

COMPETITIVE BARRIERS IN ACQUIRING BUSINESS INTERNATIONALLY: A CASE ON MALAYSIAN FIRMS.

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ABSTRACT

In trend with the current economic situation that has affected the international industry world wide, this paper previews literature, which focuses on internationalization strategy, internet communication, ecommerce and Malaysian firm which involve in the process of internationalization. Over the past few decades the internationalization has change the concept and ideology how the international market was perceived. The aim of this paper is to examine internationalization strategies among the Malaysian firms and competitive advantage of internationalization for Malaysian firms. This paper will look into, what are the approaches needed to innovate the environment for firm to go via internationalization process. The Malaysian local firms can only survive, when they have competitive advantage over products and services. These competitive advantages can depend on managerial approach, strategy and perception of the international markets (Javalgi, R. R. G., et al, 2003). It is important to reduce the trade barriers for Malaysian firms. These approaches will also support Malaysian local firms and provide better opportunities for Malaysian local firms to grow internationally with a competitive edge.

Keywords: Internationalization, Process, Strategy, Malaysia Firms.

INTRODUCTION

The world is deviating from the tradition business to technology influence base business. The most pronounced difference between the world today and world of yesteryear is the rapid pace of technological change (Khalil, 2007). The world penetrates in an era of accelerating change in the decade following World War II. One direction of change was the rise and spread of internationalization. Not unexpectedly, internationalization has become one of the most interesting topics for firms around the world. There is a complete transforming process of information technology all around the global economy. Technological displacement is displacing all the business activities into information technology based activities. Internationalization is sighted as the strategy through which a firm progresses from operating solely in its domestic marketplace to international markets (Buckley & Casson, 1998; O' Farrell et al., 1998, Janatul, 2007). Due to the web there, is availability of extended opportunities for the customer and companies.

There are many controversies and issues which have been highlighted by past researchers. Further, critical issues of internationalization those are relevant to world's competition need to be debated and give solution according to the need and demand of our industry. There are some bias and barriers which don't help firm to participate in international business. That is the reason it is easy for bigger firm to participate but difficult of smaller. There are many success stories of firm who are performing internationally (e.g. DELL, AMAZON, TOYOTA, SHELL and Wall Mart etc...).

On the other hand, today's competition is getting more intense than ever and firms from countries like China and India are giving more critical competition to the global industry. It is not just to hold a new idea but to utilize the product to be considered as not only in the home country but internationally.

There are many catalyst which helps firm to participate internationally. Porter's diamond, (1990), is the approach to define these catalysts. Porter plotted four broad attributes of a nation shape the environment in which local firms compete, and these attributes promotes or impede the creation of competitive advantage. These attributes are factor endowments, demand conditions, relating and supporting industries and firm's strategy, structure and rivalry.

INTERNATIONALIZATION

The phrase Internationalization is clarified as the process of integrating or increasing involvement in international operations across borders (Welch and Luostarinen, 1988).

As discussed by Hitt et al. (2006), that there is a positive link between firm performance and internationalization. According to Porter's five diamonds, the firms should focus on such forces which are driving industry's competition as a threat of potential entrants, a bargaining power of buyers, a threat of alternate products or services, a bargaining power of suppliers, a rivalry among existing firms. Wheelen (1995) projected another addition to these five forces which is the relative power of other stakeholders. (Andrei Panibratov, 2009).

Internationalization process has a variety of approaches which are mentioned below:

1. The strategy renovation.
2. Compensation of deficient of plots in big cities,
3. Search for new sales opportunities or just an attempt to improve the image of a company.

All these goals were related to the competitive actions. With the rapid development of economy globalization, some internationalization strategies have to be enacted not only by firms in developed countries but also in developing countries (Axinn and Matthyssens, 2002; Bianchi and Ostale, 2006). "Internationalization" has been widely used to describe the outward movement of the international operations of a firm (Welch and Luostarinen, 1988). This involves the process of adapting the firm's operations to cope with the strategy, structure and resources of international environments (Calof and Beamish, 1995). (Zeng, Xie, Tam and Wan, 2008).

ECONOMIC OVER VIEW OF MALAYSIAN EXPORT

Malaysian economy is one of the most stable among economies within the region. Malaysia play's an important role among the ASEAN markets. With reference to the data published by Bank Negara Malaysia, (BNM), stated that the total trade rose in the year 2008, was RM80.5 trillion, 6.8%, more that what has been received in the year 2007. There was a boom in Malaysian economy in 2008 as it has jumped to RM663.5 billion recording 9.6% increase and the imports also rose to RM521.5 billion registering 3.3% growth, ensuing RM142 billion in trade surplus. Though, the import export in Malaysia declined in December 2008, it still recorded the trade surplus of RM11.67 million. (Gen Wright, 2009).

As there was a world recession all over the world, Malaysia industries have also failed to perform very well in the international market as you can see in the table 2.1 given below, which states that the total export 2007-2008-2009. As you can see, exports have decreased to RM43.6 billion by 15.6% as compared with 2008, which shows, that Malaysian industries are lacking in term of penetrating in international markets. (Macro Economic Review Report, 2009).

MAJOR MALAYSIAN EXPORT

Major products exported from Malaysia is given below in the table 1.1, which includes electrical and electronic goods, liquefied natural gas (LNG), palm oil and related products, petroleum and related products, timber and timber based products, chemicals and metals.

Table 1.1: Major Malaysia Export 2007-2009

Categories	RM Millions		
	2007	2008	2009
Electronics, electrical machinery and appliances	287,696	277,282	246,897
Electronics	213,704	195,933	179,087
Semiconductors	96,653	89,819	92,972
Electronic equipment & parts	117,051	106,114	86,115
Electrical machinery & appliances	73,993	81,349	67,809
Consumer electrical products	16,461	21,388	18,794
Industrial & commercial electrical products	29,696	31,088	23,986
Electrical industrial machinery and equipment	24,297	25,382	21,905
Household electrical appliances	3,538	3,491	3,125
Chemicals & chemical products	37,159	40,926	34,161
Manufactures of metal	26,372	29,257	22,644
Petroleum products	22,093	31,149	21,939
Optical and scientific equipment	13,626	14,944	13,095
Textiles, clothing and footwear	10,631	10,911	9,375
Wood products	9,736	9,767	7,978
Rubber products	10,326	12,426	12,125
Crude oil and condensates	32,865	43,698	25,360
Liquefied natural gas (LNG)	26,936	40,732	31,195
Palm oil	32,027	45,955	36,365
Rubber	7,334	8,112	4,460
Others	16,201	15,931	10,009

Source: Department of Statistics, Malaysia Bank Negara Malaysia, Annual Report 2009

MAJOR MALAYSIAN EXPORT DESTINATION

Major export destination for Malaysian goods includes Japan, China, USA, Singapore, South Korea, Thailand, India, Australia, Hong Kong and Netherlands. According to the figures available, with reference to department of statistic BNM, 2009, 71.8% of Malaysia's total exports destination are given below in the table 1.2.

Table 1.2 Table of Major Export Destination

Major Malaysian Export Destination

Japan
China
USA
Singapore
South Korea
Thailand
India
Australia
Hong Kong
Netherlands

Source: Department of Statistics, Malaysia Bank Negara Malaysia, Annual Report 2009

PROBLEM STATEMENT

We have come to recognize that there is need to further research on certain trends of emerging economy. As recommended by (Preet and Chittoor, 2009), that the future research is needed in two scope.

1. The first one is on transformation of organizations in these economies as response to the dual imperative of economic liberalization initiated by home country.
2. The second in on internationalization strategies of emerging economy firms to respond to increased competition in their erstwhile protected markets.

It is also need to highlight such avenues of research have the potential to further our understanding of firms from emerging economies (Preet and Chittoor, 2009). However, there are number of companies mistakenly perceive that an internationally accessible website is the equivalent to trade in an international market. In order to take maximum benefits of international commerce, one must have an understanding of national and cultural variations and how these variations shape the stages of technology adoption, while utilizing internet and e-commerce (Kshetri, 2007).

Domestically, there are numerous problems, which are either depreciating or appreciating internet base culture, such as language, regional or local technological infrastructure, legislation and legal framework, and restriction to prevent national identity. The most regular internationalization barrier between people from different countries is language. There are many countries, which required labeling the product in the official language of the country, which hold back the easy and free flow of good between counties, but dealing in with a huge business environment one can offer a multi language website which can help to attract consumers, in order to have better understanding of the product description (Gilani & Razeghi, 2010).

Internationally Malaysia has many developmental opportunities, which can not only support the economic infrastructure but also helps the nation to generate huge amount of foreign exchange. There are many countries, which are making an effort to present a combined internet front so that the entire country can benefit from latest national and international internet base opportunities. Malaysian firms if increase their level of expertise and if financial support is provided to them, than these firms can generate good revenues internationally (Keegan, 2002).

Luo and Tung (2007) propose a ‘springboard’ perspective whereby emerging market multinational’s systematically use international expansion as a springboard to acquire

critical resources needed to compete effectively against global rivals at home and abroad and to reduce their vulnerability to institutional and market constraints at home. While access to globally dispersed resources as a motivation for internationalization is a reasonable proposition, and which can also explain the internationalization of developed countries, on the other hand it is not completely clear how resources lead to capability development for emerging economy firms (Luo and Tung, 2007).

However, the explosive growth of the Internet and the coming tidal wave of E-Commerce till provides vast possibilities for Malaysia to exploit the potential and use these for accelerating its economic recovery.

As identified by (Jannatul Firdaus, 2007), that currently the economic condition, exports performance and foreign direct investment from Malaysia increased significantly in the 1990s. And base on the current literature available on internationalization process does not directly apply to the case of firms based in developing economies, and most particularly Malaysia.

It is clearly conscious of the fact that the hyper speed of change in the IT causing Malaysia an escape of opportunities, which cannot be compensated at any cost. This fact dictates that any meaningful action or decisions for the IT industry in Malaysia has to be implemented immediately. Malaysia and similar countries hoping to exploit the inherent potential of internationalization process must act immediately and decisively to restructure the domestic firms to become effective role players with in the global IT scenario.

These are some other problems which identified by Janatul, (2007), base her study on the internationalization of Malaysian firms into foreign market, she has be found that, in order to meet the international standards it is important to know that our industry is fully capable to using internationalization process in order to play the role internationally. It has been identifies that there are number of B2B firms who do not even have the awareness to EC or internationalization process. On the other hand they are lacking in term of managerial and economic strategic. So it is the biggest challenge to the whole Malaysian firms in to bring up innovative e-commerce strategies, in order to understand the role of internationalization process. There are many examples of these businesses which produces a service or product that could be competitive in international markets, but they are not sure of the appropriate international business strategy. In the result it shows a failure to follow up on global opportunities, or there are number of barriers in entering the international wing with insufficient knowledge of expert managerial and economic consideration. Based on the past academic research it has been seen that international business are more towards case studies and these studies are based on firms that have tried to participate in internationalization process or either they have approached to enter the global market place only to face many obstacles that lead them to failure (Janatul , 2007).

At certain level, B2B firms are enforced to used internet access and use, a range of measures policies have developed through number of funding references over the last five years (Martin & Matlay, 2001).

As most firms are taking the advantage from the usage of internet, small firms are expected to significantly increase the usage of Net for B2B and B2C transactions in the

future. All over the business sector, the usage of internet is significantly improving, but its access is still not that what the firms should practice (Martin, 2001).

Lack of entrepreneurial skills and managerial know-how of IT professionals is also one of the important problems in attracting the foreign buyers. As (Ragayah, 1999) are not pretty aware of the technology the manufacturing cost is also very high and hard for the manufacturer to through their product in the global market place. In order to attract the B2B customer, it is important to have the cost effective solution and web sites, is the cost-effective in increasing foreign customer. Web based B2B transactions are inexpensive, time effective and operationally phsiable for firms (Lituchy and Rail, 2000).

It has been seen that after the contextualization of new technology, it has been found that it is a revolution for every aspect of the industry and firm are using e-commerce techniques successfully from B2B perspective. On the other it has been seen from the previous studies that still the firms are using the traditional way of trading and these firm are facing obstacles in implementation to go technologically internationalize.

This is one the factor which is firms is lacking behind in technology adoption (Martin, 2002; Martin and Matay, 2003).

One of the aims of this study is to model the internationalization process used among the Malaysian B2B firms. It explains how the international market entry has changed with respect to what is practiced among the firms internationally in term of technology.

This research will be examining the barriers in internationalization process and all those factors which help these firms to do their business transaction internationally. It will also give exposure to new firms to enter these markets without any prior experience (Osarenkhoe, 2009).

CONCLUSION AND RECOMMENDATION

There are number of potential opportunities for Malaysian firms internationally. Modern trade faces a huge substantial challenge to successfully compete in increasingly internationalize market place, which frequently change along different dimensions, time and speed constraints. Today internationalization is not only a strategy but it is an internationalization intelligence which Malaysian firms need to be aware of rapidly changing competitors' actions as well as internationalization trends.

As discussed by Michael, Oliver & Mark, (2009), that competing internationally, requires constant monitoring of the most important markets. It is also needed to integrate ever changing consumer demands, Malaysian firms not only need to understand but also need to react upon their competitors' ever changing activities. One of the most significant basic problems in competitive marketing strategy pertains to competitive advantage and its sustainability no matter if the focus is on local, national, international or global markets. It is generally recommended that Malaysian local firms, need to be in possession of governing competitive positioning such as Malaysian heritage; international competitive intelligence; anti-internationalization activists and product piracy.

Malaysian firms needs to watch the evolution of markets and, especially, competition as regulation and deregulation pose fundamental opportunities and threats. Obviously establishing an internationally active system of competitor intelligence is imperative. If a firm follows the basic guidelines and pays attention to the problems highlighted given above can significantly compete international challenges.

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