

# THE INTERNATIONALIZATION PROCESS OF MALAYSIAN SMES: A CASE ON CONCERNED AND TENDENCY TOWARDS UNCERTAINTY AVOIDANCE.

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## ABSTRACT

*The main objective of the paper is to aim those factors of uncertainty avoidance which prevent Malaysian SMEs towards internationalization process. The impact of uncertainty avoidance is very high as to know whether Malaysian SMEs are risk takers or not. The human life only differentiates with animals by identifying ethical values among them, and when dealing with different culture around the world it differs in term of how a society deals with international trading electronically. This paper will be looking at how Malaysian SMEs acquire international business while utilizing their risk taking factor on the international business communities.*

**Keywords:** Internationalization; Process, Malaysia SMEs; Uncertainty Avoidance

## INTRODUCTION

It is the challenge of 21st century, for Malaysia SMEs to develop its learning curves and grow with the age of information technology. However it is important for Malaysian SMEs to participate with new innovative ideas to enter in an international business environment. The efficient exchange of information communication through technology can help Malaysian SMEs to earn more opportunities in the international markets. So, it is important to facilitate Malaysian SMEs to learn all these technological tools to meet the global challenges. The is a revolution in this era in internet commerce which is changing the way how organization processes and create integrated opportunities and challenges for international markets as many global markets are fast becoming borderless and integrated (Hitt et al., 2006).

In order to be competitive with in the local and the international market these firms are needed to avail these opportunities which are available through internationalization process. As the definition of practicing business is changing and there are no transactional or geographical boundaries, across time zones, business transaction can now be performed more rapidly with the help of electronic commerce and internet age. As the electronic trading has become the boom for market trend for this Century (Alemayehu Molla et.al, 2005).

## UNCERTAINTY AVOIDANCE

Hofstede, (1984), have studied the one of the most important cultural dimension among the workplace. This dimension which is known as uncertainty avoidance is the scale to know the society's tolerance level for uncertainty and ambiguity. It deals with the society's actual search towards truth. It help to find, that at what level a culture line up it members to feel either comfortable or uncomfortable in unstructured situations.

These unstructured situations are unknown, novel, surprising, and different from usual. Uncertainty avoiding cultures aims to reduce the risk of such situations by strict laws and rules, safety and security measures, and on the philosophical and religious level by a belief in absolute.

In the countries where people avoid uncertainty are considered to be more motivated and emotional by their inner nervous energy. On the other hand the other type of people or societies, they accept uncertainty as a part of culture. These people or societies have more tolerance level

and their lives are fixed on few rules and philosophies and religious guide lines. People or societies which involves in these cultures are more phlegmatic and contemplative, and not expected by their environment to express emotions.

Given below is the chart which is showing the uncertainty avoidance (UAI) for selected countries:

Country	UAI
Malaysia	36
Indonesia	48
United States of America	46
Portugal	104
Pakistan	70
Israel	81
Japan	92
Singapore	8

Source : <http://www.cocreativity.com/handouts/numbers.pdf>

## **DEFINITION OF KEY TERMS**

The term internationalization is explained as the process of integrating or increasing involvement in international operations across borders (Welch and Luostarinen, 1988). Creating new and challenging opportunities for companies to play internationally with their suppliers is known as internationalization (Lancioni et al., 2000).

### **International Markets**

Before the commercialization of the Internet in the early 1990's, geographical constraints hindered many small and mid-market sized companies from expanding globally. Since the Internet's introduction to the field of commerce, many industries (especially the retail industry) have taken the extreme advantage to target the international market. Many companies however, have mistakenly assumed that a "globally accessible website" is the equivalent to selling in a global market. In order to take advantage of global E-commerce, one must have an understanding of national and cultural differences and how these differences shape the levels of technological adoption, Internet usage, and Internet commerce (Kshetri, 2007).

### **Hurdles for Malaysian SMEs**

There are number of difficulties which Malaysian SMEs are facing in term of penetrating in international markets. As mentioned by (Janatul, 2007), that Malaysian SMEs needed to involve in an internationalization process. These Malaysian firms are lacking in term of having a competitive advantages over other international SMEs. Malaysian SMEs can cut operational cost, which can decrease the overhead expanses. Malaysian SMEs are better off in term of direct feedback from their international clines and likewise they can improve the quality of product or services. There is bigger scope for Malaysian SMEs if these SMEs involve in internationalization process efficiently. In a similar direction has been discussed by (Fu, Chen, Chang and Chien, 2006).

### **Born Globals**

The concept of "Born Global" was introduced by Cavusgil (1994, p. 18). This model is giving the characteristics of born globals because there are many companies who have not able to establish domestic sales previously to initialize international sales. It has be been observed that majority of firms ignored psychically close markets in aim to international market entry (Osarenkhoe, 2009).

Instead of the limited financial and human resource that characterize smaller firms, international small and medium enterprises (ISME) s, are increasingly the norm in the landscape of international trade and investment. Perhaps the most interesting manifestation of this trend is the wider spread emergence of born-global firms ('Born Globals'), companies that internationally at or near their founding. Born globals sell a substantial share of their offerings in international markets from an early stage in their development. Born globals are also sometimes called 'international new ventures' or 'global start ups' (Oviatt and McDougall, 1994). The distinguishing feature of these firms is that their origins are international, as demonstrated by management's tendency to view the world as their marketplace. From an early stage, born globals commit certain types of organizational resources to international activities.

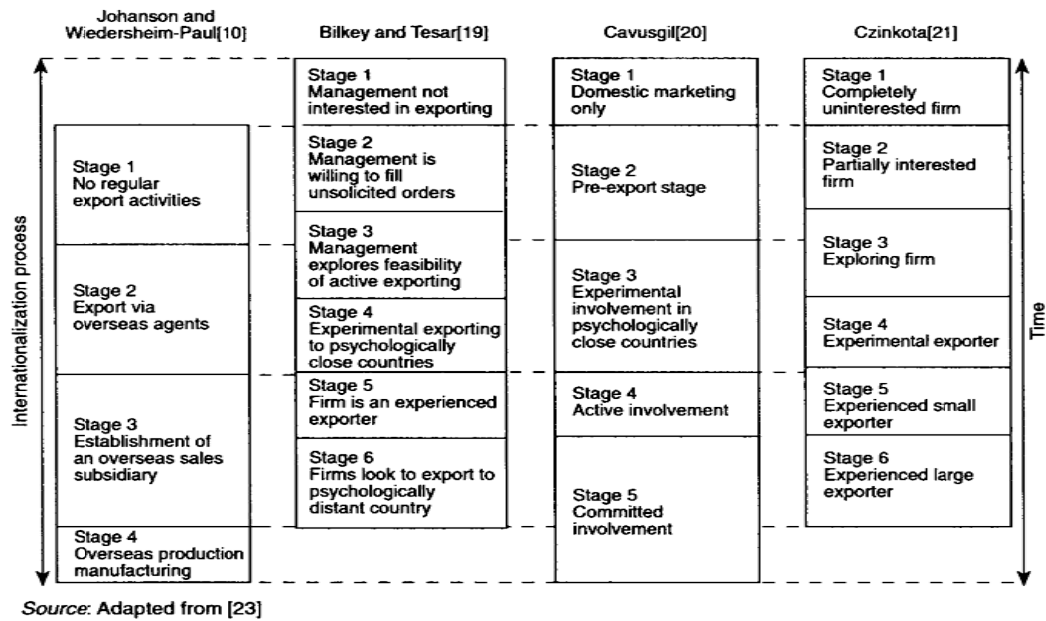
This term born global refers to that firms that is aiming to rapid growth internationally and want is as early as possible, the implementation of a global strategy from inception. (McDougall et al., 1994; Oviatt and McDougall, 1994).

### **Globalization, Internationalization And Born Globals**

This research is based on the theory, "Born Global", which was first used almost 10 years ago in an Australian report, (McKinsey & Co., 1993), and it has been used and discussed together with similar concepts, for example International New Ventures, see (McDougall et al., 1994; Oviatt & McDougall, 1994; Oviatt ;Zahra et al., 2000). We think that it is time to evaluate the research carried out and to discuss what it has brought of new insights about the internationalization process of firms. Similar it is time to look forward and discuss the directions of the research on highly international firms. It is also one of the important factors to examining the moderators of perceived electronic commerce based promise and the ease of use (Wixom and Todd, 2005).

There are research like (Moen, 2002) who have highlighted the concept of 'Born Globals' (or 'instant internationals'), that is newly established firms with an important involvement in exporting or it can be said as those firms which has high contribution from national exporting. This phenomenon has been facilitated recently by various trends, such as the increasing importance of niche markets in various countries, the opportunities associated with the rapid advances in communication technology, and the increasing role of global networks and alliances (Knight and Cavusgil, 1996). The problems of 'born global' have been examined from a number of perspectives, with particular attention being given to entrepreneurial related factors (Mc Auley, 1999).

In this paper is also looking at another concept which is known as "Stage Theory", the diagram is shown below. The process of Internationalization can be described as "the process of increasing involvement in international operations". (Welch and Luostarinen, 1988). The process essentially involves the adoption of SMEs operations like strategy, structure, resources etc. to perfectly fit the international environments. Furthermore, the degree of internationalization can be measured as foreign sales relative to total sales. (Welch and Luostarinen, 1988).



*Internationalization stages*

Source: Jim Bell, (1995). “The internationalization of Small Computer Software firms.” *European Journal of Marketing*, 29(8), 60-75.

**CONCLUSION**

This paper concludes that some time lower uncertainty avoidance grounds do not support the business people to do business successfully. These higher values of uncertainty avoidance help Malaysian SMEs take to more deliberate role in doing business internationally. There is no fixed standard to involve in international business process; it is there for needed to calculate the risk before entering in the international market. This paper has focused on the barrier behind uncertainty avoidance level of Malaysian SMEs and international business participation. It is also highlighted base on the past literature that there are high risk and high returns and the countries like China and Japan are one of the beautiful example of risk takers and maximization their business opportunities internationally.

**SUMMARY AND FUTURE RECOMMENDATION**

Based on the above literature, which is focused on the Internationalization process for the Malaysian SMEs and their willingness to participate in international trade, it is suggested that Malaysian SMEs should take initiate to international trade as it is proven from such concepts as “Born Global” that small and medium firms can successfully participate in international business transactions. It is also recommended to initiate by the Malaysian government to support these SMEs in a context of taxes and rebates to ensure that these SMEs are very successful internationally and like wise SMEs can play a significant role in the boosting up Malaysian economy. Malaysian SMEs could play a vital role which can further decrease the factor of monopoly or oligopoly in the global market.

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