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SMES' INTERNATIONALISATION: DISCOVERING A MODEL OF INFLUENTIAL FACTORS FROM AN EASTERN-DEVELOPING NATION

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ABSTRACT

Western countries have discovered factors influencing small-to-medium enterprises (SME) internationalisation, yet Eastern nations are still struggling for empirical evidence. This article seeks to investigate the influential factors, identify the most influential characteristics driving SMEs to internationalise and develop a model of SME internationalisation within an Eastern-developing nation, Malaysia. A panel of 16 experts, including academicians, policymakers, supporting government agencies, the Chamber of Commerce and research institutes took part in long distance telephone conversations. To ensure the authenticity of the experts' stances, they were selected based on their positions, qualifications, affiliations, age and length of working experience. The Expert Panel was identified from the internet and through personal contacts. Majority of the experts involve directly with the SME development in Malaysia. The underlying assumption of this Expert Panel is to give relevant opinions and a legitimate understanding of the internationalisation process of Malaysian SME. The findings from a modified Delphi Technique indicate that networking is the most influential factor, followed by firm characteristics, industry factor, external influence and motivational aspects. Therefore, a Malaysian model of the factors influencing SME internationalization is derived. To deal with complexity of networking as a crucial means to internationalization, a networking linkages model is proposed for practicality. In particular, this study provides some insights into SMEs internationalisation process and identifies suggestions for future research.

INTRODUCTION

Previous studies on the internationalisation of small to medium sized enterprises (SMEs) have been conducted by western researchers in developed or high-income countries (see, for examples: Coviello and Munro, 1997; Gemser, Brand and Sorge, 2004; Moen and Servais, 2002; Wickramasekera, 2004), and within developing countries, this topic remains in 'an embryonic stage' (Kuada & Sörensen, 2000). A review of sixteen recent empirical studies between 1992 and 1998 by Coviello & McAuley (1999) revealed that only one study was conducted in a developing country. This discovery has sparked the researchers' interest to better understand the experience of SMEs in developing countries, in particular Malaysia.

Located in Southeast Asia, Malaysia is one developing country that is assisting SME to become international players. Malaysia has a first-class physical infrastructure politically stable, skilled, multicultural and multilingual workforce, and currently, the country is competitive in attracting direct foreign investments and is among the world's top 20 trading nations (FMM Directory, 2005). Recently, there are 518,996 SME representing 99.2% of total business establishments in Malaysia. Of this total only 5,221 are active exporters, contributing 16.6% of total Malaysian exports (SME, 2006). These SME exporters are mainly located in the manufacturing sector (57.6%), services (40.6%) and agriculture (1.8%). As of 2005, major export destinations for manufactured products were the ASEAN countries (27.2%), the USA (23.4%), the European Union (10.4%), Japan (7.4%), Hong Kong (7%), People's Republic of China (6.1%) and 18.5% to the remainder of the world (EPU, 2006).

The figures show that the Malaysian economy does rely on SME and their increasing dependency on international trade. Therefore, this study aimed to gain a preliminary understanding of the internationalisation process of SME in Malaysia. To do this a panel of sixteen experts on the topic of internationalisation, representing a diverse range of perspectives was interviewed using a modified Delphi approach. The study had three objectives: (1) to investigate the influential factors affecting the internationalisation

process, (2) to identify the most influential factors affecting Malaysian SME going international, and (3) to derive a Malaysian model of the influential factors affecting SME internationalisation for use in a more in-depth later study. Consequently, the outcomes of this research could assist in enhancing the capability of Malaysian SME in becoming world-class players.

LITERATURE REVIEW

Definitions of SME and Internationalisation

The definition on SME is still uncommonly defined (Curran & Blackburn, 2001) as each country defines SME differently. For instance, in developed countries such as the European Union (Eyre & Smallman, 1998) the SMEs are the enterprises that employ less than 500 employees. In Malaysia, the SME are defined as “*firms with annual sales turnover not exceeding RM25 million or full time employees not exceeding 150*” (SMIDEC, 2002, p.31). Likewise, there are some differences of opinion in defining ‘internationalisation’ (see, for example: Andersen, 1997; Beamish, 1990; Calof & Beamish, 1995). This study adopts Calof et al., (1995, p.116) definition, “*Internationalisation as the process of adapting the firms’ operations (the strategy, structure, and resources) to the international environment*”. This conveys the idea of internationalisation being dynamic and adjustable and thus more suited to emerging internationalisation processes.

Approaches to Internationalisation

Different approaches and perspectives have contributed to the literature of firm’s internationalisation (Morgan & Katsikeas, 1997). For instance, a process or behavioural approach, which has been researched over three decades (Etemad, 2004) is explained in, for example, the Uppsala Model, and the Finnish-POM Models. The other perspective is that SME internationalisation is explained by a network approach (Kenny & Fahy, 2004; Majkgård & Sharma, 1998; Welch & Welch, 1998) and another view is described as the International New Venture perspective (Oviatt & McDougall, 1994; Zahra, Ireland, & Hitt, 2000). These models are briefly discussed below.

Of the behavioural approaches, the U-Model initiated by Johanson & Wiedersheim-Paul (1975) and further developed by Johanson & Vahlne (1990 and 1977) is widely used to describe patterns of small firms' internationalization (Andersson, 2004). The U-Model has been operationalised with two patterns. The first suggests four stages of foreign entry; from no regular export activities, to exporting via independent representatives (agents), then moving into sales subsidiaries, before moving into production or manufacturing. This implies that firms make their initial entry into a market using a low risk and low commitment strategy, such as with direct exporting, before increasing to high risk and high commitment strategy via manufacturing subsidiaries and foreign sales. The second pattern is to enter new markets successively, starting from countries with less psychic distances, in terms of language, education, business practices, culture and industrial development differences (Johanson et. al, 1990; Hollensen, 2001). This model suggests firms enter a particular market close to and similar to the home country before expanding into more distant and dissimilar markets.

The second behavioural model, the Finnish-POM Model distinguishes three dimensions of internationalisation (Luostarinen, 1979). First is Product (P), which describes 'what' in terms of the firms' goods, services, know-how and systems. Second is the Operation mode (O) which relates to 'how' firms operate such as through agents, subsidiaries, licensing and management contracts. Third is Market (M), which describes 'where' in relation to the selection of markets and takes into account political, cultural and physical differences. The 'organisational capacity' dimension was a later addition to describe organisational structure, resources, finance and personnel (Welch & Luostarinen, 1988). This model has received little attention in previous research, despite that it provides in-depth dimensions lacking in the U-Model. Nonetheless, neither addresses the issues of entry mode and so we turn to the networking models.

The networking perspective explains how relationships through business network leads to SME internationalisation process (Johanson & Mattson, 1988). The term network relates to a collection of 'actors' including people, departments or business and their strategic links such as family, community, finance, or business alliances with each other (Johnsen &

Johnsen, 1999). Networking linkages with governments, agencies and other firms assist the process (Welch et al., 1998) as it could overcome size inconveniences (Madhok, 1997) and influence strategic decisions and involve the exchange of resources among different members (Sharma, 1993). Networking within and outside the SME network affects better firm's performance (Fuller-Love & Thomas, 2004; Wincent, 2005). In explaining SMEs internationalisation process, the network view is most relevant for small firms (Rutashobya & Jaensson, 2004) because it conveniently explains 'why' and 'how' firms internationalise (Johanson et al., 1988). Networking accelerates the internationalisation process, explaining the emergence of International New Venture theory.

The International New Venture theory emerged in the mid nineties in recognition that many firms do not go along with the traditional staged models in their internationalisation process (Etemad, 2004a; Kenny et al., 2004). These companies are called 'Born Global' (Knight & Cavusgil, 1996; Rennie, 1993), whilst Oviatt et al., (1994) identify them as 'Global Start-ups' and 'International New Ventures (INVs) firms. This model focuses on the age, not the size of the firms, and suggests INVs retain unique assets and capabilities that enable firms with limited resources to venture into foreign markets faster. Although these models explain the process of internationalising firms, they still do not address the question of what forces the SME to go international.

The factors influencing why SMEs enter international markets can be studied through the motives for internationalisation. Motivational factors can be due to proactive and reactive reasons (Czinkota, Johanson, & Ronkainen, 2002). These include push and pull factors like positive situational and business opportunities (Littunen & Tohmo, 2003). In some cases, the pushing or pulling forces have more influence, whereas in others it is the interaction between pushing-pulling forces (Etemad, 2004). Internal change agents and external change agents can also drive internationalization (Crick & Chaudhry, 1997). Understanding why SMEs operate in foreign markets facilitates the preparation required by SMEs; therefore, it is important for both researchers and managers to understand these factors.

This brief review of the literature, has led to three research questions: (1) What influential factors affect the internationalisation process of SME in Malaysia? (2) What are the most influential factors affecting Malaysian SME to go international? and (3) Is there a model that explains the most influential aspects for the internationalization process of Malaysian SME?

METHODOLOGY

This section discusses the methodology and justifies the selection of the expert panel. A qualitative approach (Hesse-Biber & Leavy, 2006; Yin, 1994) was preferred because little is known about the internationalisation process of manufacturing SMEs in Malaysia. Because interpersonal contact is valued in Malaysia, and the survey was conducted from Perth in Western Australia, most interviews were conducted by telephone using a modified Delphi study approach. In all thirty experts on internationalisation were approached by email or telephone and invited to take part in the study. Follow-up letters outlined the purpose of the study, the questions, and requested written consent from those who agreed to participate. Sixteen participants were recruited; 14 were interviewed by telephone and 2 responded by email. Semi-structured interviews were conducted during September and October 2005 and the interviews lasted from 15 to 30 minutes. The information was hand recorded, and manually analyzed.

Selection of the Experts

Recruits to an Expert Panel provide “*a source of direct information*” (Sekaran, 2003, p.222). Therefore, it is important to choose appropriate members, for as Dalkey and Helmer (1963) point out, the experts need to be highly knowledgeable on the subject matter and their professions and positions need to reflect their expertise. In addition, age and experience, which are highly correlated, are significant for obtaining excellent feedback. The experts in this panel can be considered well-informed as they meet these criteria, with all having in excess of 10 years, and in some cases up to more than 30 years work experience.

The names and affiliations of the Expert Panel were identified from the internet and through personal contacts. To ensure the authenticity of their stances, respondents were targeted due to their positions, qualifications, affiliations, age and length of working experience. The experts came from five categories namely; academics, policy makers, supporting government agencies, the Chamber of Commerce, and research institutes. The participants comprised 14 males (88%) and 2 females (12%); three were academics (19%); four were policymakers (25%); four were from supporting government agencies (25%); two were from the Chamber of Commerce (12%) and three were from research institutes (19%). These experts ranged in age from their early to late 30s (3:19%), early to late 40s (9:56%) and early to late 50s (4:25%).

The experts comprised Associate Professors and a Senior Lecturer for the Academics, and senior level employees at Director, Assistant Director and Executive levels. All are highly specialized in the disciplines of SME development and Entrepreneurship, Franchising Business, Strategic Management and Planning, International Business, Global Marketing, Cross Border Investment, Foreign Direct Investment, Small Medium Industry, and Research and Development.

The experts represent a range of institutions or departments that are directly involved with SME development in Malaysia. For example, policymakers were drawn from the Ministry of International Trade and Industry (MITI), the Ministry of Entrepreneur Development (MED), the '*Majlis Amanah Rakyat*'- 'Council of Trust for Indegenous Degree' (MARA) and Malaysian Industrial Development Association (MIDA). Other supporting government agencies included the Small and Medium Industries Development Corporation (SMIDEC), Malaysia External Trade Development Corporation (MATRADE), Malaysian Technology Development Corporation (MTDC), Malaysian Industrial Development Finance (MIDF) and Malaysian Industrial Entrepreneur Location (MIEL). Industry bodies were represented by the Malay and Malaysian Chambers of Commerce, while the Standards and Industrial Research Institute of Malaysia (SIRIM) and Malaysia and International Research Institute (IKMAS) represented the research institutes.

These supporting bodies all have a role in upholding the implementation of programs targeted at developing SMEs (Hashim & Wafa, 2002). Part of their role is to encourage internationalisation by subcontracting, exporting, and collaborating through joint ventures, licensing or franchising (SMIDEC, 2002), linking Malaysian SMEs with large, local or foreign owned corporations (Mori, 2005). This brief description of the panel of experts demonstrates that they are appropriately qualified and experienced to give relevant opinions and a legitimate understanding of the internationalization process of Malaysian SME. The analysis of the experts' opinions is presented in the following section.

RESULTS AND ANALYSES

This section presents an analysis of the experts' opinions, starting with the factors that influence SME to go international, followed by the identification of the most to the least influential factors. Finally, a model of the internationalization process of Malaysian SME is developed and discussed.

Influential Factors

Twenty-Four themes were identified by the experts as reasons Malaysian SME internationalise and these can be categorised into five different factors or aspects. The first groups relates to the reasons or motives for internationalizing; the second relates to firm characteristics, such as firm itself and the top managers; the third relates to Industrial issues; the fourth relates to external influences and the fifth has to do with aspects of relationships or networking. These five main themes are presented in Table 2 that identify the percentage of consensus among the experts.

Within each of the five main aspects a variety of issues were identified. In the *first aspect*, the experts identified 44 items as motives or reasons that trigger Malaysian SME to internationalise. These motives can be classified into six sub-categories: 69% of the experts deemed domestic conditions (11 items) and market issues (11 items) as being the most important influential factors; 50% also identified resource seeking (9 items) and

globalisation (9 items) as important; 31% referred to the need to follow a supplier (4 items); and 25% said the SME needed to go international for survival (5 items).

Within the *second aspect* of firm factors, two important drivers were identified that were the firm itself and the key characteristics of top managers. All together 81 items were identified, with 34 items related to characteristics of the firm and 47 items related to top management characteristics. The firm items can be grouped into four themes; 63% of the experts referred to the importance of resources (10 items), and products (11 items); 44% identified capability (6 items) and 31% identified reputation (7 items). Of the 47 items related to the top managers' characteristics, significantly three were identified as predominant characteristics with 88% identifying interpersonal skill (20 items) 75% identifying attitude (16 items) and 69% referring to the and managers background (11 items). These findings suggest strong agreement among the experts that top management characteristics, such as interpersonal skills, attitude and background have a significant influence on the firm's choice to go international.

Table 1: Influential Factors

Aspect / Factors		Key Themes	No. of Items	No. of Experts	% of Experts
1. Motivational		Domestic Conditions	11	11	69%
		Market Issue	11	11	69%
		Resource Seeking	9	8	50%
		Globalisation	4	8	50%
		Follow Suppliers	4	5	31%
		For Survival	5	4	25%
		<i>Total items</i>		<i>44 Items</i>	
2. Firm	i. Firm itself	Resources	10	10	63%
		Product	11	10	63%
		Capability	6	7	44%
		Reputation	7	5	31%
		<i>Total items</i>		<i>34 Items</i>	
	ii. Owner/Key Managers	Skills and Ability	20	14	88%
		Attitude	16	12	75%
Background		11	11	69%	
	<i>Total items</i>		<i>47 Items</i>		
3. Industrial		Intense Competition	7	14	88%
		Market Attractiveness	5	9	56%
		Economies of Scale	1	8	50%
		Nature of Industries	8	6	38%
		<i>Total items</i>		<i>22 Items</i>	
4. External		Economy	11	11	69%
		Political	8	10	63%
		Technology	5	8	50%
		Society	8	4	25%
		<i>Total items</i>		<i>32 Items</i>	
5. Relationship (Networking)		Institutions	12	16	100%
		Personal Relation	7	13	81%
		Other Players	7	12	75%
		<i>Total items</i>		<i>26 Items</i>	

Source: Researchers 2007: Results from the Experts' Survey 2006

The *third aspect* was that industrial factors, also influences an SME choice to be an international player. The expert panel asserted 22 items were influential in this category. Four themes emerged in relation to the industry; 88% of the panel identified intensity of competition (7 items); 56% thought that attractive markets outside of Malaysia were a temptation for the SMEs (5 items); 50% mentioned improved economies of scale economies (1 item); and 38% identified the nature of a business sector (8 items) making easier access to foreign markets. The nature of the sector or industry could be related to 'Halal' products, electrical equipment, furniture and other wood-based products.

In the *fourth aspect* of external factors, the experts mentioned 32 items influenced internationalisation. These can also be grouped into four categories; 69% identified economic factors (11 items), 68% identified political forces (8 items) and 50% identified technology (5 items) whereas 25% identified society (8 items). Taken together these findings suggest SMEs need to have a deep understanding of how external factors can affect their business when going international, which supports previous findings on the emergence of early internationalising firms by Knight and Cavusgil (2004). For example, SMEs need to be alert to foreign and local political and economic matters; to be knowledgeable about different cultures and the ways business is conducted in foreign countries; they need to be aware of and utilise advanced Information and Communications Technology (ICT). The findings highlight the importance of being aware of changes in the external environment. The following two examples highlight this point. Firstly, globalisation of markets has enabled firms to participate in international outsourcing and cross-border alliances in product development at reduced transaction costs and secondly, technological advances in information and communication, international transportation and logistics have facilitated rapid growth in international trade (Knight & Cavusgil, 2004). To answer the questions about the processes of internationalisation, the role of networking needs to be considered and this is picked up in the *fifth aspect*. The majority of the experts in this study agreed that networking and relationships can play a remarkable role by linking SME into global markets. Altogether, 26 items were derived from the survey. All experts (100%) agreed on the importance of supporting government agencies (12 items), 81% cited personal relations through individual contacts with friends, colleagues, students, or family members (7 items) and 75% referred to the importance of linking up with other players, such as either small or large and local or foreign firms (7 items).

The Most Influential Factors

In identifying the most influential factors affecting internationalization process of SME in Malaysia, the average percentage of expert responses (APE) is considered the most accurate measurement. This is because the percentage represents the response rate of the experts, but the number of items within the themes indicates the frequency of the items mentioned by the panels; the latter are unequal, so potential for inaccuracy needs to be

overcome. Therefore, the indicator of average responses needs to consider both the range and frequency of items mentioned by the experts (Refer to Table 3, column 3). The most influential factors can be achieved by using the following basic formula shown in Table 2.

Table 2: Formula Developed to Identify the Most Influential Factors

$APE_{\text{aspect 1-5}} = \frac{\sum \{\% \text{ of Experts}_{\text{aspect 1-5}}\}}{N_{\text{aspect 1-5}}}$ <p>Where;</p> <p>$APE_{\text{aspect 1-5}}$ = Average Percentage of Experts</p> <p>$\sum \% \text{ of Experts}_{\text{aspect 1-5}}$ = Total percentage of Experts (Refer to Table 2, column 5)</p> <p>$N_{\text{aspect 1-5}}$ = Number of Key Themes for each aspect</p>

Source: Researchers 2007: This formula is developed for this paper

First, the percentage of experts is determined for each key theme of the aspects. This is done by dividing the number of experts indicating each key theme to the total number of experts and then converting the answer into percentage (Refer to Table 3, column 4). The same procedure is used for all key themes of each aspect. The average is then arrived at by adding all percentages of expert responses for each of the aspects and dividing this total by the total number of key themes (Refer to Table 3, column 2). Using this formula the average percentage of the experts opinions (APE) in relation to each of the five themes (aspect 1-5) and the items within the themes ($N_{\text{aspect 1-5}}$) can be derived. Based on this formula the average percentage of the experts' opinions is shown in Table 3.

Table 3 shows how the average percentage of experts is determined and reveals the results of the most influential aspects affecting the process of internationalising Malaysian SMEs. From the five aspects investigated and analysed, note that more than 85% of experts identified networking or relationships as the most influential factors in the internationalisation process. The two next most influential aspects were the firm and the industrial factors, as indicated by an average of 79% and 58% respectively. The last two aspects influencing Malaysian SME to enter foreign markets are external and motivational aspects at 52% and 49% respectively.

Table 3: The Most Influential Factors

Aspects	(\sum % of Experts/N)	APE	Rank
1. Motivational	$69+69+50+50+31+25=294/6$	49.00%	5
2. Firm: i. Firm itself	i. $63+63+44+31=201/4=50.25\%$	79.00%	2
ii. Key Managers	ii. $88+75+69=232/3=77.33\%$; then iii. $50.25+77.33/2$		
3. Industrial	$88+56+50+38=232/4$	58.00%	3
4. External	$69+63+50+25=207/4$	51.75%	4
5. Networking/Relationship	$100+81+75=256/3$	85.33%	1

Note: APE represents the average percentage of the experts' opinions

The finding that networking or relationships were perceived as the most important influences on the internationalisation process and that the external and motivational aspects, although important, were ranked as least so was a surprising one. As the majority of the experts represent supporting government bodies that offer various types of assistance to the SME, it was expected that the motivational aspect would be perceived as the most crucial. Therefore, it was interesting to find it ranked last amongst the five aspects.

Up to now, the analyses and discussion has focused on the first two research questions and investigated the influential aspects of how and why Malaysian SMEs venture into foreign markets. We believe the findings are significant and have helped uncover information to address the final research question and develop a unique model showing how Malaysian SMEs internationalise. The illustration of this model explicates the points discussed previously and is presented in Figure 1 in the next section.

The Model of Influential Factors Affecting SME Internationalisation

A visualization of the most influential aspects of the internationalization process for Malaysian SMEs is illustrated in Figure 1. It demonstrates the relationship between the average percentage of experts and their weighting of the factors influencing the internationalisation of Malaysian SMEs. The darker the colour of the connecting line, the stronger the perceived influence of the aspect. In addition, the model captures the experts' opinion that these factors are all interrelated with each other. This means that no one aspect fully explains the process; rather they go hand in hand and each affects the others.

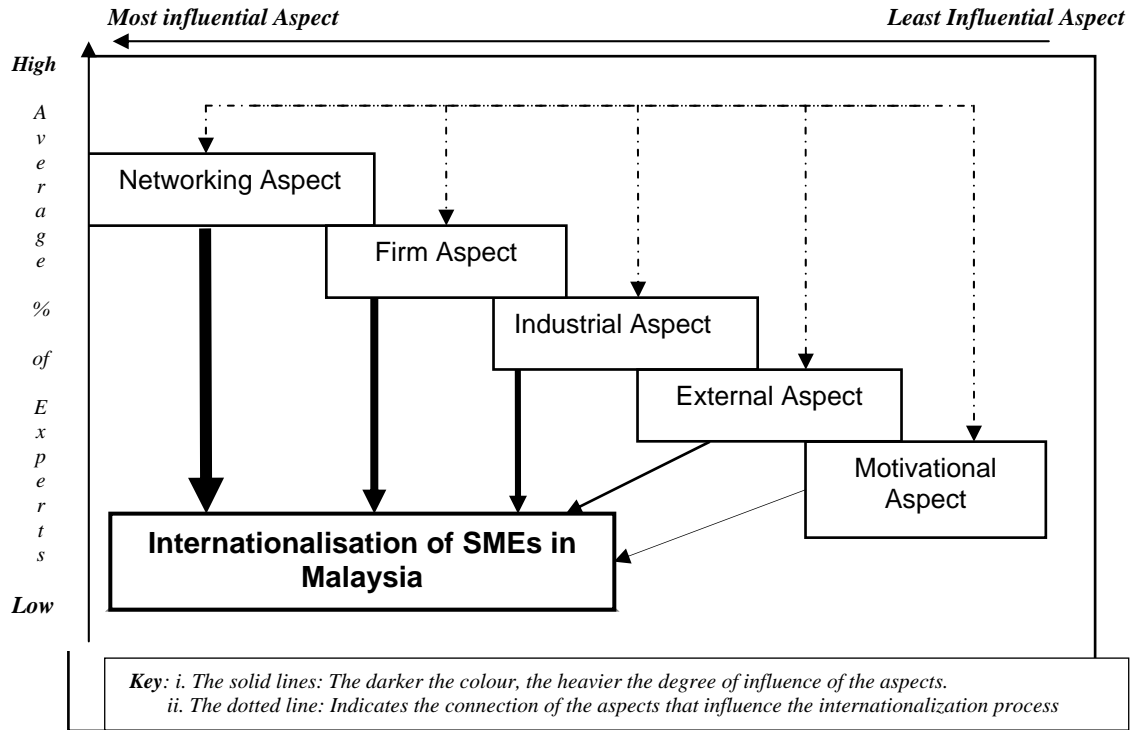


Figure 1: The Model of Influential Factors Affecting SME Internationalisation

The implications of the findings in terms of how the study contributes to existing theory and practice, the limitations and the recommendations for future research are discussed below.

Practical Implications

Having identified that networking or relationships dominate the factors affecting SMEs internationalisation and that many players have roles in creating the network, either directly or indirectly, complicates the process. The observations of the expert panel suggested that while all agencies, including the policymakers and the supporting government agencies have a crucial role in facilitating the networking process, they also pursue their own strategies to assist SMEs. Quite apart from the agencies that are set up to facilitate networking, this is also a role of the research institutes in terms of product development. In addition, academics and researchers are also called upon because of their access to empirical information. Finally, networking also occurs through association with other

players such as colleagues, friends and relatives, etc., further adding to confusion about who to approach for reliable and authentic information. Taken together, this suggests there is likely to be confusion about who to approach and when. Therefore, for practicality, as shown in Figure 2 a networking linkages model is proposed as a crucial means of internationalisation, to ease this complexity.

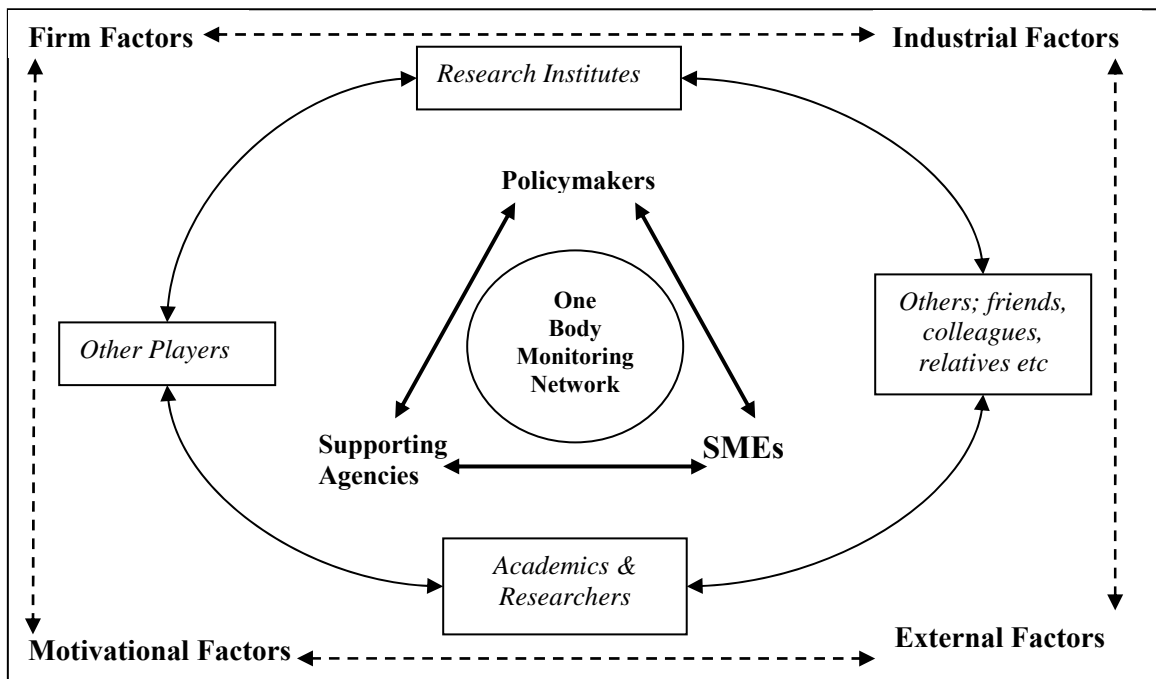


Figure 2: Proposed Networking Linkages Model for SME Internationalisation

The central triangle shows the triangulation between the three central groups who need to maintain direct links, namely the Policymakers, Supporting agencies and SME and these connections are shown with the solid arrows. The linkages with other agencies and players, such as the Research institutes, academics or researchers and personal contacts are shown in the outer perimeters of the model, demonstrating their lesser role. This model demonstrates the plethora of information that is available and how difficult and confusing this might make it for those seeking advice. A more coherent approach might better serve the SME. While recognising the reality of the political situation in Malaysia, a more transparent collaboration and monitoring of networking strategies among all the important bodies for SME international expansion should be developed.

Having one central body for monitoring and facilitating networking, as illustrated inside the parameter, would allow better coordination of and less confusion for those wanting to enter into networks to facilitate internationalisation. One body coordinating and supervising the networking process would give SMEs clearer information on whom to contact and where to access to knowledge or information for overseas' ventures. This does not reduce the role of the other influential factors, which are placed at the four outer corners of the model, but recognises the central role networking and relationship building has in affecting the internationalization of Malaysian SMEs. Adopting such an approach would provide practical benefits to enhance networking effectiveness and ultimately better support in promoting international expansion.

DISCUSSION

The experts' viewpoints reported in this study did identify some unique aspects that influence Malaysian SME internationalization. These include the role of networking or relationships to create awareness of international opportunities, a range of firm specific issues, industrial linkages aspect as well as the external influences and motivational factors. The fact that all these aspects are interrelated and influenced by various factors and relationships that are within and outside the firm, supports previous findings that the internationalisation process is complex (Che-Senik, Entekin & Scott-Ladd, 2006).

The experts' consensus that networking or relationships was the most influential factor for success will internationalisation, whereas the motivational factors were ranked lowest, was quite unexpected. In fact, as Figure 1 demonstrates, networking influences all other aspects of the internationalisation of Malaysian SMEs, and this finding supports Rutashobya et al., (2004, p.161) statement that "*small firms may have to rely on networks to overcome their isolation in the current globalised market*". Similarly, Che-Senik et al., (2006, p.585) have previously identified that networking is crucial within Malaysia "*...as the choice to internationalise is influenced by the government and other players, including personal contacts*".

According to the experts, the key actors in the firms create and maintain the networking, then gradually move out to operate on an international level. However, this does not preclude that some firms do move even faster. There is some evidence to support the International New Venture theory, as some companies do network or link up with Multinational Corporations to internationalise from start-up. Therefore, the finding from this study do not match the U-Model contention that internationalisation is a gradual process, where information is generated and processed within the firm (Johanson et al., 1977) before firms commit to gradually internationalise and do this in stages by entering into familiar and ‘psychically’ close markets (Johanson et al., 1975). It seems that networking is a more critical mode for Malaysian SMEs to discover international market opportunities, therefore, into firm linkages warrant further investigation as has been previously called for by Moha-Asri & Bakar(2002).

To successfully internationalise, the experts also stressed the importance of firms having strengths in terms of unique resources, sound finances, skilled and experienced employees, R&D capability, and information and communication technologies (ICT). This matches previous research that identified firm-specific factor as being resources that include unique assets, R&D spending, network and a good reputation , advances in ICT (Madsen, Ramussen & Servais, 1999) and top managers who have international exposure, an international global vision, foreign education and experience (Etemad, 1999). This finding from the panel backs up Andersson’s (2000, p.290) findings that the decision to go international “*must be wanted and triggered by an entrepreneur who makes key decisions and carries out the internationalization*”. Firm characteristics are important drivers for SME to go international, which suggests that the Finnish-POM Model provides better insights than the U-Model.

Overall, the experts agreed internationalisation is triggered by domestic and global conditions. The Malaysian market is getting smaller as foreign firms can have competitive advantages to enter the country, therefore Malaysian SME have to seek international opportunities to remain in business and survive. Globalization and the Asian Free Trade Agreement (AFTA) provide expansion opportunities, whereas the ‘open door policy’ of

China presents opportunities as well as greater challenges. Triggering factors such as the problem of saturated domestic markets and competitive pressures (Czinkota et al., 2002), industry conditions and globalization (Bloodgood Sapienza, & Almeida, 1996), and liberalization of international markets (Etemad, 2004) have been discussed in the Western literature and these issues present similar problems within the Malaysian context. Further conclusions, the limitations of the study and recommendations for future research are discussed in the following section.

CONCLUDING REMARKS

This study has provided some very interesting insights into the internationalization process of SMEs in Malaysia. From the theoretical aspects, the behavioral approach presented in the Uppsala Model was expected to explain entry mode and market selection; however, this model was not supported. There was little evidence to support the Uppsala-Model, as experts perception was that Malaysian firms do not take an incremental staged approach to internationalization. The International New Ventures model was found to be more applicable. Similarly, the finding that a firm's choice for going international is related to their internal capability gives credence to the Finnish-POM Model as being another appropriate model to explain the internationalisation of Malaysian SMEs. The model that provided the best match though was the networking model; thus the choice to internationalise is influenced by the government, other players and personal contacts.

The Expert Panel expressed a number of concerns about networking. They frequently mentioned the problems inherent in creating, developing and maintaining relationships with government agencies, other players, local or foreign, small or big, friends, colleagues and relatives. More importantly, SMEs need to better utilize the government agencies for easier and more effective results when going international. They also need to identify key persons in the host country who are knowledgeable, reliable and trustworthy. These key persons also need to be trustworthy, particularly when SME's are dealing with foreign policies and procedures in the host countries. Although there were some different perspectives, overall

the experts identified that all the aspects of internationalization are important and interrelated and none should be ignored.

It must be acknowledged this is merely a preliminary study and is limited by time and the methodology employed (i.e. telephone conversations). Moreover, the experts were a convenience sample, and while they have the experience to give expert opinions, this may limit the generalisability of the study. It might well be that practitioners or businessmen have a different viewpoint. Understanding the internationalisation process has benefits not only for Malaysia but for other developing nations, as this model may add to understanding the internationalisation process in other samples and settings. The implications of the findings deserve further discussion among the relevant agencies (in Malaysia) and should be considered for implementation. Future researchers may wish to extend the data collection methods, by using face-to-face interviews, observations, a case study or survey approach to test the validity of these findings. There is no doubt that the internationalisation of SMEs within Malaysia warrants further investigation.

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