyzing data (Agerbo & Byklum, 2011)

6 Discussion and Limitations

This article formulated a research question to conduct qualitative and quantitative research to fill the gap of knowledge on American SMEs' export readiness in light of current developments in international trade and growth of digital commerce. This article presented an extensive literature review of the themes needed to assess whether US small and medium-sized businesses are export-ready to perform e-commerce towards the Mexican market. This literature review determined three preliminary conclusions: export readiness is vital for SMEs' international success, market localization is critical for SMEs' international success, and website localization is pivotal for SMEs' international success. Furthermore, this article identified an established methodology to answer the research question. The tools and frameworks described in the article will test our sample size to empirically determine if US SMEs are global e-commerce ready.

Due to the scope of this research project being under three months, the data collection and data analysis processes are still pending. Conclusions are partial at the moment, and the continuation of the research is still scheduled to collect the data, analyze it using statistical tools, interpret it based on the results, and suggest future research directions based on our findings.

This research can provide insights into how SMEs are responding to development on global commerce and digital technology. It has important implications at both the firm and trade policy level. The government can assess the amount of funding SMEs require to optimize their marketing, and thus, remain globally competitive. Government programs and workshops can be made available to aid SMEs in adapting their online sites to effectively reach international customers. Finally, from these findings, an analysis of digital trade and consumer relationships between the United States and Mexico can be explored.

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