



**BIRMINGHAM CITY**  
University

Birmingham City Business School

**Determinants of SME Internationalisation and the  
Impact on Business Performance: An Empirical  
Study of Outward Internationalisation Adoption by  
Malaysian SMEs**

By

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A thesis submitted to Birmingham City Business School in  
fulfilment of the requirement for the Degree of

**DOCTOR OF PHILOSOPHY**

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## Declaration

This thesis is submitted to fulfil the completion requirement for the degree of Doctoral and Philosophy at the Birmingham City Business School in Birmingham City University, Birmingham, United Kingdom. I hereby declare that the entire thesis is the original of my work except for quotations and citations which I have appropriately acknowledged. I also at this moment declare that this work either full or half of it has never been submitted to any other universities or institutions for other purposes. I am responsible for any errors and omissions present in this thesis.

Signed

Adyzakrie Mohamad Zaki

August 2018

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*Ady Zakrie Zaki*

## Dedication

This thesis is dedicated

To my beloved father and my caring mother

To the soul of my father-in-law and my mother-in-law

To my lovely wife Mazidatul Husni

To my beautiful daughters Asyfa, Airis, Ameera, Aleema

and

To my sisters and brother

Thanks for your love and patience

## List of Publications

The following papers are developed based on this thesis and other projects that have been presented in different conferences and published in different journal publications:

### Journal Articles

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## Abstract

The reduction in trade barriers, rapid governments' bilateral agreements and the improvement of communication technology have increased opportunities for businesses to expand their activities in foreign markets (Javalgi *et al.*, 2003). In conjunction with this phenomenon, previous studies suggest that there is an increasing number of Small and Medium Sized Enterprises (SMEs) conducting international business (e.g. Oviatt and McDougall, 2005; and Ketkar and Acs, 2013). However, Asia Pacific Economic Cooperation (APEC) Policy Support Unit (2010) has recorded a slightly lower share of total export value by SMEs in developing countries vis-a-vis developed countries.

This research investigates the different factors influencing SMEs' decision to internationalise in developing countries (such as Malaysia). This research also examines the relationship between the SME internationalisation adoption and its business performance since the relationship remains vague (Kuivalainen and Sundqvist, 2007; Lu and Beamish 2006; and Zahra *et al.*, 2000). Furthermore, the study deepens understanding of the complex interrelationship between internationalisation determinants (that influence top management's decision to internationalise) and how such factors (internal and external) have an impact upon SME's business performance.

This paper underlines the following research questions: i) what are the different determinants impacting internationalisation adoption of Malaysian SMEs? ii) how the integration of internal and external determinants impact internationalisation adoption by Malaysian SMEs? iii) what is the role of ethics attributes in influencing Malaysian SMEs' decision to internationalise? iv) what are the impacts of internationalisation adoption on Malaysian SMEs' financial and non-financial performance?

This research has designed the research methodology based on the post-positivist approach to achieve the research aims and answer the research questions. The triangulation approach was started from an in-depth literature review by systematically stratifying previous research studies in the field. The researcher subsequently conducted semi-structured interviews to purify the findings in the extant literature. 20

Malaysian experts including Malaysian internationalising SMEs and public officials were interviewed during the purification phase. The research samples were selected purposefully from a publicly available export directory which was obtained from Malaysia External Trade Development Corporation (*MATRADE*) website.

This research has developed the research framework and hypotheses based on the findings of exploratory interviews. The following step tested the framework through empirical research to prove its validity in explaining SMEs' internationalisation in Malaysia. A mix of online and mail survey questionnaire was conducted to test the research hypotheses empirically. Finally, the research analysed 218 survey data in various statistical techniques including Cronbach-Alpha test, simple linear regression, multiple regression, structural equation modelling (SEM) and one-sample t-test.

This study found that factors influencing internationalisation of Malaysian SMEs vary. While all measures related to entrepreneur/ human capital, firm and environmental attributes have a significant positive relationship to internationalisation adoption, the measures related to ethics attributes are found not impacting internationalisation adoption by Malaysian SMEs. However, the research found environmental attributes and perceived level of internet fraud mediate the relationship between firm attributes and internationalisation adoption by Malaysian SMEs. Finally, internationalisation adoption is found positively significant in impacting the financial and non-financial performance of SMEs in Malaysia.

This research will contribute to the academic activities, practitioners and policymakers. For academic activities, research contribution is about understanding the different factors impact on internationalisation adoption, which several factors are yet, undiscovered in Malaysia such as ethics attributes and management entrepreneur orientation (as discussed in chapter 3 and chapter 11). Furthermore, this research contributes to fulfilling the limited number of study in determining difference factors of Malaysian SMEs internationalisation by adopting a holistic research approach involving quantitative and qualitative methods. Also, it contributes to differentiating internationalisation determinants across sectors as previous literature concentrated only upon the manufacturing sector in Malaysia context. Furthermore, the research expands the integrative model of understanding SME internationalisation by Coviello



and McAuley (1999) in investigating the role of ethics attributes in internationalisation adoption which have never been studied. For practitioners, this research provides a guideline to entrepreneurs or managers who look for determinants that can accelerate internationalisation process of their firms. Also, internationalised SMEs may use the result of this research as a guideline to strengthen their firms and to be more competitive in foreign markets. Policymakers, government and business support agencies may also benefit from this study regarding accommodating the most appropriate support to SMEs who wish to diversify their business abroad, which in turn, will help the government in increasing country's GDP performance and providing more employability opportunities for citizens.

**Keywords:**

Small and Medium Enterprises (SMEs); Malaysia; Determinants; Internationalisation Adoption; Business Performance

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## List of Abbreviations

SME	= Small and Medium Enterprise
SMEs	= Small and Medium Enterprises
MTN	= Multilateral Trade Negotiations
e.g.	= exempli gratia (for example)
GDP	= Gross Domestic Product
MITI	= Ministry of International Trade and Industry
ibid	= Ibidem (In the same source)
APEC	= Asia Pacific Economic Cooperation
NSDC	= National SME Development Council
FDI	= Foreign Direct Investment
OLI	= Organisation, Location and Internalisation
DOI	= Degree of Internationalisation
MATRADE	= Malaysia External Trade Development Corporation
SEM	= Structural Equation Modelling
EU	= European Union
IJV	= International Joint Venture
INV	= International New Venture
RBV	= Resource-Based View
IOM	= International Operation Management
etc	= Et cetera (similar items are included)
R&D	= Research and Development
CEO	= Chief Executive Officer
EO	= Entrepreneurial orientation
c.f.	= Cited From
AFTA	= ASEAN Free Trade Area
CEFTA	= Central European Free Trade Agreement
SICA	= Central American Integration System
MNEs	= Multinational Enterprises
ROA	= Return on Asset
ROS	= Return on Sales
ROE	= Return on Equity

FSTS	= Foreign Sales as a Percentage of Total Sales
FPTP	= Foreign Profit as a Percentage of Total Profit
IT	= Information Technology
AEA	= American Electronics Association
RDI	= Research and Development Intensity
AI	= Advertising Intensity
ESTS	= Export Sales as a Percentage of Total Sales
FATA	= Foreign Assets as a Percentage of Total Assets
OSTS	= Overseas Subsidiaries as a Percentage of Total Subsidiaries
TMIE	= Top Manager's International Experience
PDIO	= Psychic Dispersion of International Operations
p.	= Page
f.	= Functions
MATRADE	= Malaysia External Trade Development Corporation
SME Corp	= SME Corporation Malaysia
KMO	= Kaiser Meyer-Olkin (statistical analysis technique)
AMOS	= Analysis of Moment Structure (statistical software)
SPSS	= Statistical Package for Social Science
SEM	= Structural Equation Modelling
FTA	= Free Trade Agreements
MARA	= Majlis Amanah Rakyat (Malaysian governmental agency)
WTO	= World Trade Organisation
E&E	= Electrical and Electronic
PRC	= People Republic of China
MIDF	= Malaysian Industrial Development Finance Berhad
SMIDEC	= Small and Medium Industries Development Corporation
CCA	= Central Coordination Agency
SCORE	= SME Competitiveness Rating for Enhancement
SMEEF	= SME Emergency Fund
BAP	= Business Accelerator Programs
GEB	= Galakan Export Bumiputra (a fund for export acceleration)
MDG	= Market Development Grant



MDeC	= Multimedia Development Corporation Malaysia
EAM	= Export Acceleration Mission
INSP	= International Sourcing Programs
OBFP	= Online Business Financing Programme
ICT	= Information Communication Technology
ASEAN	= Association of Southeast Asian Nations
ISO	= International Organization for Standardization
HACCP	= Hazard Analysis and Critical Control Points
NAFTA	= North American Free Trade Agreement
COA	= Certificate of Analysis
SKU	= Stock-Keeping Unit
Sdn. Bhd	= Sendirian Berhad (limited liability company in Malaysia)
CFA	= Confirmatory Factor Analysis
$\beta$	= Unstandardized Coefficient
$\varepsilon$	= Standard Error of Estimates
VIF	= Variance Inflation Factor
N	= Number of samples
ANOVA	= Analysis of Variance
P Value	= Observed Significant Level
OLS	= Ordinary Least Square
AVE	= Average Variance Extracted
CR	= Composite Reliability
GFI	= Goodness of Fix Index
CFI	= Comparative Fix Index
IFI	= Incremental Fix Index
MAHA	= Malaysia Agriculture, Horticulture and Agro-tourism Show

# Chapter 1: Introduction

## 1.1 Introduction

This chapter aims to establish the basis and context of the thesis. It begins by presenting the background and motivation of the research. It then presents the overview of small and medium enterprises (SMEs) and internationalisation strategy which is the foundations of the research context. Subsequently, this chapter presents the focus of research on internationalisation adoption and the impact of the internationalisation strategy on business performance of SMEs in Malaysia. Also, this chapter illustrates the research objectives, aims and questions for this thesis and presents an overview of the methodology used in the research including the qualitative and quantitative phases. The following section illustrates the theoretical, practical and methodological contributions of this thesis, followed by the explanation of the thesis structure. Finally, the chapter summarises the discussion in the last section.

## 1.2 Research Background and Motivation

The reduction in trade barriers via international trade agreements and improvements in communication technology have increased opportunities for businesses to expand their activities in foreign markets. For instance, the Association of Southeast Asian Nations (ASEAN) and North American Free Trade Agreement (NAFTA) were essential initiations to reduce foreign trade restrictions between countries (Ministry of International Trade and Industry, 2016, p. 19). Previous research also suggests that an increasing number of SMEs are entering the international marketplace (e.g. Ketkar and Acs, 2013). Such growth is quintessentially essential to any economy because SMEs are inextricably linked to economic development within both developed and developing countries given the substantial contribution they make to employment generation and output growth (Love *et al.*, 2010; Pangarkar, 2008). However, Serafica *et al.* (2010) reported in Asia Pacific Economic Cooperation (APEC) Small and Medium Enterprises Working Group (APEC-SMEWG) that there is a slightly lower proportion of total export value by SMEs in developing countries when compared to developed countries. Also, extant literature on the theme of internationalisation in developing countries predominantly relates to large firms vis-à-vis SMEs (Luo and Tung, 2007; Yamakawa, 2008).

Therefore, this research seeks to provide a greater understanding of factors impacting SMEs internationalisation adoption particularly in developing countries such as Malaysia. Furthermore, the research attempts to understand the relationship between the internationalisation strategy and SMEs business performance (measured in both financial and non-financial terms). Once validated, this research will form the basis of concise and pragmatic guidance that will assist SMEs aspiring to enter a foreign market. Government and business support agencies may also benefit from this study regarding accommodating the most appropriate support services for SMEs to increase their business growth and performance by undertaking an appropriate internationalisation strategy. This research will therefore, deepen understanding of the complex interrelationship between factors that influence SME's internationalisation adoption and how the integration of one or more internal and external factors impact upon SME's business performance.

#### 1.2.1 Small and Medium Enterprises (SMEs)

SMEs contribute to a very significant impact to social and economic stability in Malaysia, primarily by creating employment opportunities and contributing to Malaysia's current GDP shares (MITI Report, 2016, p. 54-55). Malaysia SMEs' establishment account for 97.3 per cent out of total 662, 939 of Malaysia business population. Out of the total amount of SMEs in Malaysia, 90 per cent SMEs are in the services centre, followed by six per cent of Malaysian SMEs in the manufacturing sector, and three per cent are in agriculture. Regarding the distribution of Malaysian SMEs according to size, 77 per cent are micro-enterprises, 20 per cent are small enterprises, followed by three per cent are medium enterprises. These figures show that most SMEs in Malaysia are small sized and only operate within the local market. Hence, Malaysia SMEs need to integrate their business activities with internationalisation strategy to avoid market saturation and improve the performance of the enterprises.

The term SME encapsulates a wide range of definitions and measures, varying from country to country and citation source (Ayyagari *et al.*, 2007). Commonly used criteria to define an SME include the total number of employees; total net assets; sales; and investments level (*ibid*). According to the European Commission (2005), SMEs are

defined by the number of employees and annual turnover. There is no consensus on SME definition adopted across all Asia Pacific Economic Cooperation (APEC) members, with some defining SMEs based on a single criterion while others use more than one criterion (APEC Policy Support Unit, 2010). However, in Malaysia, a definition of an SME was endorsed by the National SME Development Council (NSDC) and is used across all Malaysian ministries and agencies (refer to Table 1.1).

**Table 1. 1: Malaysian SME Definition**

Category	Small	Medium
Manufacturing	Total annual Sales revenue : MYR300,000- MYR15 Million Number of Employees : 5-75	Total annual Sales revenue : MYR15 Million- MYR50 Million Number of Employees : 75-200
Services and Other Sectors	Total annual Sales revenue : MYR300,000- MYR3 Million Number of Employees : 5-30	Total annual Sales revenue : MYR3 Million- MYR20 Million Number of Employees : 30-75

**Source:** Table adapted from SME Corporation Malaysia (2013)

Since the country and sample of study will be conducted in Malaysia, this research will adopt the definition of SME from the Malaysian SME definition.

### 1.2.2 Internationalisation Adoption

The term 'internationalisation' has been defined in several different ways by previous scholars. First, one stream of scholars strives to define internationalisation as a process through which firms are increasingly involved in international markets. For instance, Johanson and Wiedersheim-Paul (1975) proffer internationalisation is the process via which firms engage in international marketplace from activities that require fewer resource commitments to higher commitments as the firms increasingly obtain foreign markets experience and knowledge. Second, another stream of scholars relates internationalisation definition with network relationship. Scholars in this school view internationalisation as "networks of business relationships in other countries through extension, penetration and integration" (Johanson and Vahlne, 1990). Hence, network relationship is the main element in supporting the process of

internationalisation. Third, Calof and Beamish (1995) define internationalisation as *“the adaptation of firms’ operations to international environments”*, regardless of firm size, mode of internationalisation either inward or outward activities and time of firm going global. Fourth, in contrary, scholars from resource-based theory define internationalisation as *“the process of mobilising, accumulating, and developing resource stocks for international activities”* (Ruzzier *et al.*, 2006; Korsakiene and Tvaronaviciene, 2012). Fifth, on the economics point of views or so-called foreign direct investment theory (FDI), Williamson (1975) and Dunning (1980) define internationalisation as *“a pattern of investment in foreign markets explained by rational economic analysis of internationalisation, ownership, and location advantages.”* Lastly, scholars in international entrepreneurship field recently define internationalisation as *“a set of entrepreneur attributes such as innovative, risk-taking and proactive which are implemented in international markets to create value in organisations”* (McDougall and Oviatt, 2000).

Among these definitions of internationalisation, the definition by Calof and Beamish (1995) is seen to be more holistic in explaining the current research because: i) it covers various outward international activities since this study attempts to understand strategy of Malaysian SMEs internationalisation with regards to exporting via independent agent, foreign sales subsidiary and foreign direct investment (FDI); ii) this study also attempts to understand factors of internationalisation in various perspectives including entrepreneur/ human capital; firm; environmental; and moral attributes or so-called ethics characteristics; and iii) this study also attempts to understand the impact of internationalisation adoption on the business performance of Malaysian SMEs in Malaysia.

Most of the researchers in the field of internationalisation from 1950<sup>th</sup> to 1990<sup>th</sup> have focused on established, large multinational companies (McDougall and Oviatt, 2000). For example, researchers related to economics-related theory (or known as foreign direct investment theory) including i) OLI paradigm (Dunning, 1980); ii) transaction cost theory (Buckley and Casson, 1998); iii) classical theory of international (Mundell, 1957); and iv) new trade theory (Helpman, 1984) have been extensively focussed on large companies. The focus of studying large companies was also discovered in previous works of the stage theory during the period mentioned above (see for

example Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977; Welch and Luostarinen, 1988).

On the other hand, the widespread interest in studying SME internationalisation has only been extensively discovered since 1990<sup>th</sup>. For instance, the research of small and new organisations undertaking international business has emerged in international entrepreneurship literature (e.g. Giamartino *et al.*, 1993; Oviatt and McDougall, 1997; McDougall and Oviatt, 2000). Furthermore with the rise of new technology acquired by SMEs, this has been acknowledged by various public authorities that it has improved living standard amongst its people; in parallel academics are observing the internationalisation of SMEs through empirical studies (McDougall and Oviatt, 2000). Research in SME internationalisation covers various research areas, including i) barriers of internationalisation among SMEs (e.g. Hutchinson *et al.*, 2006; ii) drivers and determinants of SME internationalisation (e.g. Miocevic and Crnjak-karanovic, 2012; Evers *et al.*, 2008); iii) channels and mode of entry into international markets (e.g. Grandinetti and Mason, 2012; Plakoyiannaki *et al.*, 2014); iv) international new ventures and born global enterprises (e.g. Andersson *et al.*, 2014; Andersson and Evangelista 2006; Autio *et al.*, 2000); v) process and pattern of SME internationalisation (e.g. Kuivalainen *et al.*, 2012; Jones, 1999); and impacts of internationalisation on SMEs performance (e.g. Lu and Beamish, 2001).

Internationalisation of businesses cover some foreign trade activities. Previous researchers have used the term 'mode of internationalisation' in explaining the internationalisation activities (e.g. Grandinetti and Mason, 2012; Plakoyiannaki *et al.*, 2014). It includes inward and outward internationalisation. Among inward internationalisation, import and inward foreign direct investment are frequently used by businesses. Conversely, among outward internationalisation, export direct to international customers, export through an international agent, international joint venture and foreign direct investment are the common modes used by international businesses. Nevertheless, this current research focuses upon outward internationalisation because this strategy can diversify broader markets and avoids saturation in the local market, thus will impact Malaysian SMEs' business performance. Furthermore, outward internationalisation by Malaysian SMEs helps the Malaysian government to increase the income of the country.

### 1.3 The Focus of the Study (Internationalisation - SME Business Performance)

Research on internationalisation and impact on business performance have been studied by previous researchers (e.g. Pangarkar, 2008; Adu-Gyamfi and Korneliussen, 2013; Yeoh, 2014). Interestingly, empirical findings in previous studies have found inconsistent results. While several researchers found the significant positive relationship of internationalisation-performance, some other researchers found that the relationship is not relatively significant, U-shaped, inverted U-shaped and S-shaped (e.g. Sullivan, 1994; Annavarjula and Beldona, 2000; Zhou *et al.*, 2007).

Similarly, within SME context, several researchers found that there is no significant positive relationship of internationalisation- performance due to the liability of foreigners in foreign market and smallness characteristics of SMEs (e.g. Lu and Beamish, 2001). Conversely, several other scholars found that the relationship is significant such as Pangarkar (2008) who found the degree of internationalisation (DOI) has a significant positive relationship to SMEs' business performance in Singapore. Based on the inconsistent result in the previous studies, there is a need to investigate the relationship of internationalisation adoption-business performance specifically on SMEs in the Malaysia context.

Also, this study attempts to investigate factors influencing internationalisation adoption of Malaysian SMEs since factors discovered in previous studies vary according to industry, location/ country of investigation (companies from developed or developing countries), size of the companies, and time context (Leonidou *et al.*, 2007). From the literature review and exploratory interviews conducted, the research categorises factors impacting SMEs internationalisation adoption in four perspectives including entrepreneur/ human capital attributes, firm attributes, environmental attributes and ethics attributes. These factors were derived from the traditional stage theory, network theory, FDI theory and most recently international entrepreneurship theory. However, previous works have extensively studied on internal factors such as entrepreneur/ human capital and firm level rather than external factors particularly studies regarding SME internationalisation context (e.g. Oviatt and McDougall, 1994; Zahra and George, 2002; Javalgi and Todd, 2011; Musteen *et al.*, 2013; Kumar and Ali Yakhlef, 2014;

Gerbası and Latusek, 2015). Therefore, there is a need to extend the research into different perspectives including environmental and ethical attributes.

Accordingly, Coviello and McAuley (1999) suggested that an integrative model should be used to understand internationalisation of SMEs more holistically. Hence, they suggested future research should integrate the theories of FDI, stage and network theories to understand SMEs internationalisation. Consequently, this research underpins the integrative conceptual model suggested by Coviello and McAuley (1999); subsequently, extends the model by using institutional theory to understand the factors impacting internationalisation adoption by Malaysian SMEs and understand the role of ethics attributes impacts on internationalisation adoption by Malaysian SMEs.

#### 1.4 Research Aims and Questions

Following the earlier discussion in sections 1.2 and 1.3, this research attempts to explore conceptually and empirically the possible factors impacting internationalisation by Malaysian SMEs, particularly understanding the role of entrepreneur/ human capital, firm, environmental and ethical attributes in the relationship of internationalisation adoption.

It is also fruitful to investigate the integration among the factors to achieve a deep understanding of the most critical factors impacting the internationalisation adoption by Malaysian SMEs, and subsequently to the enterprises' business performance.

The main research aims are:

- To investigate factors influencing Malaysian SMEs to operate in foreign markets in various perspectives including internal and external factors of SMEs.
- To investigate how the integration of one or more internal and external factors will impact Malaysian SME's internationalisation adoption.
- To measure the impact of internationalisation adoption on business performance regarding financial and non-financial performance.



A set of research questions are addressed to achieve the research aims and questions. These research questions are:

- What are the different determinants impacting internationalisation adoption of Malaysian SMEs?
- How integration of internal and external determinants impacting internationalisation adoption by Malaysian SMEs?
- What is the role of ethics attributes in influencing Malaysian SMEs' decision to internationalise?
- What are the impacts of internationalisation adoption on Malaysian SMEs' financial and non-financial performance?

### 1.5 Research Methodology Overview

The research methodology was based on the post-positivist approach to achieve the research aims and answer the research questions. The triangulation approach was started from an in-depth literature review by systematically stratifying previous research studies in the field. The literature themes investigated included: i) theories underpinning previous studies that have focused on the factors influencing internationalisation (e.g. stage theory, network theory, FDI theory, international entrepreneurship theory and institution theory); ii) size of companies involved in international trade activities from small to large firms; iii) countries of study including developed and developing countries; iv) factors of internationalisation in terms of internal and external factors (e.g. managerial, organisation and environmental level) and; v) business performance (including financial and non-financial performance). These 'groupings' were then critically compared and contrasted as a means of identifying commonalities, differences and gaps in contemporary knowledge. The culmination of work undertaken then guided the second phase of the research which was concerned with identifying the different factors influencing Malaysian SMEs internationalisation.

The researcher subsequently conducted semi-structured interviews to purify the findings in the extant literature. 20 Malaysian experts involved in international business activities were interviewed during this purification phase. The sample of SME owners and government officials was selected purposefully from a publicly available export

directory which was obtained from Malaysia External Trade Development Corporation (MATRADE) website. The companies included in the study had already internationalised and started their internationalisation operations. The enterprises are Malaysian ownership companies and all of them are private companies. There was no focus on a specific business sector and industry since this study identifies the common factors influencing firms' internationalisation across all SMEs sectors and industries. The government officials were selected from those who had experienced in organising international trade missions, international business to business meeting arrangements and had involved in international trade exhibitions.

The research conducted a telephone survey to identify appropriate research participants and to obtain consent for participation. Next, the researcher conducted the semi-structured interview as this approach gives in-depth information on the determinants of Malaysian SMEs internationalisation, particularly, from the experts' perspective. The researcher conducted a face-to-face interview and phone interview to collect information about factors impacting their companies' internationalisation and the impact on business performance. All interviews were recorded via voice recorder and subsequently transcribed into written materials. The researcher shared the transcript with the interviewees to validate the initial responses. The data were then analysed manually.

This research developed the research framework and hypotheses based on the findings of exploratory interviews. The following step involved testing the framework through empirical research to prove its validity in explaining SMEs' internationalisation in Malaysia. A mix of online and traditional mail survey questionnaire was conducted to test the research hypotheses empirically. Finally, the research analysed 218 survey data in various statistical techniques including Cronbach-Alpha test, simple linear regression, multiple regression, structural equation modelling (SEM) and one-sample t-test.

## 1.6 Research Contributions

This research will contribute to the academic activities, practitioners and policymakers.

For academic activities, the contribution of the research is about understanding the different factors impact internationalisation adoption, which several factors are yet, undiscovered in Malaysia such as ethics attributes and management entrepreneur orientation (as discussed in chapter 3 and chapter 11). Furthermore, this research contributes to fulfilling the limited number of study in determining difference factors of Malaysian SMEs internationalisation by adopting more holistic research approaches involving both quantitative and qualitative methods. It also contributes to differentiating internationalisation determinants across sectors as previous literature concentrated only upon manufacturing sector in Malaysia context. Furthermore, the research expands the integrative model of understanding SME internationalisation by Coviello and McAuley (1999) by investigating the role of ethical attributes on internationalisation adoption which have never been studied. Finally, the contribution regarding theoretical basis integrates five theories of internationalisation instead of using only single theory.

For practitioners, this research provides a guideline to entrepreneurs or managers who look for determinants that can accelerate internationalisation process of their firms. Also, SMEs may use the research results as a guideline to strengthen their firms and to be more competitive in foreign markets. Also, this research provides practical information on the environmental attributes where SME owners/ managers can learn to be more vigilant to uncertainty and turbulent of the external factors that influence internationalisation process.

Concerning policymakers, government and business support agencies may also benefit from this study regarding accommodating the most appropriate support to SMEs who wish to diversify their business abroad, which in turn, will help the government in increasing GDP performance and provide more employability opportunities for citizens.

## 1.7 Thesis Structure

This thesis is structured in eleven chapters. The following section briefly explains the contents of each thesis chapters, followed by an illustration of the eleven thesis chapters in Figure 1.1.

### Chapter 1: Introduction

This chapter outlines the research background and motivation. The research context, aims and objectives are illustrated. Subsequently, the research contributions regarding academics, practitioners and policy makers are discussed. The chapter provides a brief review of contents of each thesis chapter in the last section.

### Chapter 2: SME Internationalisation

This chapter introduces the importance of an internationalisation strategy to modern businesses and defining internationalisation vis-a-vis globalisation context. Next, a differentiation in internationalisation is explored between large companies and SMEs. The chapter analyses the relevant theories, synthesises the various contributions undertaken by previous researches. As a consequence, relevant theoretical models are adopted for this research work and reasons provided for this choice. Finally, the chapter reviews the extant literature through the lens of SMEs internationalisation in the perspectives of developed and developing countries.

### Chapter 3: Determinants of SMEs' internationalisation adoption

This chapter reviews the literature on determinants of SMEs' internationalisation adoption. Published articles within the extant literature were stratified according to themes as these themes that could determine gaps in contemporary knowledge. These themes include: i) the nature of study (either empirical, conceptual, or literature review); ii) internal factors of the firms (including individual/ manager level); iii) external factors of the firms (such as environmental, ethics and industry); and iv) studies conducted in developed versus emerging economies. The chapter presents a summary of the literature on the determinants of business internationalisation and further elucidation upon knowledge gaps found.

### Chapter 4: Impact of internationalisation adoption on SMEs' business performance

This chapter critically reviews the extant literature on studies that examined the impact of internationalisation adoption on firm's business performance. In pursuing this aim, the work seeks to discuss business performance and internationalisation adoption measures. These two perspectives are fundamental to examining the internationalisation- performance relationship.

### Chapter 5: Research methodology

This chapter presents the research philosophy and methodology used to meet the research aims and objectives. It discusses and justifies the triangulation methodology approach used in this study. Subsequently, it determines the population and research samples, followed by a discussion on data collection techniques in both qualitative and quantitative phases. Challenges and problems accounted during data collection, actual data collected, response rate and data analysis techniques are discussed within the last part of this chapter.

### Chapter 6: Exploratory phase- Exploring the internationalisation adoption by Malaysian SMEs through interviews

This chapter presents an exploratory study regarding factors influencing internationalisation adoption by Malaysian SMEs. The chapter begins by exploring the current circumstances of Malaysian SMEs regarding geographical location, profiles and the government policy on SME development in Malaysia. Also, it presents the exploratory study of factors influencing internationalisation adoption by conducting interviews with Malaysian SMEs and experts who involve in international business activities. Data transcription process, analysis and findings are discussed. Finally, the chapter presents a comparison of the findings with the previous literature to formulate the research framework and hypothesis for quantitative phase study.

### Chapter 7: The research framework: A revised framework base on the findings of the exploratory studies

This chapter aims to build a research framework and hypotheses based on the findings of exploratory phase study (literature review and semi-structured interviews) discussed in chapter 2, 3, 4 and 6. The chapter begins by illustrating the research questions, followed by a discussion of the need for research framework in understanding SMEs internationalisation in Malaysia. Also, it discusses the variables and measures explaining the factors impacting internationalisation adoption, measures of internationalisation adoption and the measures of business performance. The chapter ends with the formulation of the research hypotheses which will be constructing the research survey questionnaire.

### Chapter 8: Quantitative phase study 1: Descriptive data analysis

This chapter discusses the descriptive analysis of data collected from the survey questionnaire of 218 owners/ managers of SMEs in Malaysia. It presents substantial information about the participative research samples which in turn will lead to answering research questions and meeting the aims and objectives.

### Chapter 9: Quantitative phase study 2: Inferential data analysis, reliability and hypotheses testing

This chapter discusses inferential data analysis from a survey questionnaire of 218 respondents. The study conducted inferential data analysis in two stages. Within the first stage, a preliminary analysis regarding validity and reliability tests of all multi-dimensional research constructs was examined before testing the hypothesis. Within the second part, the study conducted multivariate regression, simple linear regression, structural equation modelling and a T-test for the hypotheses tests, which in turn, answered the research questions and met the study aims.

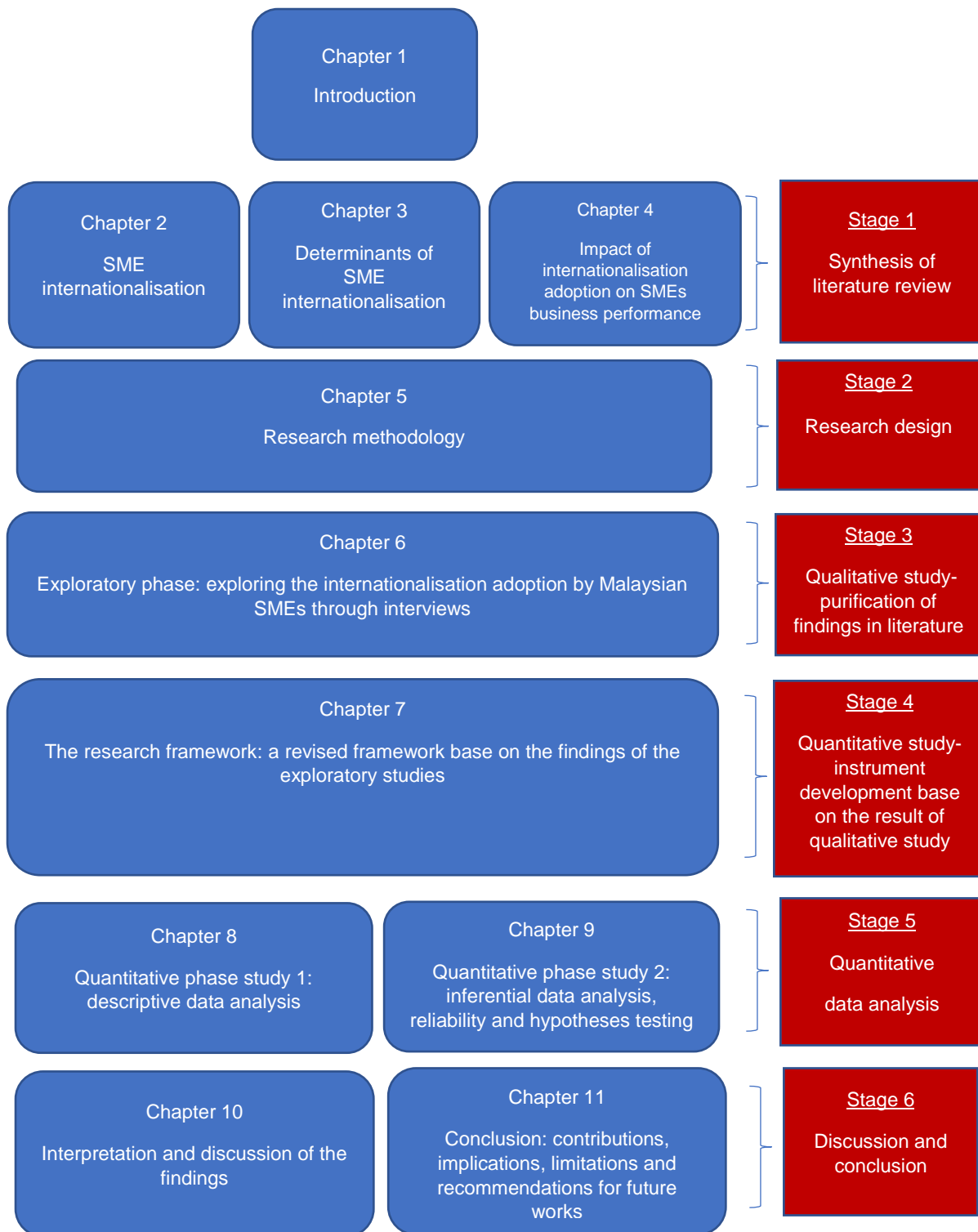
### Chapter 10: Interpretation and discussion of the findings

This chapter interprets and discusses the findings from quantitative and qualitative data analysis. The findings are compared with previous works within the research of SME internationalisation.

### Chapter 11: Conclusion: Contributions, implications, limitations and recommendations for future works

This chapter concerns the contributions of the research regarding academic activities, practitioners and policymakers. Also, implications, limitations of the study, and the recommendations for future works are discussed.

**Figure 1. 1: Thesis Structure**



**Source:** The researcher

## 1.8 Chapter Summary

This chapter presents the overall structure of the thesis. It illustrated the background and motivation of the study, the fundamental concept and focus of the study are defined, and presented the research aims and objectives, overview of the research methodology and contributions.



## Chapter 2: SME Internationalisation Adoption

### 2.1 Introduction

In the current globalised economy where cross-border communication has turned out to be more accessible, improved transportation and increased production technology; international trade has become essential for businesses to increase competitive advantage and business performance (Evers, 2010). SMEs that undertake internationalisation initiative would see an increase in financial performance and have a clearer understanding of foreign market knowledge (Muller *et al.*, 2014). Furthermore, SMEs involved in international markets demonstrate better sales growth and employability than firms that focus only on the local market. However, many factors hinder SMEs from diversifying markets abroad. For example, deficiency of financial capability, fewer employees, insufficient production capacity and technology. Moreover, environmental factors such as economic uncertainty, currency fluctuation and substantial competition from larger companies could also delay the process of internationalisation by SMEs.

This chapter aims to review extant literature on SMEs' internationalisation and subsequently identify the knowledge gaps within the research area. The chapter starts with an overview of international business and discusses the importance of international business activities before defining internationalisation vis-à-vis globalisation. The chapter then analyses the similarities and differences between the internationalisation of SMEs and larger companies. Subsequently, it evaluates the relevant theories in business internationalisation that have been adopted by previous studies. Based on the analysis of the theories, a suitable theoretical model was selected for the current research, and the reasons for adopting the model was then justified. Finally, the chapter ends with a discussion of previous studies on internationalisation adoption by SMEs from the perspective of developing and developed countries.

### 2.2 Internationalisation and Globalisation

Internationalisation and globalisation are always explained and interchangeably used in the same way (Junior, 2010). Nevertheless, the real definition of these terminologies

is significantly different. Hence, the chapter will then discuss both terminologies in some detail.

### 2.2.1 Definition of Internationalisation

Previous studies from 1950 to 2000 have synonymously used the word internationalisation as export initiatives. For instance, Turnbull (1987) defines internationalisation as an outward movement from the domestic market of international business activities (c.f. Crick and Jones, 2000). Some other scholars define internationalisation as a process of moving the business activities from local market to international market (e.g. Andersen 1992; Buckley *et al.*, 1998; Farrell *et al.* 1998). Recently, scholars in international entrepreneurship define internationalisation as a process of seeking opportunities in overseas markets to improve the competitive advantage (e.g. Lumpkin and Dess, 1996; Zahra *et al.*, 2000). Nevertheless, all scholars above define internationalisation as a one-way movement of international business activities or so-called outward internationalisation.

Conversely, some other scholars proffer that internationalisation is not only related to outward internationalisation but could also be understood in a broader context including import and inward foreign direct investment or so-called inward internationalisation (e.g. Welch and Luostarinen, 1988; Calof and Beamish, 1995). Welch and Luostarinen (1988) explain internationalisation as the process of cross-border operations including outward and inward business activities of the domestic market. Outward internationalisation includes: direct exporting to unsolicited customers in international markets; export via independent overseas agents; establish foreign sales subsidiary; and establish own foreign production (Johanson and Wiedersheim-Paul, 1975). In contrast, inward internationalisation includes: import; and inward foreign direct investment (Naidu *et al.*, 1997). Calof and Beamish (1995) broaden the definition of Welch and Luostarinen (1988) to explain the phenomenon where firms stop integrating international activities in their daily business such as: depriving a division; downsizing international business activities; selling international production assets; and de-internationalisation. Hence, Calof and Beamish (1995) defined internationalisation as the process of integrating firm operations such as strategy, resource and structure into foreign environments.

Nevertheless, Calof and Beamisht (1995) do not acknowledge in their definition the process of a firm's internationalisation, from its early stages to its establishment in international markets. Hence, the definition by Johanson and Vahlne (1990) appropriately explains the internationalisation of firms since it acknowledges the gradual and evolutionary process.

Based on the above literature, the definitions of internationalisation by Calof and Beamisht (1995) and Johanson and Vahlne (1990) are suited to this current research since it aims to understand internationalisation of SMEs in an outward internationalisation perspective, including: direct export to international customers; exporting via foreign representatives; joint ventures; and foreign direct investment. Also, this study investigates internationalisation of SMEs from the early stage to understand key factors that influence the decision to internationalise.

### 2.2.2 Internationalisation versus Globalisation

Previous scholars have attempted to differentiate between internationalisation and globalisation phenomenon (Junior, 2010). While internationalisation is generally known as a process of diversifying business activities from domestic into the international marketplace, globalisation is defined as a process of diversifying business activities into a global scale (Ruzzier *et al.* 2006). Furthermore, globalisation is described as firms that internationalise into multiple foreign destinations and experience turbulent challenges in international markets (Crick, 2009). Hence, the term 'global' is more suitable for multinational companies that present more experiences and are established in multiple foreign marketplaces (Ruigrok, 2000; c.f. Zaki *et al.*, 2015).

However, several scholars define globalisation differently. For example, Gjellerup (2000) explains that globalisation has three different characteristics, including: i) better communication facilities, such as internet and other communication infrastructures that can accelerate the process of communication, information transfer and communication cost reduction; ii) the liberalisation of foreign markets' rules and regulations to eliminate foreign market barriers. Thus, companies could easily sell products and services abroad without hindrances; and iii) the increase in economic

restructuring such as the open market initiative by China which has broadened international market territory, especially among neighbouring countries in the Asian region. The new open market policy has become an attraction for international companies to explore new markets (Ruzzier *et al.*, 2006).

Given the above discussions, this current research adopted the term 'internationalisation' because it is most suited in explaining the process of diversifying business activities into foreign markets by SMEs. Furthermore, the smallness characteristics of SMEs (i.e. firm size, human capital and finance) may restrict the firms' international markets territory to neighbouring regions or the domestic market (Pleitner, 1997).

### 2.3 Size of International Companies

Previous researchers such as Lu and Beamish (2001), Shamsuddoha *et al.* (2009), Meliá *et al.* (2010) and Görg and Strobl (2001) have divided internationalised companies into two categories, including: i) small and medium enterprises (SMEs) and ii) large companies. Each of these internationalised companies is discussed in further detail.

#### 2.3.1 Large Companies' Internationalisation

The definition of large companies varies between countries. Whilst in Malaysia, large companies are considered as those who have more than 200 employees and a revenue of more than MYR50 million (SME Corporation Malaysia, 2013). Conversely, the European Commission defines large companies as those who have more than 250 employees and a revenue of more than 50 million Euros (Muller *et al.*, 2014, p.10). Large companies contribute significant shares of total exports in the world and show a major contribution to international trade (Ruzzier *et al.*, 2006). For example, the share of large Malaysian companies' export to total export was 82.4 per cent in 2015 (Ministry of International Trade and Industry Report, 2016, p. 56). Similarly, the share of large Irish companies' export was 83 per cent in 1995 (Gorg and Strobl, 2002; c.f. Zaki *et al.*, 2015), and the share of large European companies' export was 83.3 per cent of total export in 2009 (Muller *et al.*, 2014, p. 68). Hence, the report shows that

the contribution of export share by larger companies is more than SMEs in many countries in the world.

### 2.3.2 Small and Medium- Sized Companies' Internationalisation

The definition of SMEs differs between countries (Seráfica *et al.*, 2010, p. 3). Malaysian SMEs are companies that employ between 5 to 200 employees and have a turnover between MYR300 thousand to MYR50 million (SME Corporation Malaysia, 2013, p.2). Whilst European SMEs are companies that employ between 10 to 250 employees and have a turnover between 2 million Euros to 50 million Euros. SMEs play an essential role in the global economy. The population of SMEs accounts for 90 per cent of the world's total businesses (Graham, 1999; Seráfica *et al.*, 2010, p. 5). SMEs make up 97.3 per cent of the 662, 939 businesses established in Malaysia (Ministry of International Trade and Industry, 2016). Similarly, SMEs make up 90 per cent of total businesses in Africa (Ramukumba, 2014) and in Europe, SMEs make up 99.8 per cent of all businesses in the non-financial business sector (Muller *et al.*, 2014, p.10).

### 2.4 Theories of Firms' Internationalisation Adoption

Previous studies have adopted various theories in explaining the phenomenon of business internationalisation, since the classical theory of international trade was introduced by earlier researchers such as Mundell (1957). Most researchers conducted studies through the perspective of large companies' internationalisation between 1950 to 1960 (Ruzzier *et al.*, 2006). Research on SME internationalisation emerged more rapidly when early researchers such as Oviatt and McDougall (1994), Mcdougall and Oviatt (1996) and Knight and Cavusgil (2004) introduced the theory of international new venture (INV). However, theories explaining SMEs' internationalisation are still in their early stages, and there is no consensus amongst scholars in explaining the phenomenon (Deprey, 2011, p. 38). Table 2.1 shows a summary of the extant literature on SMEs' internationalisation.

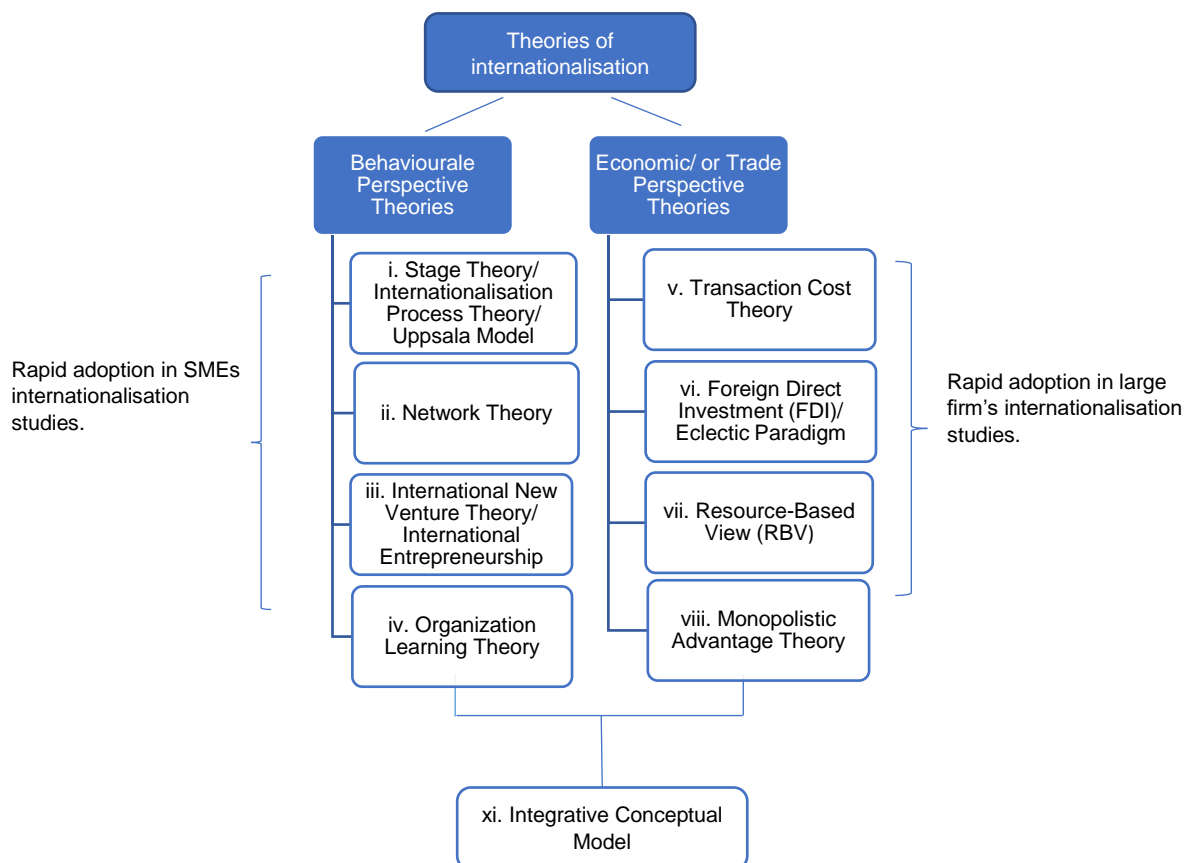
**Table 2. 1: Previous studies on SMEs' Internationalisation**

<b>Author/ Year</b>	<b>Focus of study</b>	<b>Country scope</b>
1. Di Gregorio <i>et al.</i> (2009)	Foreign direct investment or foreign productions as a key for competitiveness for SMEs.	United States
2. Reid (1981)	The impact of organisation and individual attributes on foreign entry expansion behaviour.	United States
3. Bilkey and Tesar (1977)	The export behaviour of small companies in the manufacturing sector.	United States
4. Zhou <i>et al.</i> (2007)	The impact of social networks on companies' performance.	China
5. Qian (2002)	The impact of product diversification and multinationality on firms' performance.	United States
6. Lu and Beamish (2006)	The contribution of home and host partners on the performance of international joint venture (IJV) companies.	Japan
7. Yamakawa <i>et al.</i> (2008)	Factors influencing new ventures from developing countries to diversify into developed countries.	China/Taiwan/ Malaysia/India
8. Park and Bae (2004)	Exploring the static and dynamic patterns of international new ventures (INVs) strategy and growth.	Korea
9. Westhead <i>et al.</i> (2001)	Understanding SMEs' internationalisation from the perspective of management, organisation and environment.	United Kingdom
10. Musteen <i>et al.</i> (2013)	The impact of networks and foreign market knowledge on SMEs' internationalisation.	Czech Republic
11. Zahra <i>et al.</i> (2000)	The impact of international business adoption on firms' technological learning.	United States
12. Autio <i>et al.</i> (2000)	The impact of internationalisation adoption, knowledge intensity and imitable technology on firms' international growth.	Finland

**Source:** Adapted from Zaki *et al.* (2015)

The extant literature in Table 2.1 demonstrates that previous researchers have adopted various theories to understand business internationalisation in numerous aspects. For example, Reid (1981) adopted stage theory to understand the impact of individual and organisational characteristics on export decision making. In contrast, Westhead *et al.* (2001) used resource-based theory to understand SMEs' internationalisation from the perspectives of owners/ managers, organisations and the external environment. Zahra *et al.* (2000) adopted the international new venture or born-global theory to understand the impact of internationalisation adoption on firms' technical learning. Figure 2.1 shows the list of business internationalisation theories which have been categorised into behavioural and economic perspectives by Zaki *et al.* (2015). This research will then discuss each of the theories in some further detail.

**Figure 2. 1: Structure of Theories Adopted in International Business Studies.**



**Source:** Figure adapted from Zaki *et al.* (2015)

#### 2.4.1 Stage/ Gradual Theory

This theory is concerned with the process of internationalisation of business in gradual and incremental steps rather than expanding into overseas markets on a sizeable scale during the early stages of internationalisation. Johanson and Wiedersheim-Paul (1975) adopted gradual theory in the Uppsala International Model based on the empirical observations of four Swedish companies. They (*ibid*) argue that many firms in Sweden and the United States start diversifying into international markets when they are comparatively small and gradually increase international commitments until established in overseas markets. They (*ibid*) found that the four Swedish companies (Sandvik, Atlas Copco, Facit and Volvo) started internationalisation since they were relatively small firms. Also, Johanson and Wiedersheim-paul (*ibid*) describe internationalisation occurs in four different stages, including: i) absent of internationalisation activity; ii) export via independent representatives; iii) establish an overseas subsidiary or perform joint ventures abroad, and iv) perform outward foreign direct investment, such as establishing production abroad. Stage theory suggests that internationalisation is a process of minimising risks by adopting a slow incremental international commitment.

However, stage theory does not explain the process of knowledge acquisition and sources of knowledge adequately. Several previous researchers adopted other theories to encounter the shortcoming of stage theory. For instance, Fletcher and Harris (2012) extended stage theory by adopting organisational learning theory to understand the acquisition and sources of knowledge during the internationalisation process (c.f. Zaki *et al.*, 2015).

Stage theory also fails to describe the phenomenon of early internationalisation by companies such as alibaba.com, eBay, Amazon and google.com since it is concerned with the slow and incremental process, whilst these companies became internationalised after inception.

Nevertheless, stage theory could still elucidate SMEs' internationalisation in several countries that have the uncommon phenomenon of early internationalisation (born global firms) such as Sweden (Andersson and Wictor, 2003). Similarly, Amal and Filho (2009) examined the process of internationalisation of Brazilian SMEs' and found that



stage theory was suitable in explaining the pattern of Brazilian SMEs' internationalisation. Also, Abdullah and Zain (2011) conducted a study on the internationalisation process of Malaysian SMEs, and they found that stage theory explained the internationalisation process of the firms within the study.

#### 2.4.2 Network Theory

The network model emphasises the importance of linkages among business actors during the internationalisation process (Johanson and Mattsson, 1987a). Johnsen and Johnsen (1999) explain the term 'network' as social or formal relationships between individual, firms and their strategic business links such as family, suppliers, customers, governmental departments, financial institutions, business community and other business alliances. Several previous studies have found that networks facilitate the process of internationalisation amongst SMEs (e.g., Coviello and Munro, 1997; Kontinen and Ojala, 2011; Jin and Jung, 2016). Furthermore, Fuller-Love and Thomas (2004) found that networks could contribute to increasing SME performance. Also, Johanson and Mattsson (1987) proffer that the network approach is the most suitable theory in explaining internationalisation of SMEs, because it can clearly explain the questions of 'why' and 'how' SMEs diversify into foreign markets.

#### 2.4.3 International New Venture (INV) / or International Entrepreneurship Theory

International entrepreneurship theory or INV theory focuses on the internationalisation of new companies after inception or soon after its establishment (Oviatt and McDougall, 1994). This approach argues that some businesses skip several stages in the internationalisation process but internationalise from the early age of their inception (Etemad, 2004). The phenomenon of INV or born global differs between countries. Andersson and Wictor (2003) found that INV was uncommon in Sweden. However, Andersson (2006) found INV was an appropriate tool to understand the internationalisation of Malaysian companies in the furniture industry. Regardless of firms' size, INV is concerned with the firms' age and suggests that companies with unique assets and competitive advantage could enter the international marketplace expediently. Wolff and Pett (2000) proffer that a company's strategic plan could also accelerate the process of internationalisation and skip the gradual process of knowledge acquisition.

Besides being concerned with the companies' age, INV theory has encouraged previous studies to understand the firms and individual entrepreneurial aspects. For instance, De Clercq *et al.* (2005) adopted this theory to understand the impact of entrepreneurial orientation (i.e. innovative, proactive and risk-taking) on internationalisation intention by business owners/ managers. Recent researchers increasingly accepted this theory because the number of born-global firms has increased due to the rapid globalisation phenomenon.

However, a shortcoming of this theory is that it may only describe the phenomenon of born global enterprises which internationalise in under six years after the companies' inception, and fails to describe matured companies' internationalisation (e.g., Oviatt and McDougall, 1994; Zahra *et al.*, 2000).

#### 2.4.4 Transaction Cost Theory

Although transaction cost theory and stage theory seem similar to one another regarding risk management during cross-border activities, they are both differ at one stage (Teece, 1986; c.f. Ruzzier *et al.*, 2006, p. 481). While stage approach is concerned with a gradual process of diversifying into international markets by acquisition of knowledge and commitment; transaction cost theory is concerned with economic aspects during the internationalisation process. Transaction cost theory focuses on minimising total transaction cost and maximising profit and production as a factor for business internationalisation (Coviello and Martin, 1999). Hence, this theory is suited to explaining outward foreign direct investment.

However, a shortcoming of transaction cost theory is that it only indicates economic and oligopolistic perspectives. This theory does not evaluate behavioural and human factors such as owners/ managers' global visions and entrepreneurial orientations that influence companies to internationalise.

#### 2.4.5 Organisation Learning Theory

This theory focuses on knowledge acquisition during the process of internationalisation. Organisation learning theory explains knowledge as a significant driver for internationalisation adoption. Calof and Viviers (1995) examined companies'

internationalisation learning behaviour. They (*ibid*) found Canadian and African companies internationalised to host countries that have fewer risks for acquiring knowledge and experience before rapidly increase the scope of internationalisation. Organisation learning theory describes knowledge acquisition from two perspectives: exploration and exploitation. De Clercq *et al.* (2005) explain knowledge exploration is where firms seek to obtain new knowledge and skills to internationalise, while knowledge exploitation is where firms increase their existing knowledge and skills obtained from internationalisation activities. Levinthal and March (1993) proffer that knowledge exploitation *per se* is not sufficient to guarantee business survival in foreign markets since environments rapidly change. Therefore, companies must obtain new knowledge and continue to innovate to remain solvent in the international marketplace.

Although organisation learning theory seems similar to the gradual approach regarding knowledge acquisition, they differ at one stage. Fletcher and Harris (2012) differentiate stage theory and organisational learning theory. They (*ibid*) discovered that stage theory focuses on knowledge as a determinant of internationalisation, whilst the latter focuses on sources and how knowledge is acquired.

#### 2.4.6 Resource-Based View (RBV)

Resource-based theory describes the importance of firms' internal and external resources to facilitate the process of internationalisation. Previous researches have always associated firm size as one of the firms' resources (e.g. Wolff and Pett, 2000; Wright *et al.*, 2001). This theory suggests that the larger the firm becomes, the more likely the firm will enter international markets, due to the capability of absorbing foreign trade challenges (Aaby and Slater, 1989). Similarly, Bonaccorsi (1992) found that there is a significant relationship between firm size (i.e. the number of employees) and the likelihood of internationalisation by Italian manufacturing companies.

Besides firm size, this theory also describes finance and time as resources for firms' internationalisation (Han, 2006). Zaki *et al.* (2015) suggest that this theory is beneficial since it explains broader aspects of internationalisation. It explains various companies' resources such as financial capability, human capital, management and technological skills (Grant, 1991).

#### 2.4.7 Foreign Direct Investment (FDI) Theory / or Eclectic Paradigm

Transaction cost-based theory inspired Dunning (1980; 1988) to understand internationalisation from the perspective of an eclectic approach. However, this theory argues that the economic aspect is not the only influencing factor for firms to internationalise. Eclectic paradigm suggests that three advantages must be present for firms to consider internationalisation, these include: i) ownership; ii) internalisation; and iii) location. Dunning (1980) proffers that firms' that possessed strong strategic assets (but its competitors could not possess the same) are more likely to internalise their assets to foreign countries. However, the international business expansion is dependent on how new foreign location could be beneficial, in terms of overall transaction cost reduction and profit maximisation, when compared to the benefits gained in the domestic market. Javalgi *et al.* (2003) have adopted the FDI theory to examine the relationship between firms' size, location specific-advantages and internationalisation adoption by service companies. They (*ibid*) found ownership-advantage of firms' size and location specific-advantages have significantly influenced internationalisation adoption by service companies. Thus, FDI theory fulfilled the insufficiency of the transaction-cost theory which focused only on the monetary aspect.

#### 2.4.8 Monopolistic Advantage Theory

Monopolistic advantage theory can appropriately describe business internationalisation (Almeida *et al.*, 1996). They (*ibid*) proffer that firms could internationalise by using their unique advantages at a low cost. For instance, specific knowledge or ability of control over unique resources could be an advantage for internationalisation. Previous researchers have used this theory to investigate international business activities amongst larger companies (Ruzzier *et al.*, 2007). Similarly, the monopolistic advantage approach could also explain SMEs' internationalisation because it indicates superior knowledge and unique resources as factors to internationalise. However, this theory is not appropriate in describing the phenomenon of born global at one stage. For instance, this theory proposes that companies reduce foreign market risk by replicating competing firms' strategies to enter overseas markets. Conversely, it contradicts the characteristics of born global firms that have a high global vision and are prominent in international marketplace (Jolly *et al.*, 1992).

#### 2.4.9 The Integrative Conceptual Model

The international business theories discussed above do not holistically describe SMEs' internationalisation. For instance, while the stage approach concerns the gradual process of internationalisation, network theory focuses on the relationships amongst actors in international business activities. Similarly, eclectic paradigm is concerned with only ownership, internalisation and location advantages to internationalise. As an alternative, previous researchers have increased attention to undertaking internationalisation studies in a more integrative manner. The integrative conceptual model has become popular because it can combine multiple theories into a single study (Zaki *et al.*, 2015). For instance, Coviello and Martin (1999) integrated the network approach, gradual theory and eclectic paradigm in a single study to understand the factors influencing engineering consultant SMEs' internationalisation in New Zealand. They (*ibid*) discovered that the integrative model described the complicated internationalisation of the engineering firms. Similarly, Li and Gammelgaard (2014) combined eclectic model and stage theory to understand the impact of management entrepreneur orientation, foreign country policy and regulatory focus on managerial decision to internationalise. This approach is comprehensive in understanding SMEs internationalisation in several aspects, including: determinants of internationalisation; modes; foreign market selection; barriers of internationalisation; and even de-internationalisation process (Zaki *et al.*, 2015).

#### 2.5 Criticism of the Theories

Most theories examined are not all-encompassing. Firstly, the stage approach introduced by Johanson and Vahlne (1990; 1977) and international new venture approach adopted by Oviatt and McDougall (1994) are redundant to one another in explaining knowledge acquisition during the process of internationalisation. Conversely, these theories should take on different perspectives towards explaining business internationalisation. For example, while the gradual approach focuses on the acquisition of knowledge and commitment, INV theory can focus on the activities of new companies entering the international marketplace.

Secondly, most theories seem to limit their explanation on specific aspects such as born global theory (e.g. Knight and Cavusgil, 2004). This theory may only explain born global companies that internationalise from their inception but not matured firms.

Thirdly, it is notable that several theories fail to differentiate the size of internationalised companies. For instance, Andersen (1993) adopted the gradual approach to understanding the internationalisation process of business without distinguishing between SMEs or large firms. Similarly, Dunning (1980, 1988) and Buckley and Casson (1998) failed to distinguish firm size in their studies of FDI theory and eclectic paradigm. Also, Ahmed *et al.* (2006) conducted a study on the impact of internet adoption on average sales volume and export performance of manufacturing firms, without classifying SMEs or large firms in their study.

Finally, it is notable that most theories sufficiently fail to explain the internationalisation conundrum. For instance, stage theory does not explain knowledge acquisition in the internationalisation process in great detail, particularly, on how knowledge is acquired and sources of knowledge. To overcome the shortcomings of stage theory, Fletcher and Harris (2012) adopted organisational learning theory to understand the process and sources of knowledge acquisition.

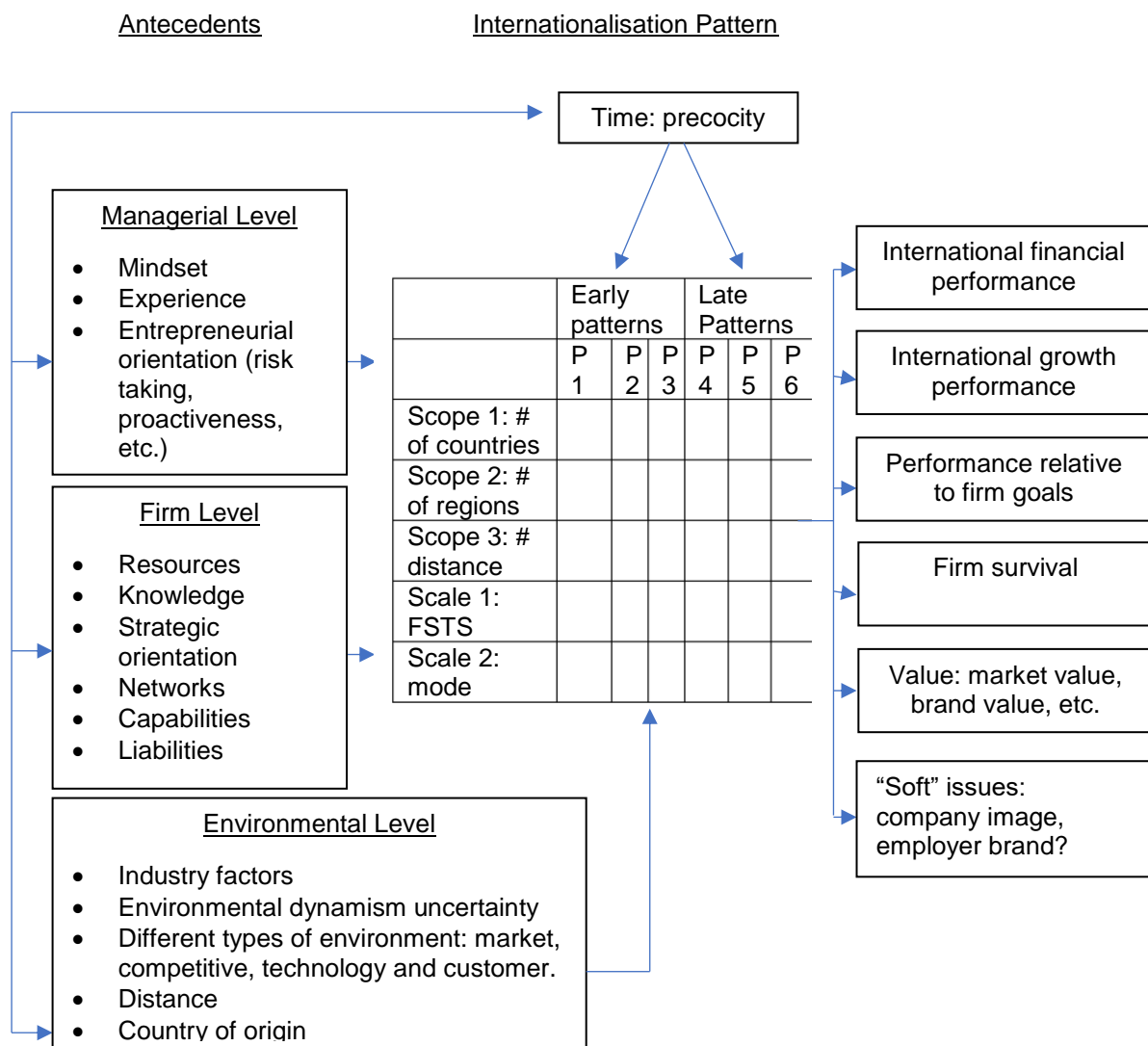
## 2.6 Theories Underpinning the Research Area

The research of SMEs' internationalisation will be more comprehensive with the adoption of a holistic approach. Thus, the integrative conceptual model seems to represent a suitable hybrid approach explaining the phenomenon currently. Furthermore, Kuivalainen *et al.* (2012) proffer that the integrative approach conducted in previous studies of SMEs' internationalisation is still scant. Figure 2.2 presents the holistic model proposed by Kuivalainen *et al.* (2012; c.f. Zaki *et al.*, 2015).

Eminent scholars such as Coviello and McAuley (1999) and Coviello and Martin (1999) suggest that future studies may combine theories to understand SMEs' internationalisation. Coviello and McAuley (1999) reviewed contemporary empirical research on SMEs' internationalisation and found this phenomenon is best understood holistically by integrating major theoretical frameworks including stage theory, network

model, FDI theory and INV. Their results support the argument by Morgan and Katsikeas (1997) who proffer that internationalisation crosses various theories. Previous researches who used the integrative conceptual model in understanding SMEs' internationalisation include De Clercq *et al.* (2005), Senik *et al.* (2010) and Coviello and McAuley (1999). They (*ibid*) adopted the integrative model to understand the impact of management, firm and environmental-related factors in influencing SME owners'/ managers' decision to internationalise.

**Figure 2. 2: Integrative Research Model of SMEs Internationalisation**



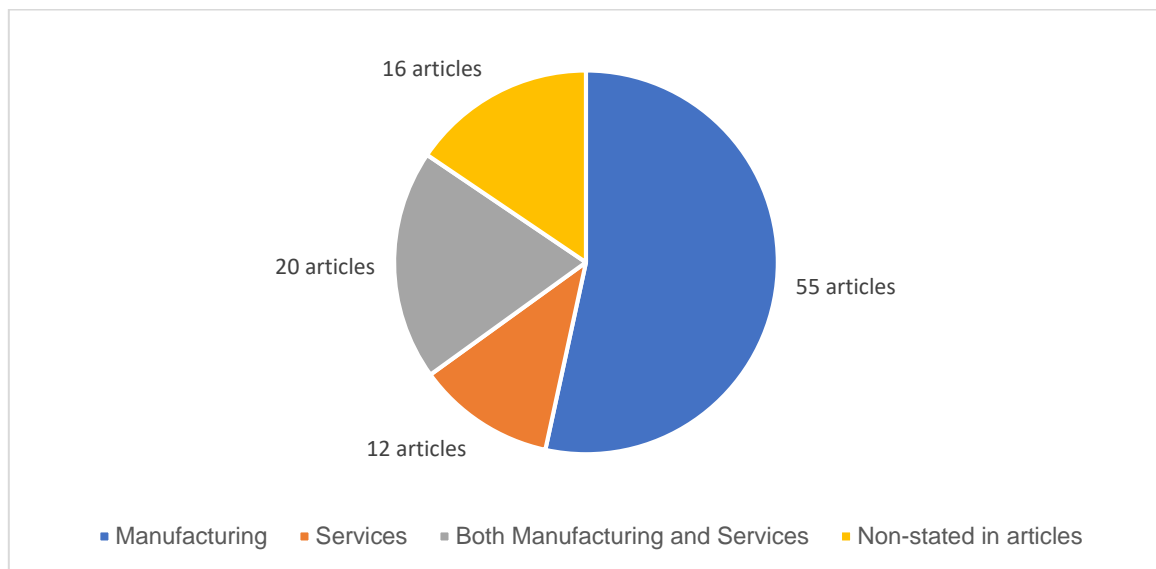
Source: Figure developed by Kuivalainen *et al.* (2012, p. 452)

## 2.7 Internationalised Firms According to Industrial Sector

Since this research aims to investigate factors of SMEs' internationalisation in a Malaysian context, it divides the industrial sector into two categories based on the classification made by the Malaysian government: i) manufacturing; and ii) services (i.e. financial institutions, consultants, education institutions, engineering, architecture and information providers) (SME Corporation Malaysia, 2014). The services sector has unique inherent characteristics such as inseparability and intangibility which result in companies facing challenges in operating away from their international customers (Javalgi *et al.*, 2003). Conversely, manufacturing companies can conduct businesses from their home countries without travelling abroad. Manufacturing companies could deal with foreign customers via various modes of entry, such as direct exporting, export through foreign representatives, joint venture and establish own foreign production. Service-based companies might have advantages over manufacturing firms in terms of total foreign transaction cost, where they have a lower overhead which in turn can reduce the risks of operating in a foreign market (Erramilli, 1991; Masurel, 2001). Previous researchers found few differences between service-based and manufacturing companies (e.g., Zaki *et al.*, 2015). Hence, the examined theories can also explain the internationalisation of companies in service-based firms. However, previous research on service-based companies is scant when compared to manufacturing. These can be seen from the literature review conducted by Zaki *et al.* (2015). They (*ibid*) found 55 out of the 103 articles reviewed focused on SMEs' internationalisation in the manufacturing sector. Conversely, research on the service-based sector accounted for only 12 articles (refer to Figure 2.3). Several other researchers support this finding, such as Javalgi *et al.* (2003) and Westhead *et al.* (2001). Javalgi *et al.* (2003) proffer that researchers in services SMEs' internationalisation is relatively low, and services companies seem less likely to internationalise than manufacturing firms.



**Figure 2. 3: Extant Literature on SMEs Internationalisation by Industrial Sector**



**Source:** Adapted from Zaki *et al.* (2015)

## 2.8 SMEs Internationalisation in Developed and Emerging Countries

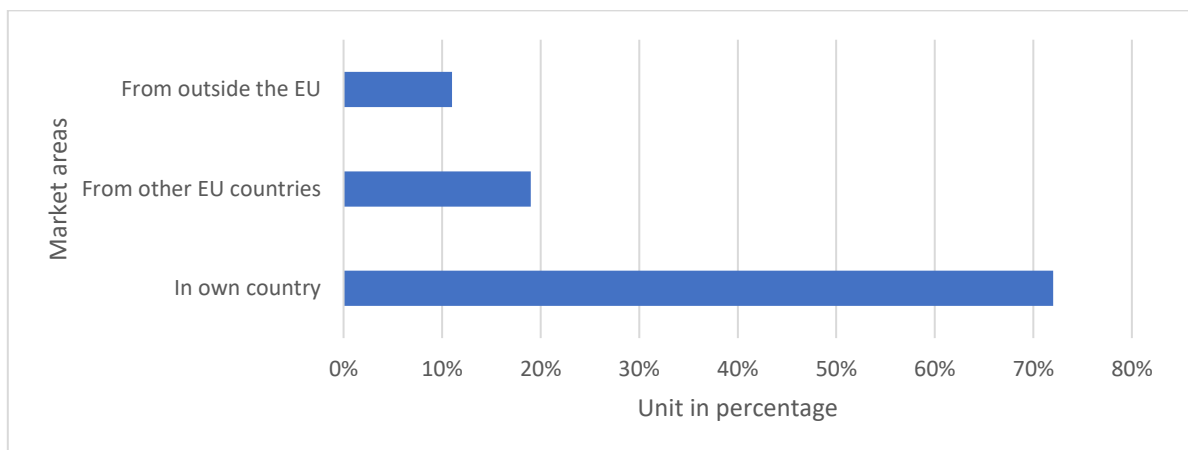
This section presents the current performance of international trade activities of SMEs worldwide. It starts with reviewing official reports on the international trade contribution by SMEs from both developed and emerging countries. Subsequently, it reviews previous academic research conducted to understand internationalisation adoption by SMEs in developed and emerging countries.

### 2.8.1 Governmental Reports on SMEs' Internationalisation in both Developed and Emerging Countries

Notably, SMEs from developed countries are more involved in international business than SMEs from emerging countries. In the European SMEs 2013/2014 Annual Report, Muller *et al.* (2014) reported that European SMEs are actively involved in both outward and inward international business activities including import, export, international subcontracting and international technical-cooperation (see Table 3). Most European SMEs are involved in inward internationalisation. The international trade location of European SMEs is categorised into three different areas: i) global marketplace outside European countries; ii) within European countries; iii) and the domestic market (inward internationalisation). Figure 2.4 presents that most of European international trade transaction is from inward trade activities. The report also shows that 42 per cent of total EU SMEs are involved in global trade activities.

However, only 25 per cent of SMEs engage in export activities, and 13 per cent export to emerging countries. Muller (*ibid*) reported that EU SMEs are more internationalised than their Japanese counterparts.

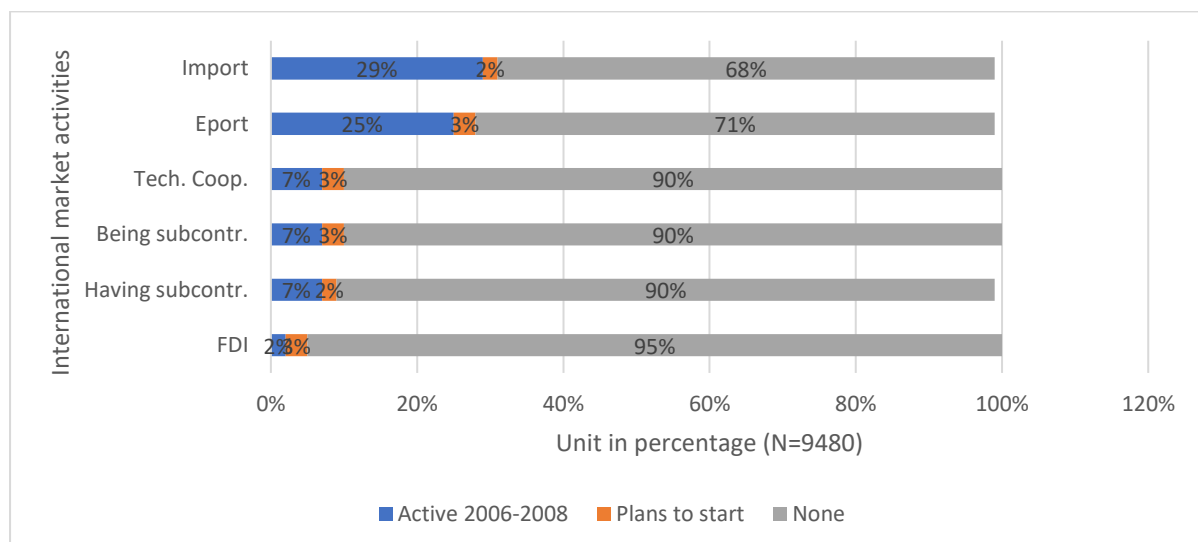
**Figure 2. 4: Distribution of Total Turnover among Three Market Areas, Average Percentage Turnover of Internationalised SMEs**



**Source:** (c.f. Muller *et al.*, 2014; Zaki *et al.*, 2015)

Muller *et al.* (2014) also identified that the percentage of international sales was low when compared to the total sales of EU27 SMEs (see Figure 2.5).

**Figure 2. 5: For Various Modes of Internationalisation, the Percentage of SMEs in EU27 Involved in International Business Activities, Having Concrete Plans to Start or None at All**



**Source:** (c.f. Muller *et al.*, 2014, p. 62).

Conversely, Asia Pacific Economic Cooperation (APEC) Small and Medium Enterprises Working Group (SMEWG) 2010 reported that the number of internationalised SMEs in developing countries was much fewer than internationalised EU SMEs (c.f. Serafica *et al.*, 2010, p.22). For instance, Peru accounted for only 2,007 internationalised SMEs (0.2 per cent) out of 880, 963 SMEs; Chile accounted for 4,852 internationalised SMEs (0.7 per cent) out of 741,299 SMEs; and Vietnam accounted for only 2,810 internationalised SMEs (3.2 per cent) from 109,738 SMEs in 2005 (Serafica *et al.*, 2010, p.22). Similarly, it is notable in APEC-SMEWG report 2010 that most SMEs from developing countries still have a lower export share out of total export value (refer Table 2.2). For instance, Chile accounted for 2.4 per cent of the total export value in 2009; Indonesia accounted for 16.7 per cent of the total export value in 2008; Malaysia accounted for 17.6 per cent of total export value in 2015 (Serafica *et al.*, 2010, p. 23; Ministry of International Trade and Industry, 2016, p. 56)

**Table 2. 2: SME Export Value as a Share of Total Export Value**

Emerging economy	Value of SME exports (in-country currency)	Percentage of total export value (%)	Year
Indonesia	183, 759 IDR billions	16.7	2008
Korea	130, 527 USD millions	30.9	2008
Malaysia	Not available	17.6	2015
Philippines	Not available	25.0	2001
Chinese Taipei	1,644,707 TWD millions	17.4	2008
Thailand	1,589,200 THB millions	30.6	2009

**Source:** Table adapted from Serafica *et al.* (2010, p.23), Zaki *et al.* (2015) and Ministry of International Trade and Industry (2016)

According to the governmental reports above, it was found that the internationalisation of SMEs from developed and developing countries is still low, in comparison to the total export value and number of SMEs worldwide.

### 2.8.2 Research Conducted in Developed Countries.

Most previous research and theories of international business were produced by scholars from developed countries (Zaki *et al.*, 2015). For example, Oviatt and

McDougall (1994) and Zahra *et al.* (2000) studied international new venture in the United States; Dunning (1980) and Buckley and Casson (1998) researched FDI theory in the United Kingdom; and Johanson and Wiedersheim-Paul (1975) pioneered the study of stage theory in the Swedish context. Moreover, in review of the extant literature on SMEs' internationalisation, Zaki *et al.* (2015) accounted for 81 articles (79 per cent) out of 103 articles studied in developed countries, followed by 19 articles (18 per cent) articles studied in developing countries, and three articles (three percent) studied simultaneously developed and developing countries in a single study (see Table 2.3).

**Table 2. 3: Extant Literature on SMEs' Internationalisation by Country (or Countries) of Investigation**

	<b>Country (or countries) of Investigation</b>	<b>Number of articles</b>
<b>Developed countries</b>	1. United States	18
	2. United Kingdom	11
	3. Sweden	11
	4. Canada	5
	5. Norway	2
	6. Denmark	2
	7. Spain	4
	8. Slovenia	1
	9. Ireland	3
	10. New Zealand	3
	11. Finland	3
	12. Japan	2
	13. Netherland	1
	14. Australia	2
	15. Italy	1
	16. Belgium	1
	17. Singapore	1
	18. Czech Republic	1
	19. Multi-countries investigation in developed countries	9
	<b>Total literature in developed countries</b>	<b>81</b>
<b>Emerging countries</b>	20. Taiwan	1
	21. Malaysia	2
	22. India	2
	23. China	2

	24. Brazil	3
	25. South Korea	1
	26. Korea	1
	27. Iran	1
	28. Syria	1
	29. Lebanon	1
	30. South Africa	1
	31. Multi-countries investigation in developing countries	3
	Total literature in emerging countries	19
<b>Both developed and emerging countries</b>	32. Multi-countries investigation in both developed and emerging countries	3
	Total extant literature	103

**Source:** Table adapted from (Zaki *et al.*, 2015)

Several scholars support the findings of Zaki *et al.* (2015) (see Table 2.3) that there is a large research focus on the internationalisation of SMEs from developed countries (e.g., Bell *et al.*, 2004; Holmlund *et al.*, 2007; Arranz and Arroyabe, 2009). Reid (1984) arguably one of the earliest researchers of SME internationalisation from developed countries, studied the acquisition of knowledge by Canadian SMEs to internationalise. They (*ibid*) found that Canadian SMEs acquire knowledge and assistance through export promotion programmes and incentives provided by the government. They also found that regardless of the source, information acquisition contributes to the intention of internationalisation by Canadian SMEs. Bell (1995) conducted a comparative study on the internationalisation process of small computer software firms in Finland, Ireland and Norway. They (*ibid*) found most of the small software firms internationalised from their inception or soon after. Thus, the findings challenge stage theory, which focuses on the gradual process of internationalisation. Kenny and Fahy (2011) examined the relationship between network resources and international performance of high-tech SMEs in the telecommunication industry in Ireland. They (*ibid*) found a significant positive relationship between network resources and high-tech SMEs performance in Ireland. Maurel (2009) researched the determinants of export performance in French wine SMEs. They (*ibid*) discovered several factors that could contribute to better

performance of French wine SMEs, including: business partnerships; innovation; a greater company size; and active export commitments. Bradshaw and Burrige (2001) studied the characteristics of successful SME exporters in the UK. They (*ibid*) found that successful UK SME exporters were reliant upon long-term but not day to day information, for decision making in international business. Crick (2009) examined the differences in internationalisation patterns of born global companies and international new ventures in the UK. They (*ibid*) found a distinction in the internationalisation process of born global companies and international new venture. They (*ibid*) proffer the former focuses on multiple country internationalisation, while the latter does not necessarily target this.

### 2.8.3 Research Conducted in Emerging Countries

However, previous works undertaken in developing countries are still scant ( $f= 19$  articles) (refer Table 2.3 above). The example of previous research conducted in emerging countries includes Malaysia, India, China (China is still reported as an upper middle-income country by the World Bank 2018), Mexico, Brazil, Iran, South Africa, Lebanon and Syria (Zaki *et al.*, 2015). Moreover, most businesses from emerging countries are exposed to market disappointments and institutional problems (Chawla *et al.*, 2010; c.f. Ciravegna *et al.*, 2014). The dearth of extant literature and high probability of market disappointments identifies a clear knowledge gap.

Fleury *et al.* (2012) reported that they discovered most previous studies were undertaken in developed countries, when compared to developing countries in their study of international business management. They (*ibid*) differentiate international business management amongst developed and emerging countries, finding that the latter is highly exposed to market failures and institutional problems (Khanna and Palepu, 2010; c.f. Ciravegna *et al.*, 2014). Based on the conditions of home countries, firms from developing countries establish network relationships to undertake an internationalisation strategy, which in turn can leverage the domestic market risks (Ciravegna *et al.*, 2014).

Examples of research conducted in emerging countries include research by Gregorio *et al.* (2009) who researched the impact of offshore outsourcing on the performance

of Mexican SMEs. They (*ibid*) found that outsourcing administrative and technical functions significantly contributed to greater extent and scope of internationalisation. Fornes *et al.* (2012) researched barriers to internationalisation and potential internationalising industries for SMEs from Anhui Province, China. Based on data collected from 154 SMEs, they (*ibid*) found SMEs operating in labour-intensive industries have better potential to internationalise. They also uncovered 11 barriers related to lack of management knowledge and insufficient technical skills that hindered Anhui SMEs to internationalise. Calof and Viviers (1995) examined stage theory on South African internationalising SMEs. They (*ibid*) found that stage theory could be utilised to explain the internationalisation pattern of South African SMEs. Amal and Filho (2010) conducted multiple case studies on three Brazilian SMEs studying the determinants of internationalisation. They (*ibid*) found entrepreneurial behaviour and network relationship could sufficiently explain the internationalisation of the three Brazilian SMEs. Ahmed *et al.* (2006) conducted a study in Lebanon to understand the most effective incentives provided by the government in promoting SMEs to internationalise, and found that 17 out of 20 incentives were crucial to promote Lebanon SMEs' internationalisation. Shamsuddoha *et al.* (2009) examined the relationship between government market development and financial assistance on internationalisation intention of Bangladesh SMEs. The results indicated that only government market development impacted upon intention to internationalise, but financial assistance was found to indirectly effect on internationalisation adoption.

#### 2.8.4 Research Conducted in Malaysia

Research on SMEs' internationalisation was also conducted in Malaysia. For instance, Abdullah and Zain (2011) conducted a study to examine three major theories in international business: stage theory; network model; and international new venture. They (*ibid*) found that all theories could explain the internationalisation of SMEs in Malaysia. Afsharhasemi *et al.* (2013) investigated the relationship between market orientation, government regulation, competitive advantage and internationalisation of SMEs in Klang Valley, Malaysia. Based on the analysis of survey questionnaires, they (*ibid*) found that three factors significantly contributed to the internationalisation process of Klang Valley SMEs in Malaysia. Ahmad (2010) studied the effectiveness of government exports programmes amongst Malaysian SMEs. Based on survey

questionnaires conducted with 150 SMEs, they (*ibid*) found Malaysian SMEs were aware of various export programmes provided by the government. However, the use of export promotion programmes amongst Malaysian SMEs remains relatively low. Ahmad (2014) examined factors influencing and barriers hindering the internationalisation strategy of Malaysian SMEs. By adopting stage theory, network theory, INV and resource based-view, they (*ibid*) found 20 factors influenced the internationalisation of Malaysian SMEs and 12 barriers of internationalisation. Ahmad (*ibid*) analysed the quantitative data by using a simple descriptive statistical technique. However, the research would be more robust if it had been conducted using inferential statistical analysis. Ayob and Freixanet (2014) researched the impact of public export promotion programmes on Malaysian SMEs. The result indicated that internationalised SMEs were more frequent users of export promotion programmes than non-exporters even though both exporters and non-exporters were aware of the programmes' existence. Senik *et al.* (2010) researched influential factors of Malaysian manufacturing SMEs' internationalisation. By conducting interviews on expert or so-called Delphi technique, they (*ibid*) found that firm characteristics, industry factors, external influences, and motivational aspects and networking contributed to internationalisation.

Previous research in Malaysia extensively focused on the manufacturing sector (c.f., Zaki *et al.*, 2015) whereas, this study broadens the scope of SME internationalisation research by involving the manufacturing and service sectors as suggested by Chelliah *et al.* (2010). While previous studies implemented a single research approach either quantitative or qualitative study, this study argues that a holistic approach should be taken to achieve comprehensive results as suggested by Bryman (2006; 2016).

## 2.9 Chapter Summary

The primary goal of reviewing the extant literature in this chapter was to understand issues in SMEs' internationalisation, subsequently, to determine what the knowledge gaps were. Consequently, the literature review strengthened the researcher's understanding of the current landscape of SMEs' internationalisation. Although the internationalisation of SMEs plays an important role in the economic growth of many



countries, globally SMEs' international activities are still dissatisfied in both developed and emerging economies.

This study reveals several gaps in existing research field, this includes: i) an emerging area of research on SMEs' internationalisation, which was identified through traditional works focusing on larger companies; ii) theories used in previous studies relatively focused on specific perspective to understand SMEs' internationalisation. Hence, a holistic approach is needed to understand factors influencing SMEs' internationalisation in various perspectives; iii) many previous studies extensively concentrated on the manufacturing sector vis-a-vis service-based firms. Future researchers should concentrate on understanding internationalisation adoption by SMEs in the service sector because these firms are the biggest contributor to GDP performance in many countries worldwide; iv) previous studies, from 1950 to 2000, have focused on understanding SMEs' internationalisation within the context of developed countries. Therefore, this research suggests that future studies should focus on SMEs from a developing countries' context, particularly Malaysia which has shown a significantly low percentage of internationalised SMEs.

## Chapter 3: Determinants of SMEs' Internationalisation Adoption

### 3.1 Introduction

Based on the various knowledge gaps found within the research area of SMEs' internationalisation (as discussed in chapter two), this chapter is concerned with the review of extant literature on determinants of SMEs' internationalisation adoption. The term 'determinants' will be used when referring to antecedents, drivers or factors influencing SME's decision to operate in international activities. Published articles within the extant literature were stratified according to themes as these themes that could determine gaps in contemporary knowledge. These themes include literature on determinants of SMEs internationalisation: i) according to nature of study (either empirical, conceptual or literature review); ii) involving internal factors of the firms (including entrepreneur/ human capital attributes); iii) involving external factors of the firms (such as environmental, institutions and ethics attributes); and iv) in developed versus emerging economies. This chapter ends with a summary of the literature on the determinants of business internationalisation adoption and further elucidation upon knowledge gaps found.

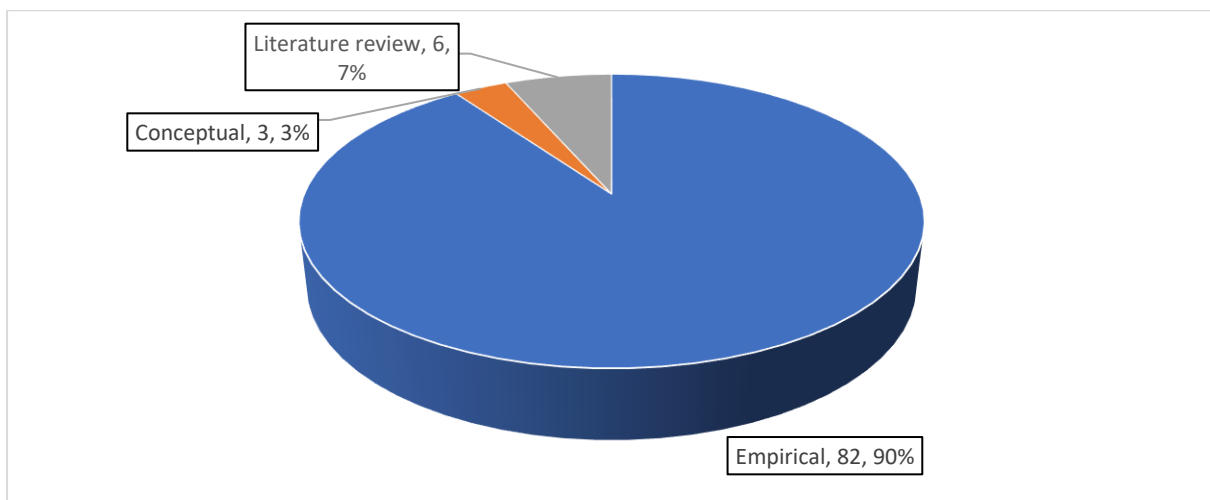
### 3.2 Literature on Determinants of Firms Internationalisation Adoption According to Nature of Study (Empirical and Conceptual Work)

Research on determinants of internationalisation has been extensively discussed in the previous literature (e.g. Johanson and Wiedersheim-Paul, 1975; Dunning, 1980, 1988, Oviatt and McDougall, 1994, 1997; McDougall and Oviatt, 2000). However, recently scholars have extended their research focus to SME firms. Jones (2006) proffers that by merely copying the strategies of multinational and large companies may expose risks for smaller firms. Based on the literature review conducted by this current research, 342 published articles on SMEs internationalisation adoption between 1970 and 2016 were discovered. Of the amount, 27 per cent ( $f = 91$  articles) were found related to study on determinants of firm's internationalisation. Reid (1984) was among the earliest researcher who examined the role of knowledge in influencing SMEs to internationalise. Amongst these 91 published articles on determinants of SMEs internationalisation, 90 per cent ( $f = 82$  articles) conducted empirical studies,

while three per cent ( $f =$  three articles) conducted conceptual/ or theoretical research, and seven per cent ( $f =$  six articles) conducted literature review. This low proportion of non-empirical studies demonstrates that many variables observed were proven empirically.

This result illustrates that a study on determinants of SMEs internationalisation is becoming prominent among researchers. The result could also be due to the establishment of the new theory of international entrepreneurship by Oviatt and McDougall (2005), and the recent number of SMEs was reported as the majority of total businesses in the world (Ahmad, 2014). Figure 3.1 shows the distribution of empirical and non-empirical studies on determinants of SMEs internationalisation between 1970 and 2016 found within extant literature.

**Figure 3. 1: Distribution of Published Articles Conducted in Empirical or Non-Empirical Studies from 1970 to 2016**



**Source:** The researcher

### 3.3 Determinants of Internationalisation Related to Internal Factors

Tables 3.1 and 3.2 depict the summary of determinants of firms' internationalisation cited within previous studies from 1970 to 2016. The table also indicates whether the variables are either internal or external factors of the firm.

Table 3.1 shows most of the previous studies were conducted in multiple factors studied in single research, which accounted 46.2 per cent ( $f = 42$  articles) of total 91

articles. Regarding the previous study on a single factor that contributes to SMEs internationalisation adoption, internal managerial/ individual level was found to be the most frequent study, which accounted 25.2 per cent ( $f = 23$  articles) of a total of 91 articles.

**Table 3. 1: Determinants of Firm's Internationalisation in Prior Literature  
(Single Factor Found in a Single Study)**

<b>N</b>	<b>Determinants</b>		<b>No. of articles</b>	<b>%</b>
<b>Managerial/ individual level</b>				
1	Management characteristics (tangible/ objective)	Knowledge (including foreign market knowledge, business management, and technical know-how)	4	4.4%
2		Foreign market experience	1	1.1%
3		Network relationship	13	14.2%
4	Management attitudes (intangible/ subjective)	Global mindset	1	1.1%
5		Entrepreneurial orientation	4	4.4%
Number of articles within this level			23	25.2%
<b>Firm/ Organisational level</b>				
6	Firms' characteristics (tangible/ objective)	Alliances and joint ventures	5	5.5%
7		Ethnic workforce diversity	1	1.1%
8		Firms' innovation orientation	1	1.1%
9		Firms' size	1	1.1%
10	Firms' characteristics (intangible/ subjective)	Organisation learning intention	2	2.2%
Number of articles within this level			10	11%
<b>External/ environmental level</b>				
11	Industry; economy; political; technology; and resources.	Government supports, trade shows, and export promotion programs	7	7.7%
12		Internet, technology and e-business adoption	6	6.6%
13		Psychic distance	1	1.1%
14		Financial supports including banks, governments and public organisations	1	1.1%
15		Foreign market size	1	1.1%
Number of articles within this level			16	17.6%
17		Articles studied multiple variables in single study	42	46.2%
<b>Total articles on factors SMEs internationalisation</b>			<b>91</b>	<b>100%</b>

**Source:** The researcher

This study further investigated the 42 articles on multiple variables of determinants in single research (see Table 3.2). In terms of number of determinants, surprisingly, the result was found to be more extensive and accounted for 45 determinants distributed in three level including: i) 11 determinants related to internal entrepreneur/ human capital level; ii) 17 determinants related to internal firms' level; and iii) 17 determinants found related to external/ environmental level. Contrary to expectations, this study found the number of determinants of SMEs internationalisation has been extensively published in articles between 1970 to 2016. However, the internal factors of SMEs internationalisation were still found as the major research area in the previous study, which accounted for 59 studies (e.g. Reid, 1981).

Another important finding was that some of the determinants were only investigated once in the previous study. This includes: i) owners'/ managers' age; ii) foreign language proficiency; iii) perception about export barriers; iv) firms' age; v) labour cost reduction; vi) competitive price; vii) organisational learning intention; viii) financial funding opportunities; x) focal supplier/ distribution centre such as foreign trading house; and xi) competitor activities (see Table 3.2). Also, this research proffers that determinants of SMEs internationalisation related to ethical issues such as the level of bribes and internet fraud have never been studied and tested empirically in previous research. While Sanyal and Samanta (2004) found that bribe giving occurred in international business to penetrate foreign markets especially in reducing import rules' and regulations' enforcement. Campos *et al.* (1999) proffer that not the only level of corruption impacts upon investments but also the nature of investments. It can thus be suggested that future research could explore these areas of investigation where there is currently a dearth of knowledge.

**Table 3. 2: Determinants of Firm's Internationalisation in Prior Literature  
(Multiple Factors Investigated in a Single Article)**

<b>Determinants</b>		<b>No. of articles</b>
<b>Internal entrepreneur/ human capital level</b>		
Entrepreneur/ human capital competencies and/ or skills (tangible/ objective)	1. Foreign language proficiency	1
	2. Owners'/ managers' age	1
	3. Network/ relationship/ social network/ informal business contacts (including institutions, personal relations and business associates)	16
	4. Foreign market knowledge/ specialised knowledge	5
	5. Experience (experience abroad, industry experience)	9
	6. International business skills	4
	7. Education level	2
Entrepreneur/ human capital attitudes (intangible/ subjective)	8. Export intention/ global vision/ international orientation/ export-minded/ perceptions towards foreign market opportunities	8
	9. Positive attitude towards risks	3
	10. Entrepreneurial orientation/ entrepreneurial perceptions	9
	11. Perception about export barriers	1
Number of studies		59
<b>Internal firm/ Organisational level</b>		
Firms' attributes (tangible/ objective)	12. Competitive price	1
	13. Firms' age	1
	14. Firms' size	3
	15. Research and development (R&D)/ innovation	2
	16. Technology/ internet	3
	17. Products quality and unique	4
	18. Geographical location/ cultural and language distance/ psychic distance/ country of origin	5
	19. The localisation of firms in the foreign market	2
	20. Reduce risk by expanding the market	3
	21. To increase efficiency/ better production capacity/ resource seeking	3
	22. Competitive advantage	2
	23. Labour cost reduction	1

	24. Human capital management capability/ specialized human resources	3
Firms' attributes (intangible/ subjective)	25. Reputation and trust	2
	26. The desire to achieve extra sales, profits and growth	2
	27. Organisational learning intention	1
	28. Market orientation	2
Number of studies		40
<b>External/ environmental level</b>		
Industry; economy; political; technology; and resources.	29. Industry networking/ association	2
	30. Potential industry/ nature of the industry	2
	31. Better rules and regulations in the home and host countries (including better tax system, trading agreements and national export policy)	5
	32. Financial funding opportunities	1
	33. Saturated domestic market	6
	34. Focal supplier/ foreign market trading house	1
	35. Government export assistance/ export promotion programmes by public Organisation	2
	36. Receive inquiry from international market/ unsolicited order from abroad	4
	37. Changes in global business conditions (e.g. economics, products, technology)	3
	38. Competitor activities	1
	39. Importer's specific investment	1
	40. Importer role performance	1
	41. Natural resource endowments (agriculture-based businesses)	1
	42. Weather and climatic advantages (agriculture-based businesses)	1
	43. Globalization	1
	44. Foreign market attractiveness/ international market opportunity	6
45. Political stability	1	
Number of studies		39

**Source:** The researcher

Table 3.1 and 3.2 show extensive knowledge gaps for future research to test the variables empirically. The basis for these determinants will now be further discussed in some detail.

### 3.3.1 Entrepreneur/ Human Capital Attributes.

The empirical evidence suggests that entrepreneur or human capital attributes are crucial in the context of foreign entry decisions (e.g. Westhead *et al.*, 2001). Reid (1981) proposes the process by which *“internationalisation of firms and expansion decisions are made and how export performance is affected but the interaction between the firm and individual characteristics remains relatively unexplored”*. Davis *et al.* (1997) also propose that individual and organisation factors provide a better explanation than environmental related factors in discussing the internationalisation of SMEs. Evers (2010) proffers *“since 1980 research on determinants of internationalisation has tended to focus more on variables that are internally rather than externally driven”*. This can be seen in the studies of international entrepreneurship and international new ventures, and the literature review on determinants of SMEs internationalisation conducted by this current research. Scholars believe that the individual level plays an essential role in decision making of new ventures internationalisation (e.g. Zahra *et al.*, 2000; Evers, 2010). Also, the individual level provides tangible and intangible resources to a firm who are considering becoming internationalised (Westhead *et al.*, 2001).

In this section, a multitude of perspectives will be drawn upon including international entrepreneurship, international new venture, network theory, stage theory, resource-based view and FDI theory from previous literature. Two categories of individual's/ manager's factors which influencing firm's internationalisation are examined: i) managers' characteristics including: foreign language proficiency; owners'/ managers' age; network and relationship; knowledge such as foreign market knowledge and specialized knowledge; experience such as experience abroad and industry experience; international business skills; education level; and ii) management attitudes (subjective) including: global vision or international orientation; positive attitude towards risks; entrepreneurial orientation; perception about export barriers. This classification was also adopted from the study conducted by Nitu and Feder (2010).



### Entrepreneur/ Human Capital Competencies and Skills (Tangible)

Several authors have considered the importance of entrepreneur/ human capital competencies and skills, which influence SMEs to do business abroad. For example, Nitu and Feder (2010) proffer manager's competencies and skills show a positive relationship in explaining internationalisation intention. Managerial competencies and skills include: i) manager's international linguistic proficiency; and ii) experience in international businesses.

Zhou *et al.* (2008) supported this finding and found that entrepreneurs with specialised knowledge (including international market knowledge, rules and regulations, cultures, international operation management and technological know-how) are critical determinants of born global firms. They also proffer, that entrepreneurs and managers who gained knowledge from their foreign higher education and career experiences contributed towards international business opportunities and shared trade networks. However, those managers with no such experiences could also enhance their international trade knowledge and business skills through global network relationships which are also provided by governments' international agencies programmes.

Musteen *et al.* (2013) draw upon social networking and the international entrepreneurship literature (e.g. Oviatt and McDougall, 1994; Zahra and George, 2002) to test the role of networking of SME's managers on international market knowledge prior to firm internationalisation. By collecting data from a sample of 169 Czech Republic SMEs, they found firms senior management who had developed strong international networks and experiences, demonstrated they have a vast knowledge of foreign markets before they were involved in internationalisation. While this study highlighted a positive impact of foreign knowledge upon the internationalisation decision by entrepreneurs, this study actually focused on the importance of networks of the founder in internationalisation.

De Clercq *et al.* (2005) researched why firms involve in first-time internationalisation activity or rapid internationalisation after the first internationalisation has taken place. They found that owners/ managers with past international experiences affect this result. De Clercq *et al.* (2005) suggest that intensive knowledge renewal and exploitation regarding foreign markets and internationalisation processes itself may

increase internationalisation intention, whereas domestic market learning effort has the converse effect with internationalisation intention. In contrast, Chelliah *et al.* (2010) found there was no significant relationship between international knowledge and experience with a manager's decision to internationalise in their study of SMEs' internationalisation in Malaysia.

The international business literature on managerial competency and skills demonstrates some consistent results when compared to the previous paragraph findings. Reid (1981) investigated the impact of firms and managerial characteristics on internationalisation. They found various characteristics of a decision maker impacted on internationalisation behaviour (i.e. managerial knowledge, attitudes, level of education, foreign nationality, ability to speak foreign languages and extent of foreign travels and motivation).

Westhead *et al.* (2001) reviewed the resource-based view to identify the range of factors encouraging owners of SMEs in the United Kingdom to enter foreign markets. Four variables explaining human capital and financial related factors were examined: general human capital resources, the founder's management know how, the principal founder's specific industry know-how and a principal founder's ability to obtain financial resources that can act a buffer against random shock. As a result, they found founder's previous international experience is a key influence in encouraging firms to export. Also, business with older owners, denser information and contact networks, and considerable management know-how are significantly more likely to involve in international business activities. Nevertheless, the ability of managers to acquire financial capital was found insignificant as a predictor of the propensity to export.

Andersson *et al.* (2004) discovered factors that influence SMEs to expand beyond its national boundaries which differ from influencing factors relating to post internationalisation growth and expansion. The findings indicate that the main contingent factors that can explain the receptiveness of SME internationalisation was primarily the owners/ managers' environmental dynamics. However, the continuing expansion of SMEs are driven by a younger generation of CEOs who are more in tune with the dynamic changes in the external environment of the international business.

Berry and Brock (2004) found that in small high-technology firms, internationalisation was driven by the knowledge and expertise of the owners/ managers who are the founders.

Evers (2010) conducted a study in agriculture industry, found a similar evidence that the founding members of companies' industrial experience and social ties were crucial sources of knowledge to influence their decision to undertake international business activities.

#### *Entrepreneur/ human capital's International Vision (Intangible)*

Nitu and Feder (2010) explained attitudes and perceptions of management regarding internationalisation as commitment for export activities materialised in successful marketing strategies; perceptions regarding the competitiveness of the products to be exported; the advantages offered by the export activities and the barriers to export activities; and international and client orientation. They (*ibid*) found a positive relationship between these constructs and the manager's decision to internationalise in Romanian SMEs; where the means of international sales value represented the dependent variable.

Reid (1981) proffers that managers' attitudes play a crucial role in facilitating exporting activity and that three important attitudinal constructs influence internationalisation decisions, were namely: i) foreign market motivation; ii) foreign market orientation; iii) and foreign market selection. Similarly, Senik *et al.* (2010) found management's attitude positively influence SMEs internationalisation in Malaysia.

#### *Entrepreneur/ Human Capital's Entrepreneurial Orientation (Intangible)*

Yamakawa *et al.* (2008) found there is a significant positive relationship between internationalisation and managements' entrepreneurial orientation (EO). They (*ibid*) assert that there is an implication of EO for new ventures entries from emerging to developed economies. They (*ibid*) refer to EO as: "*attributes, processes, and practices that lead to new entry, such as autonomy, innovativeness, risk-taking, aggressiveness, and proactiveness*" (Lumpkin and Dess, 1996; Yamakawa, c.f. Peng and Deeds, 2008). Furthermore, De Clercq *et al.* (2005) also illustrates the positive relationship

that entrepreneurial orientation can have upon a firm's intention to internationalise (c.f., Abebe and Angriawan, 2011). They (*ibid*) proffer management with an entrepreneurial mindset may be more likely to develop a long-term substantial international business compared to firms that are more reactive and conservative.

This past literature was not however supported by Chelliah *et al.* (2010b) in their research on determinants of manufacturing SMEs internationalisation which are located in the Northern region of Malaysia. They (*ibid*) found that management attitude did not show a positive relationship with internationalisation and concluded that emerging economies have a different set of variables that explain internationalisation. These variables were: i) market-driven; ii) international orientation; iii) willingness to innovate; iv) risk-taking; and v) degree of organicity of organisational structure.

This evidence demonstrates a lack of consensus among previous researchers towards the impact managers' attitudes that impact upon the decision to internationalise, for example perceptions towards export barriers, product competitiveness in foreign countries, foreign market motivation and foreign market orientation.

### 3.3.2 Firm/ Organisational Attributes

Enterprise's characteristics has become a driving force in the internationalisation of businesses. A series of empirically tested variables with regards to firm's characteristics from the extant literature has been discovered. For example, Nitu and Feder (2010) examined the influence of enterprises' characteristics including size of the enterprise; technological intensity; external contacts and foreign network creation upon internationalisation of the Romanian SMEs. They found these antecedents influenced the internationalisation process of these SMEs directly. This finding was contrary to the work of Andersson *et al.* (2004) who studied factors influencing the internationalisation and export growth of small firms ( $\leq 50$  employees located in Sweden. They found neither size nor age of firm could explain why firms derived a critical proportion of sales from exports. Furthermore, they found no support for the relationship between the technology level of the firm and international activities in small firms (Andersson *et al.*, 2004).

Nevertheless, the results found in the study conducted by Andersson *et al.* (2004) differs to the finding reported by Javalgi *et al.* (2003), which have indicated that firm size could influence management attitudes towards operating internationally in service firms. However, the study is limited to a sample consisting of business-to-business service firms, and there was no distinction between SMEs and large companies.

Yamakawa *et al.* (2008) found firms characteristics such as organisational learning intensity (e.g. to learn about new technology) influenced the internationalisation of new ventures from emerging countries such as China, Taiwan, India and Malaysia, and developed countries such as the United States. Also, De Clercq *et al.* (2005) stated, intensive knowledge renewal and exploitation regarding foreign markets and internationalisation process itself may increase internationalisation intention. In a same vein, Chelliah *et al.* (2010b) propose specific knowledge that is difficult for others to copy and the intensity of developing new knowledge as factors that could influence firms to participate internationally. However, Fletcher and Harris (2012) extended the study of knowledge acquisition by SMEs who seek to internationalise and discovered that SMEs do not have relevant experience and useful networks, and rely on recruitment and government agency aids to acquire indirect experience.

Notwithstanding the importance of firms' characteristics (Nitu and Feder, 2010), the literature broadly agrees that international market information and international marketing strategy is a necessary condition for firms to internationalise. They (*ibid*) found international market information and international marketing strategy are significantly related to the international intention of born-global companies. Nitu and Feder (2010) classify international marketing strategy into four categories: i) product strategy (for example; strengths, adaptation, warranties and after-sales services); ii) pricing strategy (for example, adaptation and discount); iii) distribution of goods and services (for example, direct/ indirect channels, distribution networks, networks adaptation and delivery time); iv) promotion strategy (for example, usage of promotional mix). However, they found these variables of international marketing strategy do not correlate positively with the sales value on foreign markets.

Conversely, Chelliah *et al.* (2010b) studied international marketing strategy regarding competitive advantage. They suggest competitive advantage could positively

influence an SME's decision to internationalise business operations; where competitive advantage could be secured via cost leadership; differentiation of product and services; and firm's focus to fulfil demands from overseas customers.

In a study of international marketing, Reid (1981) suggests that foreign market motivation (such as export entry opportunity and tariffs imposed by foreign countries) encouraged firms within the United States to substitute subsidiary production for export. This can be seen in recent cases of massive foreign direct investment (FDI) have been conducted in Asian regions such as electronics production in China and apparel production in Vietnam and Cambodia.

Furthermore, contemporary studies reported that internationalisation is positively affected by the adoption of internet marketing in recent years. For example, Sinkovics *et al.* (2013) purport that internationalisation and growth are positively affected by increased internet usage and with increased investment in technology among born global firms. The massive expansion of internet marketing applications (such as company's website) in recent years can also accelerate the internationalisation of SMEs (Ahmed *et al.*, 2006). However, this variable is still scarce regarding the empirical study found in the literature review conducted by this current research. Hence, a precise knowledge gap is apparent for future research to examine the effectiveness of internet and social media adoption on SMEs internationalisation empirically.

### 3.4 Determinants of Internationalisation Related to External Factors of Firms

Understanding the determinants of firms' decision to internationalise is reliant upon the integration of internal and external factors. Extensive theories have previously explained the determinants of firms' internationalisation adoption from the internal perspective, including resource-based view; international entrepreneurship view; network-based view; and organisational learning theory. This research will further review the previous literature on external determinants of internationalisation and will encapsulate theories explaining external factors including industries-based view; institutions-based view; and the FDI theory.

Dunning (1980, 1988) explored the importance of location advantages in explaining firm internationalisation. They listed several variables considered to promote firms to internationalise including possession of resources in host countries; and material and low labour cost incentives to local production by host governments. They (*ibid*) also emphasised that foreign markets should be near to SMEs' home country due to communication and after sales service purposes.

Javalgi *et al.* (2003) extended Dunning's work (1980, 1988) by examining the market characteristics in host countries, which could influence firms to internationalise. They found firms choose to internationalise due to several foreign market policy characteristics such as use import tariff; non-tariff barriers; local content requirements; currency and capital flow restrictions; ownership restrictions; and requirements on technology transfer by host countries.

Yamakawa *et al.* (2008) diversified the context of location-specific advantages by considering the importance of governmental regulations on internationalisation and trade activities in both home and host countries. They found that the regulative environment of the home country discriminated against new ventures and thus, demotivated them to internationalise. Conversely, a regulative environment in host countries that does not discriminate against foreign entrants and that offers better financing, protection, and transparency will attract new firms to internationalise. This finding was supported by Evers (2010), who found that factors such as the limited size of the home market, the possibility of home market saturation and unfavourable domestic home may create an incentive for SMEs to internationalise.

Global niche market opportunities could also explain the factors of firm's internationalisation. For example, Evers (2010) claims that the move toward greater global economic integration has led to greater market homogeneity across many industry sectors (for example, European Union; ASEAN free trade area (AFTA, 1992); Central European free trade agreement (CEFTA, 1992); Central American integration system (SICA, 1993). Consequently, many enterprises can distribute their products and services much easier to markets all over the world than previously.

Evers (2010) suggested that industry structural characteristics play an essential role in influencing firms to internationalise. For example, they proffer that a higher level of concentration in the industry is positively correlated with the higher number of new firms that internationalise. Evers (*ibid*) also suggests that early internationalisation is influenced by the highly competitive nature of an industry featuring relatively short product life-cycles such as the information technology industry. Yamakawa *et al.* (2008) state that two industrial conditions elevate the likelihood that firms internationalise: i) degree of competition in a domestic market; and ii) degree of technology intensiveness of an industry. A recent study by Andersson *et al.* (2004) also found the degree of environmental dynamism experienced in the industry is positively related to SMEs' decision to internationalise their business activities.

Graham (1999) identifies globalisation phenomena is the primary motivator for internationalisation adoption by businesses. Graham (*ibid*) categorises the globalisation phenomena into three main factors; they are: i) technological improvements; ii) a greater international motivation at the firm level, and iii) government policy initiatives in both developing and developed countries. The first motivator, technological improvements relates to the effectiveness of transportation and communications; the reduction of cost of moving goods; improvements in internet and computing facilities; and innovations of financial services. The second motivator, a greater international motivation at the firm level relates to the motivation to locate manufacturing locations with lower wages and closer to emerging markets. The third motivator, government policy initiatives in both developed and developing countries relates to the reduction of trade barriers and floating of exchange rates have helped businesses to globalise their businesses.

Similarly, national export policy affects the intention of SMEs owners/ managers in internationalisation adoption. Government assistance programs such as international market development and financial assistance significantly affects the internationalisation adoption by SMEs (Shamsuddoha *et al.*, 2009). Ahmed *et al.* (2006) found various incentives provided by home country government significantly contributed to export involvement of Lebanese firms. Furthermore, government export incentives such as tax rebates and export credits play an important role in stimulating internationalisation adoption by SMEs (Morgan and Katsikeas, 1997). However, SMEs



may not utilise the export promotions programmes and incentives provided due to limited information obtained from the government (Reid, 1984a).

Banks and financial institutions also influence the internationalisation adoption by SMEs. Banks offer several services in facilitating SMEs to internationalise for instance international cash management, payments and letters of credit. Moreover, banks and financial institutions protect SMEs from international trade risks (i.e. political risks) (Lindstrand and Jessica Lindbergh, 2011). Conversely, Lindstrand and Jessica Lindbergh (*ibid*) found banks were the least used source of information for SMEs. The reason being banks do not actively participate in SMEs' internationalisation.

### 3.5 Determinants of Internationalisation Related to Ethics Attributes

With the rapid growth of international business activities, businesses are now frequently confronting challenges in corruption in the home and foreign markets. Corruption such as the abuse of public power for personal benefits, exploitation of underage workers, engaging in environmental pollution and high level of internet fraud has contributed to significant implications for businesses (e.g. Rodriguez *et al.*, 2005; Davids, 1999). Also, corruption increases the cost of doing business as firms involve with unofficial payments (Javorcik and Wei, 2009). The level of corruption in foreign markets may affect firms' internationalisation adoption decision. A growing body of research has underpinned the institutional theory to understand the impact of ethics attributes on internationalisation of businesses.

Uhlenbruck *et al.* (2006) found MNEs in telecommunication industry adjust international markets entry strategy in corrupt environments. They (*ibid*) found MNEs prefer non-equity mode of entry, short-term contracting and a joint venture in dealing with corrupt marketplaces. Similarly, Javorcik and Wei (2009) found corruption not only reduces the volume of FDI in foreign markets but also impacts the entry mode of internationalisation of multinational companies. They (*ibid*) found multinational companies intend to use local partners to reduce conflicts of bureaucratic in host countries. Chan and Armstrong (1999) explored the common ethical problems that confront business owners/ managers in Australia and Canada. They (*ibid*) found the

most cited ethics issues in foreign markets relates to “gifts, favours, entertainment” and the most important ethical issues in international markets is large-scale bribery.

However, based on the literature review conducted by this current research, it has found much of the previous studies on ethics is concerned with multinational companies. Moreover, most of the previous studies focus on understanding how firms strategise mode of internationalisation when dealing with a corrupt environment. Furthermore, many of these studies have been based on non-empirical approaches. There is no previous research that has investigated the impact of ethics on internationalisation adoption by SMEs, particularly integrating the factor within the integrative conceptual model. Therefore, a clear knowledge gap is apparent for future research to examine the effectiveness of ethics such as the perceived level of bribe and internet fraud in host countries on SMEs internationalisation adoption empirically.

### 3.6 Determinants of Firms’ Internationalisation in Developed Economies versus Emerging Economies

Whilst, the determinants of SMEs internationalisation are replete for developed countries (e.g. Dunning, 1980, 1988; Reid, 1981; Westhead *et al.*, 2001; Javalgi *et al.*, 2003; Andersson *et al.*, 2004), scant attention has been paid to emerging countries in this respect and indeed, for a dearth of empirical evidence is apparent (Senik *et al.*, 2010). Chelliah *et al.* (2010) proffer that the extant literature holds almost no information on the factors influencing internationalisation for Malaysian SMEs. In contrast, the literature review conducted by this research found there were five studies on determinants of SMEs internationalisation conducted in Malaysia from the year of 1977 to 2016. However, this research discovered determinants were different according to several contexts such as time of internationalisation, industry and research methodology used. Furthermore, they (*ibid*) discovered many of determinants in developed countries have not been tested empirically in Malaysia. Based on this notion, further review of the extant literature needs to understand the determinants of firm internationalisation in emerging countries. Table 3.3 below shows the summary of research undertaken in previous studies conducted in the case of developed and emerging countries from 1977 to 2016.

**Table 3. 3: Research on Determinants of Internationalisation in Developed and Developing Countries**

	<b>Country (s) of the investigation</b>	<b>Number of study</b>
<b>Developed countries</b>	1. Australia	1
	2. Austria	1
	3. Belgium	1
	4. Canada	2
	5. Chile	1
	6. Croatia	1
	7. Czech Republic	1
	8. Estonia	2
	9. Finland	3
	10. France	2
	11. Greece	1
	12. Ireland	2
	13. Italy	1
	14. Lithuania	1
	15. New Zealand	8
	16. Portugal	1
	17. Romania	2
	18. Slovenia	1
	19. Spain	3
	20. Sweden	2
	21. Taiwan	2
	22. United Kingdom	8
	23. United States	4
	24. Multi developed countries	7
	<b>Total research in developed countries</b>	<b>58</b>
<b>Developing countries</b>	25. Africa	1
	26. Bangladesh	1
	27. Brazil	2
	28. China	6
	29. Ghana	2
	30. India	3
	31. Indonesia	1
	32. Lebanon	1
	33. Malaysia	5
	34. Mexico	1
	35. Nigeria	2
	36. Turkey	1
	37. Multi developing countries	1
	<b>Total research in developing countries</b>	<b>27</b>
<b>Multiple countries</b>	Both developed and developing countries	2
<b>Literature review</b>	No country stated	5
	<b>Total research</b>	<b>92</b>

**Source:** The researcher

Table 3.3 shows that prior research in emerging economies still needs future research to understand the determinants of SMEs internationalisation. Notably, there are many

undiscovered areas and theories to explain SMEs internationalisation in emerging countries. Research in this area has recently captured growing interest of scholars in Malaysia. However, findings in previous works has featured contradictory results and triggered additional directions for future research within this area of firm internationalisation.

### 3.7 Chapter Summary

The major findings of this chapter are that the majority of prior research concentrates upon internal aspects of firms, whether the individual level or organisational level rather than external aspects such as location; industry; and governmental regulations. This result shows an apparent gap in future research to investigate external factors in depth. The literature was also observed to differ according to industrial factors, countries of study; the size of firms; industrial context; inward or outward internationalisation and time precocity of internationalisation (Dunning, 1998). Crick and Chaudhry (1997) found that SMEs are likely to be motivated by different stimuli, depending on the stages of the internationalisation process. These results open a clear gap for future research to confirm the determinants of firm's internationalisation according to their research scope and setting.

It was also noted that some variables were studied in a limited number of previous researches, which make those variables difficult to be generalised. For example, there has been relatively scant research that tests the relationship of the adoption of internet and information technology on internationalisation decision (e.g. Sinkovics *et al.*, 2013); owners'/ managers' age; foreign language proficiency; management entrepreneurial orientation, the intensity of research and development (R&D), foreign countries policy and financial funding opportunities. Neither does the literature pay extensive coverage to studying determinants of internationalisation in SMEs (when compared to the frequency of studies into large companies).

Interestingly, extensive research has focused on studying the manufacturing sector (c.f. Chelliah *et al.*, 2010; Senik *et al.*, 2010; Abdullah and Zain, 2011) whereas, the current research attempts to expand in a broader scope of SMEs internationalisation by involving the manufacturing and services sector as suggested by Chelliah *et al.*

(2010). While previous studies implemented a single research approach either quantitative or qualitative study, this study argues a holistic approach should be taken to achieve more comprehensive results as suggested by Bryman (2006, 2016).

It is also found that ethical attributes impact on SMEs internationalisation adoption has never been tested in previous research including the perceived level of bribe in foreign markets, perceived level of internet fraud and exploitation of underage workers. Hence, this could also be a novelty of future research area of determinants of SMEs internationalisation where this variable can extend the integrative conceptual model by embedding the institutional theory.

# Chapter 4: Impact of Internationalisation Adoption on SMEs' Business Performance

## 4.1 Introduction

This research has so far identified knowledge gaps in SMEs' internationalisation research area particularly regarding factors influencing SMEs' internationalisation. However, there is a need to investigate the impact of internationalisation adoption on SMEs' business performance since the relationship remains vague. While some researchers found a significant positive relationship exists between internationalisation strategy and business performance (Dunning, 1980; Johanson and Mattsson, 1987; Johanson and Vahlne, 1990; Prahalad and Hamel, 1990), others found none. For example, Suh and Kim (2014) found no significant positive relationship between internationalisation strategy and leading international SMEs in Korea. Majocchi and Zucchella's (2003) study of 220 Italian SMEs suggest that performance is not determined by the international intensity and the number of international agreements but firms' ability to access specific markets such as North America. This chapter critically reviews the extant literature on studies that examined the impact of internationalisation strategy on firm's business performance. In pursuing this aim, the work seeks to discuss performance measures employed and internationalisation construct(s) used to measure internationalisation intensity. These two perspectives are fundamental to examining the internationalisation- performance relationship.

## 4.2 Business Performance

There are two types of business performance measures found in prior research, namely: i) financial; and ii) non- financial (see Table 4.1). Although previous researchers have extensively discussed these measures, a lack of uniformity is evident regarding research findings across different studies. Pangarkar (2008) argues that: *"prior studies have used a broad range of performance measures, ranging from outcomes achieved in the product markets (such as sales growth) to accounting measures such as: return on assets (ROA), return on sales (ROS) and return on equity (ROE), as well as, market-based measures (such as Beta and Risk-adjusted returns)."*

**Table 4. 1: Business Performance Measures**

Type	Performance measures	Author (s)	Total no. of articles (f)
Financial	1) Return on assets (ROA).	(Pangarkar, 2008; Zeng <i>et al.</i> , 2009; Chao and Kumar, 2010; Hsu <i>et al.</i> , 2013; Musteen <i>et al.</i> , 2013)	4
	2) Total sales growth/ or return on sales (ROS).	(Lu and Beamish, 2001b; Qian, 2002; Westhead <i>et al.</i> , 2004; Ruzzier <i>et al.</i> , 2006; Zhou <i>et al.</i> , 2007; Pangarkar, 2008; Musteen <i>et al.</i> , 2013; Yeoh, 2014b)	8
	3) Profitability and sales growth from exporting (subjective performance measures).	(Zahra <i>et al.</i> , 2000; Westhead <i>et al.</i> , 2004; Lu and Beamish, 2006; Ruzzier <i>et al.</i> , 2006; Kuivalainen and Sundqvist, 2007; Zhou <i>et al.</i> , 2007; Pangarkar, 2008; Musteen <i>et al.</i> , 2013; Yeoh, 2014a)	9
	4) Return on equity (ROE).	(Zahra <i>et al.</i> , 2000; Westhead <i>et al.</i> , 2004; Chao and Kumar, 2010)	2
	5) Return on investment (ROI).	(Chao and Kumar, 2010)	1
	6) Foreign sales as a percentage of total sales (FSTS).	(Kuivalainen and Sundqvist, 2007; Zhou <i>et al.</i> , 2007; Gregorio <i>et al.</i> , 2009)	3
	7) Foreign profit as a percentage of total profit (FPTP).	(Pangarkar, 2008)	1
Non-Financial/ satisfaction	9) Enhancement of the company's production and managerial capabilities.	(Yeoh, 2014)	2
	10) Enhancement of the company's brand image and reputation both domestically and internationally.	(Yeoh, 2014)	1
	11) Ability to compete at world's best practices	(Yeoh, 2014)	1
	12) The balance between local and foreign operations.	(Yeoh, 2014)	1
	13) Knowledge gained because of foreign market entry, including: technological learning; marketing learning.	(Zahra <i>et al.</i> , 2000; Pangarkar, 2008; Ibeh and Kasem, 2014)	3
	14) The realisation of goals and objectives.	(Musteen <i>et al.</i> , 2013)	1

Source: The researcher

Based on Table 4.1 above, it is notable that, profitability growth was the most popular performance measurement ( $f =$  nine articles). This is because certain accounting measurements such as ROE and ROI are difficult to obtain since companies are unlikely to disclose this commercially sensitive information (Yeoh, 2014).

ROS is the second highest performance measure used in prior studies ( $f =$  eight articles). Qian (2002) quoted “*the rationale of using ROS due to sales are generally expressed in more current monetary terms than assets, which would have been acquired over a longer time frame and carried at book values* (c.f. Qian, 2002; Geringer *et al.*, 1989).” The third highest performance measure used in prior research is export growth ( $f =$  six articles).

However, these three measures above are broadly classified as financial aspects of performance measurement, and as such ignore non-financial perspectives. Bucklin and Sengupta (1993) argued that monetary-based measures of performance are not reflected the quality of the SMEs’ performance, conversely, Osland and Cavusgil (1996) reiterated that the financial measure of profits are only comparable within similar sectors and stages in the life-cycle of SMEs. Chong (2008) however, asserted that financial and non-financial performance assist owners/ managers of SMEs to gain a broader perspective on measuring and comparing their entrepreneurial performance in overseas markets.

#### 4.2.1 Financial Measures

Table 4.1 illustrates that there are eight financial business performance measures commonly found in the literature; each of these will now be discussed in some further detail.

##### Return on Assets (ROA)

ROA is a performance indicator used when an international firm involves in international investment and diversifies its operation in foreign countries (Pangarkar, 2008; Hsu *et al.*, 2013). In most cases, firms leverage its’ assets abroad to establish: i) a factory or foreign production facilities; ii) foreign sales or representatives office to conduct marketing activities; and iii) regional headquarters (Cavusgil *et al.*, 2011).



There are various reasons for using ROA as a performance indicator. For example, Hsu *et al.* (2013) deployed ROA as a dependent variable in testing CEO attributes as a moderating effect in the internationalisation-business performance relationship. They (*ibid*) used ROA as a performance measure for two reasons: first, because their work related to internationalisation activities that are associated with economies of scope and scale, hence it was more appropriate to deploy an accounting-based indicator. Second, because their work related to examining the effect of managers' attitude, they used the variable that is frequently measured by managers and analysts.

Similarly, other researchers (Capar and Kotabe, 2003; Chao and Kumar, 2010) used ROA as a performance measure to test the institutional distance as a mediating effect upon the internationalisation-performance relationship. Zeng *et al.* (2009) deploy ROA as a performance indicator in testing the relationship between Chinese export manufacturing firms with FDI activities. They (*ibid*) argue that using a performance indicator depends upon the study's circumstances, for example, in their case, it was much more appropriate to assess FDI performance by using ROA rather than ROI.

ROA has proven to be a reliable performance indicator when considering the age of firms. For example, since the majority of born global firms are young and engage in IT and electrical industrial sector, those firms tend to invest in modern facilities and more substantial fixed assets. Hence, it is more appropriate to measure born global firms performance by using ROA (Pangarkar, 2008). However, Pangarkar (*ibid*) argued that many firms' owners have different objectives for their internationalisation strategy. Hence, Pangarkar (*ibid*) introduced a suite of comprehensive performance measures designed to suit with the various firm's aims and objectives regards internationalisation including ROS, growth in sales, foreign profits, growth in profits, ROA, knowledge and experience improvement after involved in international business.

### [Return on Sales \(ROS\)](#)

Even though many scholars have considered ROA as an essential variable to measure a firm's financial performance, other scholars argue that ROS should not be excluded from a performance measurement study. For example, Qian (2002) deployed ROS in the study of SMEs' multinationality and product diversity on profit performance in the

United States. ROS measures show how much per pound of sales generate some amount of profits and used because it generally depicts in liquid monetary terms rather than fixed assets. However, ROS's calculation includes depreciation, taxation and foreign currency exchange differences (Choi and Muller, 1984; c.f. Qian, 2002).

Similarly, Lu and Beamish (2001) deployed ROS as a performance measure in their study on internationalisation and performance of Japanese SMEs. They collected firms' accounting and performance information from the Nikkei NEEDS tape, an electronic database that provides information on Japanese companies' performance in the Tokyo stock exchange. They argued that the reason for using ROS as a performance measure is due to a highly correlated variable in their statistical testing to the dependent variable. Despite its inherent value, ROS has been criticised by several scholars on pragmatic grounds that managers are reluctant to disclose this sensitive information and it is often inconvenient to obtain reliable data (Musteen *et al.*, 2013; Yeoh, 2014).

#### *Profitable and Export Sales Growth (Subjective Measures)*

Yeoh (2014) and (Westhead *et al.*, 2004) proposed to use profitability growth and sales growth as indicators to measure firms' financial performance. Also, Zhou *et al.* (2007) proffered business performance should be measured within three years by financial indicators such as sales growth, profit growth and export growth. Those financial performance measures were tested either objectively or subjectively by measuring the level of satisfaction of firm's managers and business owners. The usage of this financial aspect of measurement has been supported by prior researchers (c.f. Zahra *et al.*, 2000; Kuivalainen and Sundqvist, 2007; Zhou *et al.*, 2007; Pangarkar, 2008).

While Musteen *et al.* (2013) indicate the satisfaction of international venture owners by using a Likert-type scale (1= very dissatisfied, 5= very satisfied) on profitability and sales growth performance, Lu and Beamish (2006) indicate profitability growth by subjectively asking the top Japanese managers to specify performance on three scales: i) representing loss; ii) break-even; and iii) gain. Even though perceptual measures may be subject to personal bias (Wall *et al.*, 2004; c.f. Musteen *et al.*, 2013), Musteen *et al.*, (2013) argued that subjective measures have a high correlation to

objective and accounting-based measures. Hence, subjective measures could provide a substitute whenever objectives measures data are not available.

In contrast, Zahra *et al.* (2000) used a different method by objectively gathering accounting-based data for the sales growth as percentages from secondary sources such as: the magazine of Business Week, the 100 Best Small Companies, Electronics Business, Fortune, American Electronics Association (AEA), and Software Magazine. They (*ibid*) encountered a positive relationship between international diversity and mode of market entry with new ventures business performance regarding sales growth.

#### Return on Equity (ROE)

A limited number of previous studies deployed ROE as a performance indicator. The previous research that used ROE can be seen from the works undertaken by several researchers such as Westhead *et al.* (2004). They deployed ROE as one of six selected performance indicator variables in their study on profiles of exporting and superior-performing SMEs internationally. Furthermore, Zahra *et al.*, (2000) deployed ROE because it was widely considered as a key indicator of new venture performance by prior researchers (Chandler and Hanks, 1993; Zahra, 1996; Zahra *et al.*, 2000). Also, they (*ibid*) proffered ROE was used extensively to evaluate new venture performance by trade publications, industry experts and venture capitalists.

Chao and Kumar (2010) collected all the financial information over a three-year period from Mergent Online data sources for additional analysis of ROE. However, they found no strong correlation between this variable and performance measures as compared to ROS and ROA.

#### Return on Investment (ROI)

Another financial performance measure used in the previous study is return on investment (ROI) (Chao and Kumar, 2010). McDougall and Oviatt (1996) noted that firms that had increased sales exhibited superior performance regarding both ROI and relative market share. This financial performance indicator has been reviewed in work undertaken by Chao and Kumar (2010), but it did not show a high correlation to performance measurement (Chao and Kumar, 2010).

#### Foreign Sales as a Percentage of Total Sales (FSTS)

Prior researchers such as Gregorio *et al.* (2009) have deployed the ratio of FSTS as an indicator of business performance. This indicator is also widely used as indicator for the degree of internationalisation (DOI) (Andersson *et al.*, 2004; De Clercq *et al.*, 2005; Hsu *et al.*, 2013; R. G. Javalgi and Todd, 2011; Ketkar and Acs, 2013; Lu and Beamish, 2001; Martin and Papadopoulos, 2007; Pangarkar, 2008; Qian, 2002; Raymond *et al.*, 2014; Ruzzier *et al.*, 2006, 2007; Sullivan, 1994; Westhead *et al.*, 2004; Yeoh, 2014).

#### Foreign Profit as a Percentage of Total Profit (FPTP)

The last indicator of financial performance, foreign profit as a percentage of total profit (FPTP) has been used in work undertaken by Pangarkar (2008). Pangarkar (*ibid*) deployed FPTP as a summation of the following variables: ROS; growth in sales; foreign profits; growth in profits; ROA; and experience and knowledge gain from foreign operations. The usage of this indicator is due to the complex set of goals carried by SMEs in the study.

#### 4.2.2 Non-Financial Measures

This study has discovered various aspects of non-financial performance measures internationalisation from the extant literature, include: i) improvement of firms' productivity and management efficiency; ii) improvement of firms' brand image and reputation; iii) improvement of firms' international competitive advantage; iv) leveraging business activities between domestic and foreign operations; v) obtaining experience and knowledge post expansion abroad; and vi) longevity and sustainability in foreign markets. Each of these will now be discussed in detail.

#### Improvement of Firms' Productivity and Management Efficiency.

Yeoh (2014) recently deployed non-financial measures to examine the international outcomes of family businesses. The main reason for measuring company's performance with non-financial indicators is due to a high degree of reluctance from managers and business owners to reveal company's confidential information such as financial reports. As an alternative, they (*ibid*) deployed the improvement of company's production and managerial capabilities as an indicator of business performance as

well as other subjective measures. They discovered a significant positive relationship between the international experience of the outside of family business CEOs and the enhancement of the company's production and managerial capabilities. To validate their study, three other performance indicators were deployed, namely: i) enhancement of the company's brand and reputation; ii) ability to compete at world's best practices; and iii) managing the balance between domestic and international operations. They found all these indicators have a significant positive relationship when outside CEO possesses greater international experience. However, these indicators are not underpinned by any theory or previous models in the study.

#### *Obtaining Experience and Knowledge Post Expansion Abroad*

Knowledge gained from internationalisation activities has been examined by several prior researchers, particularly research conducted in international entrepreneurship field such as Zahra *et al.* (2000) and Fletcher and Harris (2012). The knowledge acquisition includes marketing knowledge, technical knowledge and international knowledge (Zahra *et al.*, 2000; Fletcher and Harris, 2012; Ibeh and Kasem, 2014). For example, Ibeh and Kasem (2014) studied the effect of internationalisation strategy on the firms' acquisition of marketing learning. They (*ibid*) found that firms' international activities, perceptions of gaps in marketing knowledge, and external social capital had positively influenced firms' acquisition of marketing learning. According to them (*ibid*), foreign market learning and knowledge acquisition trigger and enable economic development of international firms. Marketing knowledge is useful for managers who are unfamiliar with the condition of the foreign market and can improve aspects of their international marketing know-how. They (*ibid*) suggest that a firm's international activities and external social capital positively influence firm's acquisition of marketing learning. According to Ibeh and Kasem (*ibid*), firm's cross-border activities enhances learning opportunities including new customer demands, dynamics of different marketplaces, and the liability of foreignness. As firms widen their scope of international activities or enter diverse foreign markets, they learn to respond as appropriate to different customer demands, competitive practices, buying culture and different marketing approaches and strategies. Furthermore, Zahra *et al.* (2000) revealed that internationalisation had a positive impact on technological learning.

However, the study did not consider technological learning as a variable of business performance but deployed ROE and sales growth as a performance indicator instead.

Pangarkar (2008) proffers that learning new knowledge as a consequence of international activities was a key benefit for internationalisation of SMEs in Singapore. A list of dependent variables including knowledge gained as a result of internationalisation was tested to reveal a significant positive relationship in both dependent and independent variables. Musteen *et al.* (2013) revealed that when CEOs in their study of firms in the Czech Republic frequently interacted with their international contacts, their foreign market knowledge is significantly enhanced.

#### *The realisation of Goals and Objectives*

Goals and objectives of an internationalisation strategy undertaken by firm's managers and owners may differ, for example, some may be strategic while others are reactive. A common strategic objective is to penetrate foreign markets and diversify broader markets opportunities as well as strengthening resource seeking capability. Conversely, a reactive motive may include the need to serve a key customer that has expanded abroad (Cavusgil *et al.*, 2011, pp. 50-51). Cavusgil *et al.* (2011) listed nine motivations for firms to internationalise include: *"i) seeking opportunities for growth through market diversification; ii) earning higher margins and profits; iii) gaining new ideas about products, services, and business methods; iv) serving key customers that have relocated abroad better; v) moving closer to supply sources, benefits from global sourcing advantages, or gain flexibility in product sourcing; vi) gaining access to lower cost or better value factors of production; vii) developing economies of scale in sourcing, production, marketing, and R&D; viii) confronting international competitors more effectively or thwart the growth of competition in the home market; and ix) investing in a potentially rewarding relationship with a foreign partner."*

Musteen *et al.* (2013) deployed the realisation of objectives as an indicator to measure first international venture performance. However, this non-financial variable is not based on any prior theory or model and hence, further research is required to validate its appropriateness as a performance indicator.

### Longevity and Sustainability in Foreign Markets

While deploying profitability as a performance indicator, Lu and Beamish (2006) also used longevity and sustainability in foreign markets as a dependent variable in the study of Japanese SMEs international joint ventures (IJV). They examined the effect of firm size and partners' host countries experience on the longevity and profitability with other partners from 41 countries. Consequently, they revealed that firm size has a positive effect on the sustainability of partnership in host countries but a negative impact on profitability especially when partners own a minority of shares in the IJV. Also, they found partners host countries' experience has a negative effect on IJV's longevity but shows a positive relationship with profitability. However, this study only used two variables in business performance measurement and is challenged by prior researchers who proffer that performance is a complex multidimensional construct (e.g. Venkataraman and Ramanujam, 1986). Nevertheless, the indicator has proven to be relevant and could be applied in future research.

### 4.3 Internationalisation Adoption Construct

Prior researchers used degree of the firm's internationalisation (DOI) to measure this construct. However, from the articles reviewed, only 29 articles (refer to Table 4.2) provided internationalisation constructs. The most frequently used internationalisation construct was foreign sales as a percentage of total sales (FSTS) ( $f = 14$  articles), which is related to performance measures.

Notably, the least frequently used international constructs were: i) foreign profit as a percentage of total profit (FPTP); ii) total sales in the overall market territory; iii) the percentage of employees that spend part of their working hours on international activities; iv) the level of technological diversity; and v) the intention/ likelihood of exporting to new foreign markets within the next year. This might be due to the inappropriateness of these constructs to be adopted in various research contexts. For example, usage of the variable 'intention of exporting to new foreign market within the next year' is not appropriate to be used in the study of survival phase of SMEs in a certain international market, instead it more appropriate to be deployed in studies related to early and success phase of internationalisation (Morgan and Katsikeas, 1997).

Moreover, several researchers argue that internationalisation adoption is the stage where firms have achieved prior four stages in the beginning such as internationalisation awareness, internationalisation intention, internationalisation trial and internationalisation evaluation (Reid, 1981). Reid (*ibid*) suggests internationalisation adoption is the stage where firms have already involved in internationalisation activities. Thus, internationalisation adoption can be measured through company growth, the absolute level of internationalisation, relative growth of international sales, level of new market expansion, and level of new products introduction in foreign markets. Similarly, Ibeh and Young (2001) suggest internationalisation adoption can be measured when the firms start internationalising, presence in key market (s) and plan for new export market.



**Table 4. 2: Internationalisation Adoption Constructs**

<b>Attributes</b>	<b>The degree of internationalisation constructs</b>	<b>Author (s)</b>	<b>Number of articles</b>
<b>Performance</b>	1. Foreign sales as a percentage of total sales (FSTS).	(S. Andersson <i>et al.</i> , 2004; De Clercq <i>et al.</i> , 2005; Hsu <i>et al.</i> , 2013; R. G. Javalgi and Todd, 2011; Ketkar and Acs, 2013; Lu and Beamish, 2001; Martin and Papadopoulos, 2007; Pangarkar, 2008; Qian, 2002; Raymond <i>et al.</i> , 2014; Ruzzier <i>et al.</i> , 2006, 2007; Sullivan, 1994; Westhead <i>et al.</i> , 2004; and Yeoh, 2014).	14
	2. Research and development intensity (RDI).	(Ruzzier <i>et al.</i> , 2007, 2006; Sullivan, 1994; and Westhead <i>et al.</i> , 2001).	4
	3. Advertising intensity (AI).	(Ruzzier <i>et al.</i> , 2007, 2006; and Sullivan, 1994).	3
	4. Export sales as a percentage of total sales (ESTS).	(Fernández and Nieto, 2005; and Sullivan, 1994).	2
	5. Foreign profit as a percentage of total profit (FPTP).	(Sullivan, 1994).	1
	6. Weights sales in overall market territory.	(Raymond <i>et al.</i> , 2014).	1
<b>Structural attributes</b>	7. Foreign assets as a percentage of total assets (FATA).	(Hsu <i>et al.</i> , 2013; and Sullivan, 1994).	2
	8. Overseas subsidiaries as a percentage of total subsidiaries (OSTS).	(Chao and Kumar, 2010; Hsu <i>et al.</i> , 2013; Lu and Beamish, 2001; and Sullivan, 1994).	4
	9. International scope- the number of the export country.	(S. Andersson <i>et al.</i> , 2004; Chao and Kumar, 2010; De Clercq <i>et al.</i> , 2005; Ibeh and Kasem, 2014; Lu and Beamish, 2001; Yeoh, 2014; and Zahra <i>et al.</i> , 2000).	7
	10. International production - FDI activities.	(Dunning, 1980; and Lu and Beamish, 2001).	2
	11. The percentage of employees that spend a significant part of their time on international activities.	(De Clercq, Sapienza and Crijns, 2005).	1
	12. A perceived gap in marketing knowledge: i) marketing capabilities; ii) marketing learning.	(Ibeh and Kasem, 2014; and Zahra <i>et al.</i> , 2000).	2
	13. Technological diversity.	(Zahra <i>et al.</i> , 2000).	1
	14. Mode of internationalisation	(Kuivalainen <i>et al.</i> , 2012)	1
<b>Attitudinal attributes</b>	15. Top manager's international experience (TMIE).	(Burpitt, 2000; Kuivalainen and Sundqvist, 2007; and Martin and Papadopoulos, 2007).	3
	16. Psychic dispersion of international operations (PDIO).	(Chao and Kumar, 2010; Ibeh and Kasem, 2014; Prange and Verdier, 2011; Sullivan, 1994; and Zahra <i>et al.</i> , 2000).	5
	17. Intention/ likelihood of exporting to new foreign markets within the next year.	(Reid, 1984).	1

**Source:** The researcher

#### 4.4 Impacts of SMEs' Internationalisation on Business Performance

Scant previous research on determining the impact of internationalisation on SMEs' business performance was discovered (Coviello and Martin, 1999; Lu and Beamish, 2001; Oviatt and McDougall, 1994). Based on the prior articles reviewed, only 15 articles have studied internationalisation-business performance relationship. While two articles directly test the impact of internationalisation strategy on business performance, the rest ( $f = 13$  articles) have precisely focussed on particular variables which are either moderator or mediator variables of the internationalisation- business performance relationship. The two articles that directly examine the impact of internationalisation upon business performance are: i) Pangarkar (2008) who found a positive relationship between the degree of internationalisation (DOI) and firm's performance; and ii) Qian (2002) who found a U-shaped curved of the relationship between multinationality, product diversification and profitability of SMEs within the United States.

Amongst the articles related to study on moderator of internationalisation- business performance relationship is: i) Hsu *et al.* (2013) who found a positive impact of CEO attributes on the internationalisation-performance relationship; ii) Majocchi *et al.* (2005) who found a positive relationship between firm size and business experience on export performance; and iii) Lu and Beamish (2006) who found a negative impact of host country knowledge and size of the firm on profitability of international joint venture (IJV) firms.

The relationship of internationalisation-business performance remains vague. This is due to various empirical test results and no consensus in prior research findings. While some studies found a positive relationship, other studies found a negative and U-shaped curve relationship (see Table 4.3). This could be related to distinction in research settings such as country scope, study group and size of the company. For example, Kuivalainen and Sundqvist (2007) research highlighted differences when studying SMEs and large firms separately. They study espoused that for small firms through internationalisation produce better sales performance and profit performance creating better efficiency. However, for the larger firms it shows only better profit performance.

**Table 4. 3: List of Prior Studies on Internationalisation-Performance Relationship**

Author (s)	Focus	Moderating/ or mediating variables.	Impact/ or relationship
1. Hsu <i>et al.</i> (2013)	The impact of CEO attributes upon the internationalisation-performance relationship.	CEO attributes such as age, educational level and international experience.	Positive
2. Yeoh (2014)	The role of outside CEOs of family SMEs on the internationalisation-performance relationship.	Outside CEO attributes: International experience.	Positive
3. Pangarkar (2008)	The relationship between DOI and firm's performance.	Not applicable.	Positive
4. Majocchi <i>et al.</i> (2005)	Investigate the relationship between firm size and business experience on export performance.	Firm size and business experience.	Positive
5. Zhou <i>et al.</i> (2007)	Examine the relationship between social networks and born-global SMEs business performance.	Social network.	Positive
6. Prange and Verdier (2011)	Conceptualizing dynamic capabilities and internationalisation processes on international firm's business growth and performance.	Dynamic capabilities and internationalisation processes.	Conceptualisation
7. Chao and Kumar (2010)	Examining the impact of institutional distance on firm performance.	Regulative institutional distance and normative institutional system.	U-shaped curve.
8. Qian (2002)	Examining the impact of multinationality and product diversification on the profitability of US SMEs.	Not applicable.	U-shaped curve.
9. Lu and Beamish (2006)	Examining the impact of host country knowledge and size of the firm on the profitability of INVs.	Host country knowledge and firm size.	Negative.
10. Han (2006)	The roles of social capital in internationalisation.	Not applicable.	Not applicable.
11. Lu and Beamish (2001)	Testing the impacts of foreign direct investment (FDI), exporting activity, and the relative use of alliances on SMEs international performance.	FDI, exporting activity and alliances.	Positive.
12. Kuivalainen and Sundqvist (2007)	Examining the relationship between internationalisation intensity and firm's export performance.	Export intensity.	Positive.
13. Martin and Papadopoulos (2007)	Examining internationalisation and firm performance.	Not applicable.	U-shaped curve.
14. Zeng <i>et al.</i> (2009)	Investigating the relationship of ten business factors on business performance in internationalisation processes.	Technology; cost control; innovation; management system; foreign experience; financing capacity; management know-how; labour availability; brand consciousness; foreign market scope.	Multiple both positive and negative results.
15. Zahra <i>et al.</i> (2000)	Examining the relationship of the internationalisation strategy on a firm's technological learning, and the effects of this learning on the firm's financial performance.	Not applicable.	Multiple both positive and negative results.

Source: The researcher

#### 4.5 Literature Synthesis and Preliminary Research Framework

Determination and impact of internationalisation on SMEs performance depend on different contexts. Based on this notion, current research has developed a preliminary research framework to fulfil knowledge gaps in the study area.

First, this study underpins the integrative conceptual model introduced by Coviello and McAuley (1999) and Kuivalainen *et al.* (2012) as this theory could explain factors of SMEs internationalisation in a broader perspective including managerial level, firm, environmental and ethical attributes. This study integrates theories of SMEs internationalisation including i) stage theory; ii) network theory; iii) FDI theory; and iv) international entrepreneurship/ INV theory. These theories are selected because they are most prominent among current researches in SME internationalisation. Also, the study extends the integrative model by using the institutional theory as it never been integrated into the model by previous researches.

45 determinants of SMEs internationalisation (refer to Table 3.2) that have been discovered in the literature review will be re-examined to suit to the current research context. A new perspective of determinant so-called ethical factors driving SMEs' internationalisation adoption will also be tested in this study. Thus, the new context of determinant creates a novelty in this current research, as no previous research has been discovered study on this perspective.

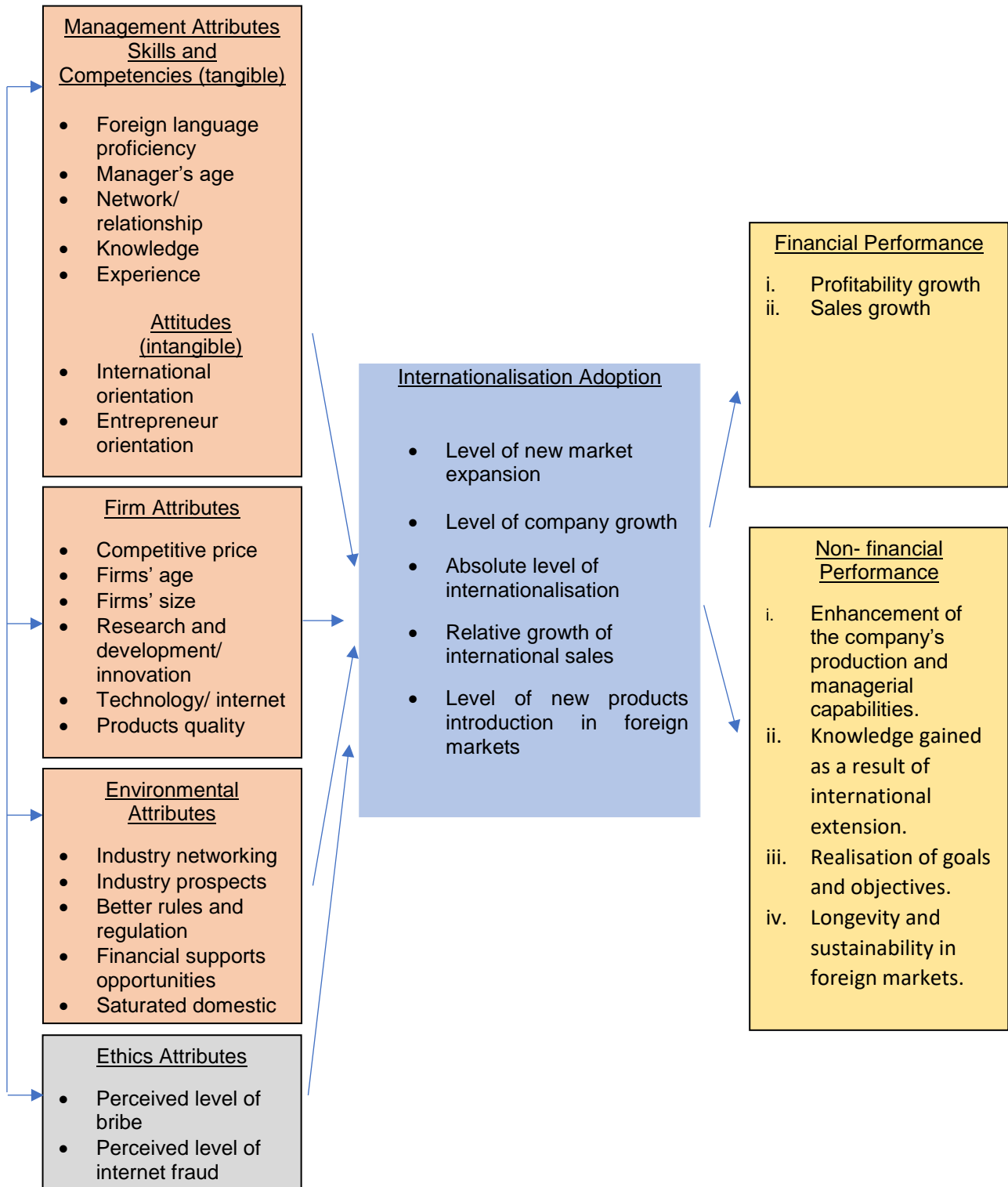
Second, in terms of internationalisation constructs, this study considers five variables suggested by Reid (1981) including i) level of new market expansion; ii) level of company growth; iii) absolute level of internationalisation; iv) relative growth of international sales; and v) level of new products introduced in foreign markets. Deployment of these constructs is based on the reasons as follows: i) these constructs have been proven statistically as highly essential constructs of SMEs internationalisation in previous studies; and ii) the constructs were highly deployed in previous studies. The current research will also understand the common determinants in two different contexts of precocity of internationalisation which are: i) early internationalizer (born global companies); and ii) late internationalizer (firms that go late to international market after they have been long in the domestic market).

Third, regarding performance measures, this research considers both financial and non-financial perspectives. However, only two variables from financial perspectives will be tested: i) profitability growth; and ii) sales growth. This is because only these two financial measures could be measured either objectively or subjectively since previous researchers (Such as Yeoh, 2014) proffered obtaining company's financial reports gives challenges to researchers as firms avoid disclosing commercially sensitive information. Also, four non-financial performance measures will also be tested, including i) enhancement of the company's production and managerial capabilities; ii) knowledge gained as a result of international extension; iii) realisation of goals and objectives; and iv) longevity and sustainability in foreign markets.

Fourth, regarding country of investigation, this study utilises Malaysia as the research settings since the literature review has revealed only five published articles related to determinants of SMEs internationalisation were conducted in Malaysia from 1970 to 2016. Thus, this opens an extensive opportunity to conduct a study in the research area in Malaysia since the integrative conceptual model is still scant in the previous studies and the new ethical factors of SMEs internationalisation has not been examined before.

Fifth, regarding industrial perspectives, considering a limited number of SMEs undertaking international business in Malaysia (19 per cent of total export value) this study draws the sample from manufacturing, services, agriculture, construction and other businesses from different industries to avoid insufficient data. The determinants will then be observed regarding commonalities and differences according to industries. The preliminary research framework is illustrated in Figure 4.1.

**Figure 4. 1: Preliminary Research Framework**



**Source:** The researcher

## 4.6 Chapter Summary

This chapter has discussed the three core areas of performance measures, internationalisation construct(s), and previous research undertaken in determining the relationship between internationalisation and business performance. As a result, several commonalities and differences have been uncovered and summarised.

Financial performance has received widespread usage as a performance indicator in prior studies of internationalisation-performance relationship. The deployment of these financial aspects is perhaps due to the comparative nature of the variables. Also, this current review has noted that some previous researchers faced challenges in acquiring financial information due to the confidentiality of such information. Nevertheless, gathering financial information remains viable in certain circumstances, for example, if the required financial information available in secondary resources such as public magazines and reports (c.f. Zahra *et al.*, 2000).

Even though some previous research such as Yeoh (2014) and Musteen *et al.* (2013) have promoted the importance of measuring business performance regarding non-financial and subjective measures, there is still scant regarding empirical research on this area. This current research identified only five out of total 39 articles that discussed performance measures in terms of non-financial measure. Hence, additional future research could be conducted within this area to examine the importance of measuring performance by adopting non-financial indicators. This suggestion was also supported by Bucklin and Sengupta (1993) and Osland and Cavusgil (1996).

Regarding the internationalisation construct(s), future researchers are advised to not only rely on a single aspect, as it tends to misrepresent the construct. Moreover, Sullivan (1994) suggests that “studies utilising single item often lack the statistical evidence to support the premise that measurements and concepts correspond.” Kuivalainen *et al.* (2012) also propose future research to use more comprehensive internationalisation construct.

This research has also encountered a small number of previous literature discussing upon the internationalisation-performance relationship. More impressively, it is notable

that, such study remains scant and encountered insufficient articles conducted from emerging countries, as well as, in the small and medium companies' perspectives. Furthermore, prior research found the result of relationship is still confusing. This fuels future research to take into consideration to further discover knowledge in this area. This could help small and medium sized companies from emerging countries determine the effectiveness of undertaking internationalisation strategy and understanding what works to improve their financial and non-financial business performance.

Finally, the chapter ends with a preliminary research framework. This preliminary research framework will then be a guide for conducting further activities in this research.



## Chapter 5: Research Methodology

### 5.1 Introduction

When designing a research project, the options and pathways available are myriad, for example, the chosen approach could be quantitative, qualitative or a combination of both (Bryman, 2016). However, a significant factor in determining the research strategy is how the researcher considers these various options, and the clarity of thought in deciding as to which design is adopted (Saunders and Lewis, 2012). The researcher must select a research strategy and link it to appropriate research design to illuminate the research issues or questions (Baker and Foy, 2008; Bryman, 2016). Baker and Foy (2008, pg. 109) also proposed that: *“Having identified a research issue or question one must select a research strategy and appropriate methodology for collecting information that will illuminate the problem.”* An ill-designed research strategy and methodology will similarly produce ill-conceived analysis, results and discussion. Hence, a thorough consideration of each process of determining appropriate research methodology will be conducted in this chapter. In doing so, the chapter discusses various research, strategies, research designs and methodologies to eliminate the research questions and objectives. The chapter commences with the in-depth elucidation of the term 'research methodology' and discussion of the role of research methodologies in a research project. The ensuing discussion then focuses upon mostly social sciences orientated research strategies as these are regularly adopted by researchers in business and management studies. The culmination of literature synthesis produces a prescribed research approach that encapsulates: formulating the research population; defining the research sample; selecting appropriate data collection methods; planning the stages of data collecting from the field; selecting suitable data analysis and validation techniques; and discussing procedures and problems encountered during each stage of the fieldwork.

### 5.2 Research Strategies, Designs and Methodologies

#### 5.2.1 Research Strategies

Baker and Foy (2008) suggest that the development process for formulating a research strategy represents a phase of research in which the researcher explicitly expresses their logic of inquiry. However, academics who write about research

methodology have not reached consensus in explaining the term 'research strategy'. For example, while Baker and Foy (2008, pg. 110) defined research strategies as initiatives to “*providing justification and practicing appropriate procedures to answer research questions*”, Bryman and Bell (2015) suggest that research paradigm must be considered before selecting a research methodology either quantitative or qualitative, which is planned in the research strategy phase. On the other hand, Saunders *et al.* (2012) divided research strategies into seven categories namely: i) experiment; ii) survey; iii) case study; iv) action research; v) grounded theory; vi) ethnography; and vii) archival research. They (*ibid*) proffered that these strategies are used to answer research questions and meet research objectives. Research strategies also relate to determining research philosophy and paradigm that links to the choice of either inductive or deductive research approaches. In summary, preparing a research strategy will involve consideration of research philosophy, approaches and paradigm (Bryman, 2016). Consequently, these considerations are discussed to ensure that the methodologies and designs proposed for this research are scientifically valid and robust.

### Research Philosophy

The literature illustrates that research philosophy should be viewed from two fundamental perspectives namely: i) ontology; and ii) epistemology (Bryman and Bell, 2003, 2007, 2011, Saunders *et al.*, 2009, 2012b, 2016; Tashakkori and Teddlie, 2010; Denzin and Lincoln, 2011).

### Ontology

“*Ontology is concerned with nature of reality*” (Saunders *et al.*, 2012; p: 110) and more specifically, about the reality of the object research (Tashakkorie and Teddlie, 2010). El-Gohary (2009) explained that ontological philosophy is related to the question of: “What is the nature of reality? What form of reality available that can be understood? Therefore, what is existing that can be known about it?”

According to Saunders *et al.* (2012), ontology can be derived from two philosophical views. The first belief is objectivist which asserts that social entities exist in reality external to social actors. The second belief, the subjectivist view is that social phenomena are created from the perceptions and following actions of social actors.

Objectivists proffer that the culture of an organisation as something that an organisation 'has'. Conversely, the subjectivists proffer the culture of an organisation as something that the organisation 'is' as a result as continuing social acting (Smircich, 1983; cited in Saunders *et al.*, 2012b). For example, a staff member raising his hand during a company meeting. If we see this event as an event occurring in this universe with a causal and effect relationship, and deterministic connections, the event could be known through identifying all causes that lead to the event (from an objectivist view). The answer is perhaps that the staff member intends to ask a question. However, it could only help us to know the causes that lead to the event. Nevertheless, this view could not help us to understand the 'meaning' of that event, which could only be understood by a subjectivist view.

### *Epistemology*

Epistemology is derived from two Greek words: 'Episteme' means knowledge and 'Logos' means theory (Gray, 2009). Goldman (1999) defined epistemology as the theory of knowledge. Epistemology is a philosophical background that decides what kinds of knowledge are legitimate and adequate. According to Bryman and Bell (2015), "*epistemology issue concerns the question of what is (or should be) regarded as acceptable knowledge in a discipline.*" In particular, the question of whether or not the social world could be studied in a natural sciences environment. Furthermore, El-Gohary (2009) proposes that epistemology relates to the questions of: "*What is the relationship between the knower (the subject) and what can be known (the object)? It is concerned with how we know the world and what is the relationship between the inquirer and the known*". Similarly, Creswell (2010) went onto explain that epistemology is the relationship between the researcher and the object that is being researched.

In social sciences research, the two prevailing epistemological assumptions are 'positivism' and 'interpretivism' (e.g. Corbetta, 2003; Denzin and Lincoln, 2011; Bryman, 2016). Denzin and Lincoln (2011) proposed in their recent work that the epistemological belief could be understood in five philosophical views which are: i) positivism; ii) post-positivism; iii) critical theory, iv) constructivism or interpretivism; and

v) participatory. These five epistemological beliefs will then explain in the following sub-topics.

### *Positivist*

The positivists prefer to work with observable social reality and produce an end product such as generalisable result which can be found in researches produced by physical and natural scientists (Remenyi *et al.*, 1998). Phenomena that can be observed will lead to credible data being produced. The positivist uses existing theory to develop a hypothesis (in data collection) that will be subsequently tested and confirmed in the research (Denzin and Lincoln, 2011; Tashakkori and Teddlie, 2010). The research conducted by positivist is in a value-free away which means the assumption is that:” the researcher is independent of and neither affects nor is affected by the subject of the research (Remenyi *et al.*, 1998; p: 33).”

### *Interpretivism or constructivism*

The interpretivists assert that it is crucial that differences between humans in our various roles as social actors be understood (Saunders *et al.*, 2011). The interpretivists philosophy is essential because the researcher must adopt an empathetic stance. Interpretivists argue that rich insights into this complex world are lost if such complexity is reduced entirely to a series of law-like generalisations. This means that the researcher and the object under investigation are fused into a single entity (Denzin and Lincoln, 2010).

### *Post-positivism*

Post-positivism is a modified version of positivist approach and is positioned between positivism and interpretivism paradigm (Neergaard and Ulhoi, 2007, p. 125; Denzin, 2010). It is an approach that has been developed in response to limited features and challenges that faced positivism approach (Lincoln and Guba, 2000). The example of the distinction between positivist and post-positivist is that while positivists believe in total objectivity and they propose that there is no reason to interact with who or what researchers study, post-positivists assume that the interaction with researchers should be minimal (Guba and Lincoln, 2005).

Several researchers intend to understand how to complete a research project with a broader view (Tashakkori and Teddlie, 2010). They suggest that there is a complementary between both positivism and interpretivism rather than competing with each other (e.g. Tashakkori and Teddlie, 2010). Thus, both Denzin and Lincoln (2011) and Tashakkori and Teddlie (2010) proffer that post-positivism can be explained in a mix-methodology research approach. Furthermore, several researchers in social science prefer of underpinning post-positivist approach, especially when dealing with a study involving theory development (as in this case of this research) (e.g. El-Gogary, 2009). They suggest that several methods used in post-positivist approach are suitable to support the reliability of the research findings.

Having an epistemological perspective is essential for several reasons, namely: i) it can help to clarify issues of research design; ii) and it will help the researcher to recognise which designs will work (for a given set of research question and objectives) and which will not. Although each epistemological perspective has its advantages and disadvantages, selecting the most suitable epistemological perspective is fundamentally directed by the nature of the research (Saunders *et al.*, 2016). Denzin and Lincoln (2011) suggest that there are five epistemological beliefs as updated in their recent work, which is: i) positivism; ii) post-positivism; iii) critical theory; iv) constructivism; and v) participatory or postmodernism. Each of these epistemological perspectives is now discussed.

#### *5.2.1.3 Combining ontology and epistemology in the research paradigm*

The term 'paradigm' was established by Kuhn (1970) in their analysis of revolutions in science (c.f. Bryman and Bell, 2015). It is a cluster of beliefs and influences scientists in a particular discipline about what should be studied, how research should be done, and how results should be interpreted (Bryman and Bell, 2015, pg. 35). Hence, all research requires explicit paradigms to explain it clearly. Research paradigm encapsulates the relationship between ontology and epistemology, that is, how the combination of these two philosophy perspectives could neatly and clearly explain the research for the researcher to undertake an appropriate methodology. Table 5.1 presents the paradigm assumptions developed by Denzin and Lincoln (2011) in recent work.

**Table 5. 1: Paradigm Assumptions**

Issue	Positivism	Post-positivism	Critical Theory	Constructivism	Participatory
Ontology	Naïve realism –  The reality is apprehensible or understandable	Critical realism –  Virtual reality such as social, political, cultural, economic, ethnic and gender values.	Historical realism –  Virtual reality such as social, political, cultural, economic, ethnic and gender values.	Relativism –  Local and specific co-constructed realities.	Participative reality –  The subjective-objective reality co-created by the mind and given cosmos.
Epistemology	Dualist/ Objectivist; findings true	Modified dualist/ objectivist; critical tradition/ community; findings probably true	Transactional/ subjectivist; value-mediate findings	Transactional/ subjectivist; co-created findings	Critical subjectivity in participatory transaction with cosmos; extended epistemology of experiential.
Methodology	Experimental/ manipulative; verification of hypotheses; mainly quantitative methods	Modified experimental/ manipulative; critical multiplism; falsification of hypotheses; may include qualitative methods.	Dialogic/ dialectical	Hermeneutical/ dialectical	Political participation in collaborative action inquiry.

**Source:** Table adapted from Denzin and Lincoln (2011, p. 100).

Based on Table 5.1, there are sufficient philosophical and practical reasons for choosing the appropriate research approach of this research. First, regarding ontology, the current research differs from the positivist belief that there is single truth that can be measured and studies. In contrast, the researcher believes the factors influencing SMEs internationalisation is not only understandable from the object of research such as entrepreneurs or firms but instead, it could also be understood from other surrounding variables such as social, political and cultural. The research undertaken as part of this thesis could not rely on critical theory since it relates to the research of past events. Neither could constructivism explain this research since it only involves socially and experientially based (such as observation of daily human

behaviour) because the work relies upon other contributing factors from non-behavioural variables such as financial and economic measures.

Second, regarding epistemology, Table 5.2 explains the adoption of post-positivism in this research.

**Table 5. 2: Application of Research Epistemology in the Current Study**

Epistemological beliefs	Applicability to the current study
The validity of research comes from peers within the research community, not from the subjects being studied (Guba and Lincoln, 2005; 2011). Interaction with research subjects should be kept to a minimum (Denzin and Lincoln, 2011).	Factors of SMEs internationalisation will not only be discovered from existing theories but also from expert 'practitioner' opinions.
Search for regularities and causal relationships between elements of the phenomenon under study. (Denzin and Lincoln, 2011)	A list of potential factors internationalisation will be examined in relation to internationalisation adoption. Moreover, internationalisation adoption will be tested in relation to the business performance of SMEs.
The procedure of understanding what is happening can and should include a look for causality and fundamental laws (Burrell and Morgan, 1979).	This study attempts to understand what factors impact internationalisation adoption by Malaysian SMEs.
Post-positivism approach involves falsification of hypotheses method and may include qualitative methods in a single study (Denzin and Lincoln, 2011).	This research uses the qualitative and quantitative approach in a single study. The data collection techniques include interview and survey questionnaire.

**Source:** The researcher.

### 5.2.2 Research methodologies

The term 'research methodology' is ill-defined (Baker and Foy, 2008; Saunders, Lewis and Thornhill, 2012b, 2012a; Bryman and Bell, 2015). However, several have attempted to further elucidate upon this terminology. For example, Saunders *et al.* (2012) defined research methodology as "*the theory of how research should be undertaken.*" They (*ibid*) proffer that consideration of methodological choice is a crucial part of deciding how research to be conducted, either quantitative, qualitative or mix-

methods. Blaikie (2000) defined *methodology* as “a critical evaluation of alternative strategies and methods” (cited in Baker and Foy, 2008, pg. 110) while Sarantakos (1998) offers “the theory of methods” (cited from El-Gohary, 2009).

The term 'methods' has often been erroneously used by previous researchers interchangeably with the methodology. The 'methods' has a far narrower definition and refers to “techniques and procedures used to obtain and analyse data” (Saunders *et al.*, 2012; Baker and Foy, 2008). Guba and Lincoln (1989) have differentiated between these two words namely: i) methods focuses on the procedures of data collection, data analysis and possibly interpretation; and ii) methodology involves everything from the worldview at the start of the research process to the last procedures inquiry (cited in Tashakkori and Teddlie, 2010, pg. 51). Furthermore, (Jankowicz, 1991) defined “method is a systematic and orderly approach taken towards the collection and analysis of data so that information can be obtained from those data.”

Bryman and Bell (2015) suggest that the term 'research design' provides a framework for the collection and analysis of data. Furthermore, it turns the research question into a research project (Saunders *et al.*, 2012, p. 158). They (*ibid*) proffered that the way a researcher chooses to answer the research question is influenced by research philosophy and approach to theory. It gives an overall view of the method chosen and the reason for that choice (Saunders *et al.*, 2009, p. 43). According to (Kerlinger, 1986), research design is: “a plan, structure and strategy of investigation so conceived as to obtain answers to research questions or problems. The plan is the complete scheme or program of the research. It includes an outline of what the investigator will do from writing the hypotheses and their operational implications to the final analysis of data” (cited in Kumar and Phrommathed, 2005, p. 84).

### 5.2.2.1 Research approaches

According to Saunders and Lewis (2012), the research approach employed could be either deduction or induction; the choice between these depends upon whether existing theories are explored in a different context of study or whether theory is introduced at the end of research based on the information and data collected (Saunders and Lewis, 2012). Bryman and Bell (2011) explained that for the deductive



approach, theory guides the research whereas, for the inductive approach theory is the research outcome. However, both approaches can be combined in the same piece of research. “*It would be quite usual, for example, to start with an exploratory study to arrive at a tentative theory inductively before testing that theory in a deductive piece of quantitative work*” (Saunders *et al.*, 2012, 2016).

Based on the explanation by Saunders and Lewis (*ibid*), this research will combine approaches and several reasons justify this decision. First, this approach aligns with the post-positivist research paradigm which has been selected in the last topic. Second, it will afford a greater understanding of research problems from more than one viewpoint to ensure that the study is robust (El-Gohary, 2009).

Consequently, two phases for completing this research are as follows: i) an induction approach (or so-called exploratory phase) will be completed to uncover critical factors-influencing SMEs to internationalise, constructs and associated linkages. A comprehensive review on extant literature will be conducted, and experts and SMEs owners/ managers will be interviewed; ii) a deductive approach will test the relationship between constructs and variables that are predominantly collected from existing theories and expert interviews in the first phase. This study conducts an explanatory stage of study as it involves an explanation behind a particular occurrence to discover causal relationships between key variables by using methods such as case studies; observation; historical analysis; attitude surveys; or statistical surveys (Saunders and Lewis, 2012). Table 5.3 presents the current research stages in relation to the research approaches and philosophy.

**Table 5. 3: Research Methodologies and Stages in Relation to the Research Approaches and Philosophy**

<b>Methodological/ research phases</b>	<b>Process and objective</b>
<b><i>Exploratory Phase</i></b>	
Phenomenon Investigation	<ul style="list-style-type: none"> <li>i) Understanding a research topic through an in-depth investigation of extant literature in more than one discipline within the main scope of research.</li> <li>ii) Achieving deep interpretive and inductive approaches to understanding research constructs through qualitative methodology.</li> <li>iii) Identifying the primary research hypothesis with regards to the phenomenon investigation.</li> </ul>
Framework Constructing	<ul style="list-style-type: none"> <li>iv) Identifying the research constructs as well as interrelationships among these constructs.</li> <li>v) Constructing the theoretical research framework.</li> </ul>
<b><i>Framework Testing Phase</i></b>	
Framework testing	<ul style="list-style-type: none"> <li>vi) Developing data collection instrument.</li> <li>vii) Designing the experiential survey questionnaire.</li> <li>viii) Designing the sample and establishing primary data collection through a survey questionnaire</li> <li>ix) Providing a positivist understanding of the phenomenon by empirically examining the research framework.</li> </ul>
Analysing the Data	<ul style="list-style-type: none"> <li>x) Analysing the collected data through quantitative analysis tools.</li> <li>xi) Validating the results and providing the conclusion and recommendations.</li> <li>xii) Discussing the findings and providing research conclusions.</li> <li>xiii) Providing research limitations.</li> </ul>

**Source:** Table 5.3 adapted from El-Gohary (2009).

### 5.3 Identifying the Most Appropriate Research Methodology and Methods

Even though philosophical beliefs and approaches guide the researcher to consider adopting an appropriate methodology to answer the research questions and objectives, additional consideration of methodologies adopted in previous research in the same discipline strengthen final approach adopted (El-Gohary, 2009). Hence, the need to extensively review past research strategies, designs and methodologies adopted in prior research into SMEs internationalisation.

#### 5.3.1. Research Questions

Most of this current research questions (which have been illustrated in Chapter 1 – Section 1.4) relate to the question ‘what’ and ‘how.’ Hence, an appropriate research methodology and data collection methods could help to eliminate the research aims and objectives. According to El- Gohary (2009), the questions ‘what’ can be answered by conducting a survey questionnaire technique, while the questions ‘why’ and ‘how’ can be answered by conducting interviews and observations that can give a researcher in-depth information.

#### 5.3.2 Methodologies and Methods used in Previous SMEs’ Internationalisation Research.

The Emerald Management Plus outlet database was deployed to find previous articles on methodologies and methods adopted in previous SMEs’ internationalisation research. While choosing this online resource outlet was subjective and open to criticism, it was considered to be appropriate for two reasons. First, this outlet contains a large and varied number of sample articles to be compiled for analysis and generate sufficient understanding of the methodologies implemented by previous researchers within this field. Second, this outlet provides extensive coverage of countries within geographical regions from Asian, European, Middle East, Baltic and United States regions. Thus, it gives a geographically panoramic understanding of what has been discovered thus far.

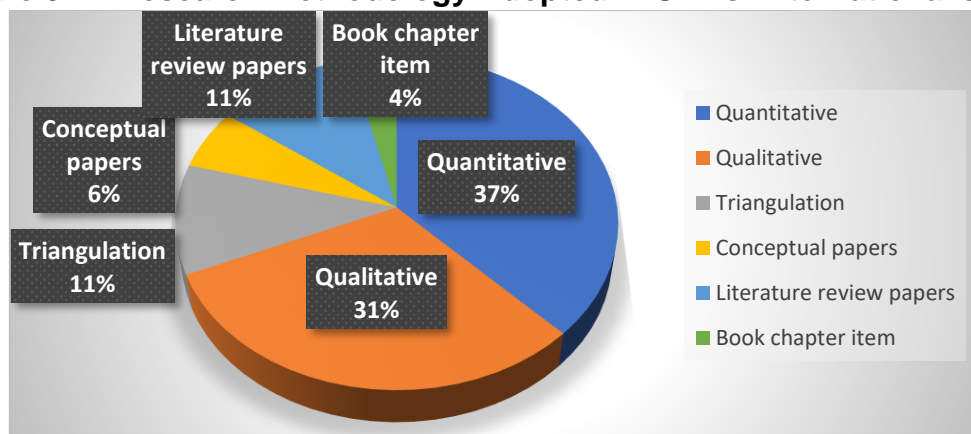
Two keywords were initially used in the search engine were: ‘internationalisation’; and ‘small and medium enterprises (SMEs).’ Initial results generated 2,414 articles related to these keywords. However, after a thorough stratification such as only literature

related to international business, international entrepreneurship, international marketing and SME internationalisation articles, the result encountered only 293 articles related to internationalisation of SMEs. Other articles were excluded due to several reasons; these include articles related to internationalisation of multinational enterprises (MNEs) and large companies, redundancy of articles in the same outlet; and inaccessible articles.

First, the result shows that most previous articles in SMEs internationalisation were conducted in empirical research studies which accounted for 79 per cent ( $f= 232$  articles), whereas only 21 per cent ( $f= 61$  articles) were conducted in either literature review, conceptual paper or book chapter item. The separation of research methodology adopted in previous studies is depicted in Figure 5.1.

With regards to empirical studies, the most common methodology used in SMEs internationalisation research is quantitative approach 37 per cent ( $f= 108$  articles). This is parallel to the argument of Alexander (1990), which proffers that historically, the research in international retailing has been predominantly quantitative in nature (c.f Hutchinson and Quinn, 2011). While the qualitative methodology is the second highest persistently used in prior researchers accounted for 31 per cent ( $f= 91$  articles), triangulation or so-called mixed-methodologies was only deployed 11 per cent ( $f= 32$  articles). The reason could probably be due to that the triangulation methodology is a relatively new approach. The following figure 5.1 illustrates the findings regarding research methodology used in the previous literature.

**Figure 5. 1: Research Methodology Adopted in SMEs’ Internationalisation**

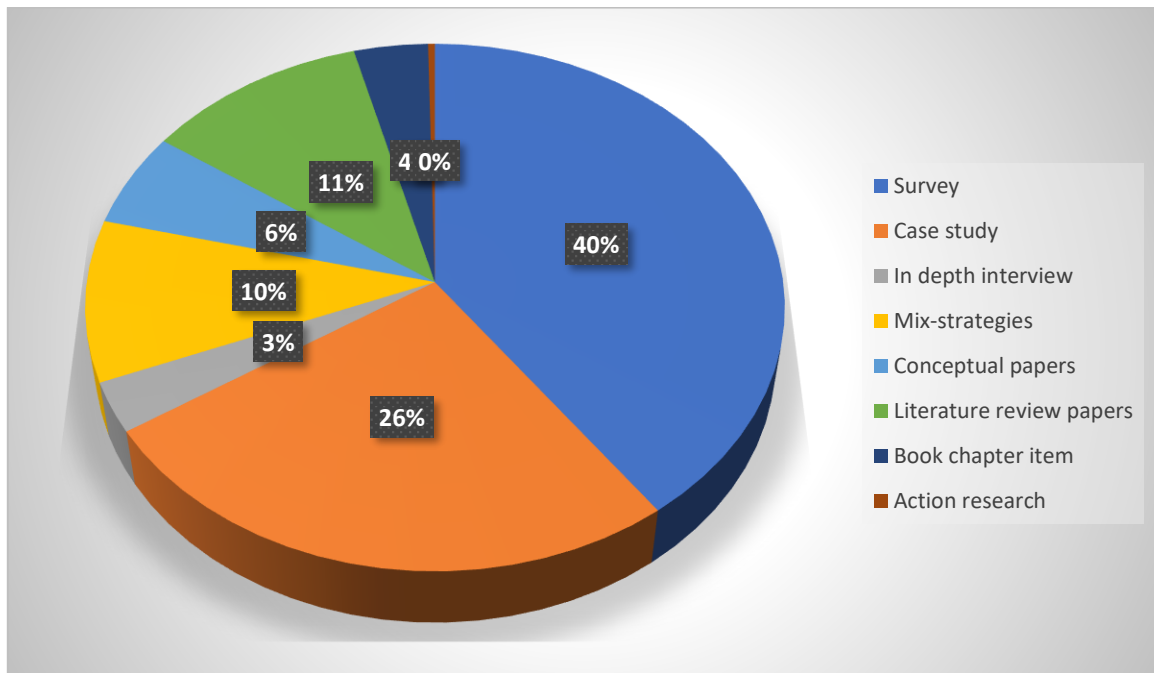


**Source:** The researcher

Second, with regards to the research strategies implemented in empirical studies, two categories of strategies have adopted: i) single strategy including survey questionnaire, case study and in-depth interview; ii) mix-strategies including case study and survey questionnaire, in-depth interview and survey, etc. However, the conceptual and literature review articles are included again in this analysis to measure the percentage of strategies encountered from the total articles.

The study found the majority of studies depended on survey questionnaire with a percentage of 40 per cent ( $f = 117$  articles); followed by case study accounted 26 per cent ( $f = 76$  articles); 10 per cent ( $f = 29$  articles) researchers applied mix-strategies. While literature review papers accounted for 11 per cent ( $f = 33$  articles) of the total articles; conceptual papers accounted six per cent ( $f = 17$  articles); and book chapter items accounted four per cent ( $f = 11$  articles). Figure 5.2 depicts the research strategies implemented in SMEs internationalisation studies.

**Figure 5. 2: Research Strategies Implemented in SMEs Internationalisation**

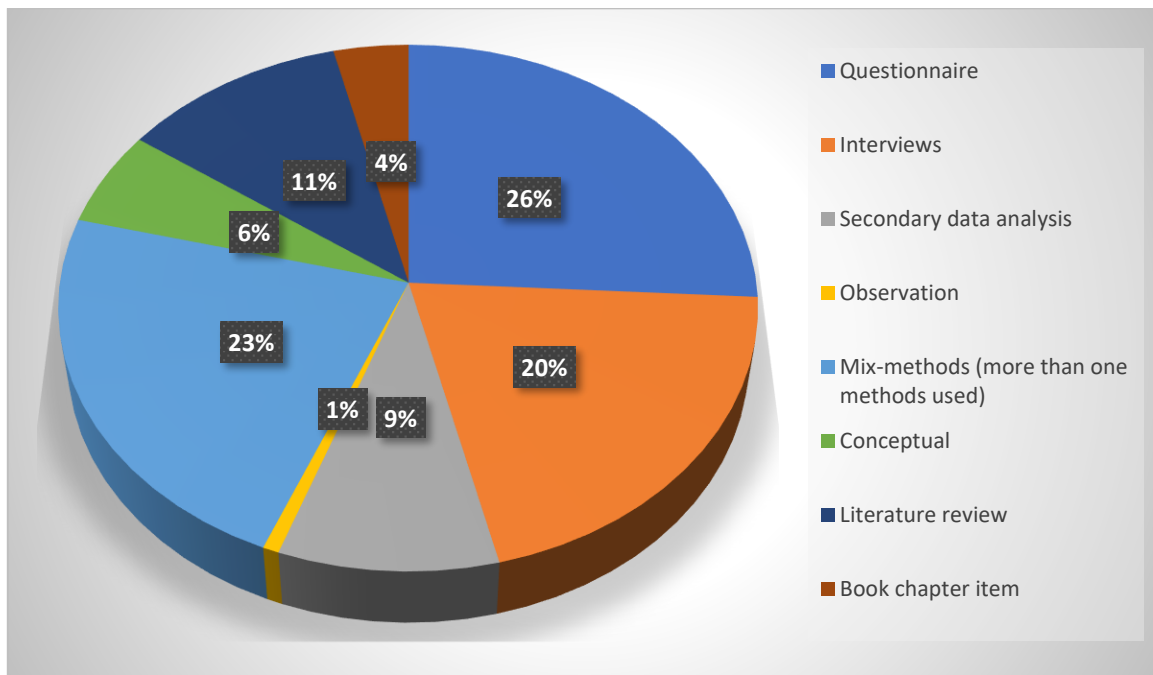


**Source:** The researcher

With regards to the research methods deployed in previous studies, it could be inferred that the majority of previous researchers relied on questionnaire data collection technique which accounted 26 per cent ( $f = 75$  articles) of the total articles. The second

largest data collection method implemented in prior studies was mixed-methods deployed in a single study, which accounted for 23 per cent ( $f = 66$  articles) of the total articles. For example i) questionnaire and interviews (e.g., Bell, 1995; Ruokonen *et al.*, 2008; Ojala and Tyrvaïnen, 2009); ii) questionnaires and secondary data collection ( e.g., D'Angelo *et al.*, 2013); iii) interviews and observation (e.g., Francois Goxe, 2010; Fillis and Lee, 2011); iv) interviews and secondary data collection (e.g., Crick, 2009). It was also found that interviews accounted for 20 per cent ( $f = 59$  articles) of total articles applied by researchers; this was followed by secondary data collection technique such as archival documents and reports, which accounted nine per cent ( $f = 27$  articles); and observation method one per cent ( $f = two$  articles). However, while literature review articles accounted for 11 per cent ( $f = 33$  articles) of total articles, conceptual paper only accounted six per cent ( $f = 17$  articles); and book chapter item accounted four per cent ( $f = 11$  articles).

**Figure 5. 3: Research Methods Adopted in SMEs Internationalisation Studies**



**Source:** The researcher

Further to understand the patent of research methodology, strategies and methods used in previous studies periodically, it was found the reviewed articles range from the year of 1994 (e.g., Aksoy and Kaynak, 1994; Katsikeas, 1994; Katsikeas and Morgan, 1994) to the later articles in 2016 (e.g., Alonso, 2016; Fuchs and Kostner, 2016; Zhang

*et al.*, 2016). Hence, this research categorises into three periods of years to understand the study patent during the period namely: i) from 1994 to 2001; ii) 2002 to 2009; and iii) 2010 to 2016. Table 5.4, 5.5, and 5.6 present the distribution of research methodologies, research strategies and research methods used in previous research within these periods.

**Table 5. 4: Research Methodologies Implemented in the Research Field of SMEs' Internationalisation from the Period of 1994 to 2016**

N	Methodologies	Number of studies			%		
		1994-2001	2002-2009	2010-2016	1994-2001	2002-2009	2010-2016
1	Quantitative methodology	14	43	54	40%	38%	38%
2	Qualitative methodology	5	31	55	14%	27%	38%
3	Mix-methodology or triangulation	8	12	10	23%	10%	7%
4	Literature review papers	6	16	11	17%	14%	8%
5	Conceptual papers	0	9	8	0%	8%	5%
6	Book chapter item	2	3	6	6%	3%	4%
<b>Total</b>		35	114	144	100%	100%	100%

**Source:** The researcher

Based upon Table 5.4 it was observed that the most common methodology used in previous studies within the period of 1994 to 2016 is the quantitative approach. However, the finding shows the application of quantitative methodology has been decreasing from the year of 1994 to 2016, which accounted 40 per cent in the first period of 1994 to 2001 and ended up in 38 per cent in the period of 2010 to 2016. Conversely, qualitative methodology shows an increment within the period of study, which accounted about 14 per cent of total articles in the first period and ended up in 38 per cent in the last period. This might be due to the adoption of qualitative methodology is becoming more familiar in the study of SMEs internationalisation. It has been found that mixed-methodology or so-called triangulation is scant within the period of study. The result might be due to this methodology being considered to be in its infancy as compared to both traditional methodologies stated before. Notably, this triangulation methodology was adopted 23 per cent in the first period and

decreased to seven per cent of total articles in the last period of 2010 to 2016. Therefore, a precise knowledge gap is apparent for future research to examine empirically factors impacting internationalisation adoption by Malaysian SMEs.

With regards to research strategies implemented in the previous study from 1994 to 2016, Table 5.5 shows that survey questionnaire and case study have been extensively used in previous studies. Furthermore, these two strategies have shown a stable increment of usage within the period of study started in the first period 1994 to 2001 until last period 2010-2016.

Nevertheless, while action research and grounded theory show inappropriate strategies to be adopted in SMEs internationalisation study area that are accounted nil percentage, in-depth interview and mix-strategies show an increment in the number of researchers within the study period. It has been found that these strategies are considered new emerged in the study area SMEs internationalisation.

**Table 5. 5: Research Strategies Implemented in the Research Field of SMEs Internationalisation from the Period of 1994 to 2016**

N	Research strategies	Number of studies			% of the total			% of empirical		
		1994 - 2001	2002 - 2009	2010 - 2016	1994 - 2001	2002 - 2009	2010 - 2016	1994 - 2001	2002 - 2009	2010 - 2016
1	Survey questionnaires	17	44	55	47%	39%	38%	61%	52%	46%
2	Case study	3	28	45	8%	25%	31%	11%	33%	38%
3	Action research	0	1	0	0%	1%	0%	0%	1%	0%
4	Grounded theory	0	0	0	0%	0%	0%	0%	0%	0%
5	In-depth interview	0	2	7	0%	2%	5%	0%	2%	6%
6	Mixed-strategies	8	10	12	22%	9%	8%	28%	12%	10%
7	Literature review	6	16	11	17%	14%	8%	-	-	-
8	Conceptual papers	0	9	8	0%	8%	6%	-	-	-
9	Book chapter	2	3	6	6%	2%	4%	-	-	-
<b>Total</b>		36	113	144	100	100	100	100	100	100



With regards to research methods deployed within the period of study from 1994 to 2016 (refer to Table 5.6) it is apparent that questionnaires and interviews are widely used in the research area of SMEs internationalisation. Both are accounted increasing in a number of researchers started from 1994 to the year 2016. However, notably, observations method is low in number usage accounted for only one per cent of total articles in the entire period of study. However, mixed-methods increases in a number of researchers in every period of study. The finding might be an emerging method used in SMEs internationalisation researches recently. Moreover, this finding reflects the fact that within the academic world that the appropriate data collection techniques or methods to study SMEs internationalisation is either questionnaire or interviews or mixed-methods (such as combining both in a single study).

**Table 5. 6: Research Methods Deployed by Researchers in the Field of SMEs Internationalisation from 1994 to 2016**

N	Research methods	Number of studies			% of the total			% of empirical		
		1994-2001	2002-2009	2010-2016	1994-2001	2002-2009	2010-2016	1994-2001	2002-2009	2010-2016
1	Questionnaire	9	29	37	25%	26%	26%	32%	35%	31%
2	Interviews	5	18	36	14%	16%	25%	18%	22%	30%
3	Observation	0	1	1	0%	1%	1%	0%	1%	1%
4	Secondary data collection	2	12	13	5.5%	11%	9%	7%	15%	11%
5	Mix-methods	12	22	32	33%	20%	22%	43%	27%	27%
6	Literature review papers	6	16	11	17%	15%	8%	-	-	-
7	Conceptual papers	0	9	8	0%	8%	5%	-	-	-
8	Book chapter	2	3	6	5.5%	3%	4%	-	-	-
<b>Total</b>		36	110	144	100	100	100	100	100	100

**Source:** The researcher

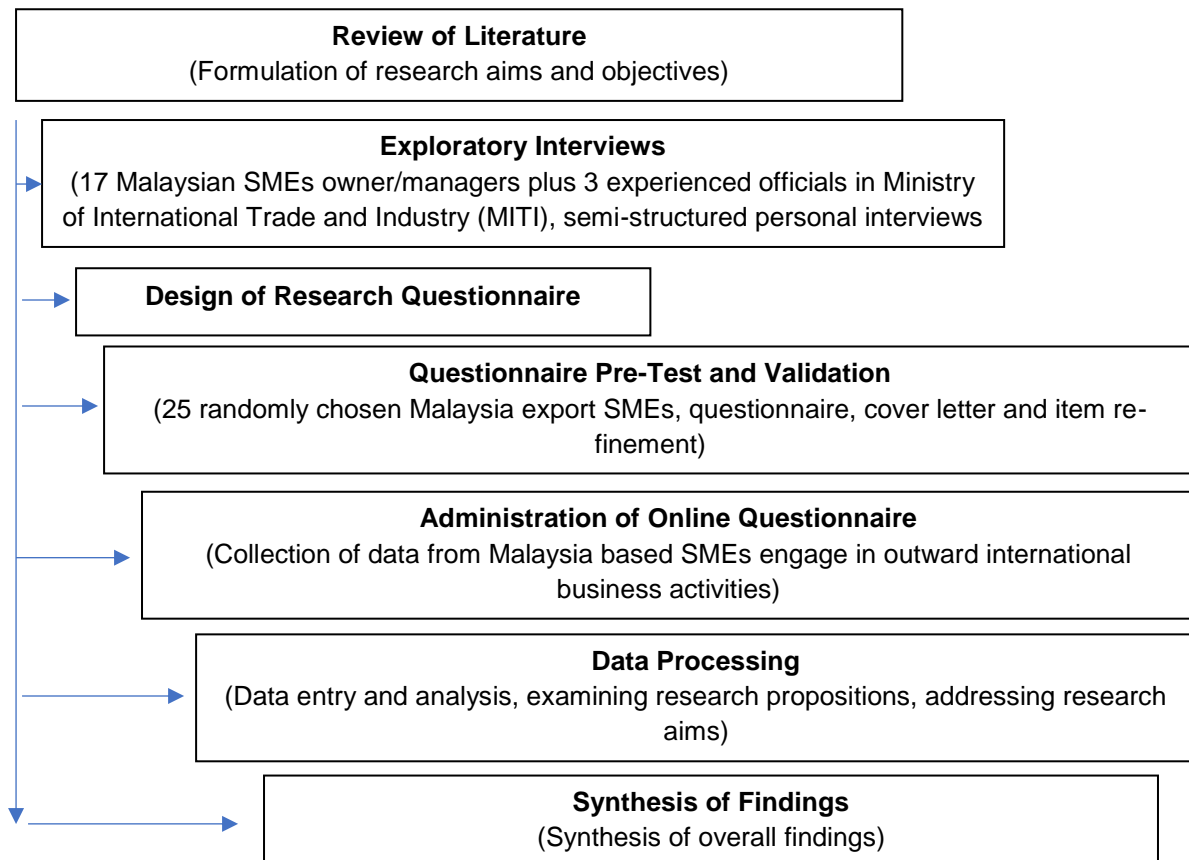
#### 5.4 The Methodology and Methods of this Study

Considering the literature review results on the methodology used in previous studies and the analysis of suitable paradigm, this current study combines both qualitative and quantitative methodology. The qualitative research approach could answer the research questions such as 'why' and 'how' some factors from previous studies

influence Malaysian SMEs' internationalisation while some other factors are not. Conversely, the quantitative approach is needed to answer the questions such as 'what' are the relationship between determinant of SMEs internationalisation and the adoption of internationalisation by Malaysian SMEs and the impacts of internationalisation adoption on SMEs financial and non-financial performance.

To be more specific, a triangulation approach including data, methods and methodology triangulation are deployed in this study to answer the research questions. Data was triangulated from secondary and primary resources including: i) literature review of articles on previous researchers, governmental reports and websites; ii) interviews; and iii) survey questionnaires. Also, methods triangulation was deployed including the usage of the interview and survey questionnaires. The research approach is outlined in Figure 5.4.

**Figure 5. 4: The Research Approach**



**Source:** The researcher

#### 5.4.1 Standpoints of Usage Triangulation Methodology in this Research

This research utilises a triangulation methodology to answer the research questions and achieve the research objectives. Triangulation means the research utilises both qualitative and quantitative techniques together. This approach is in line with a suggestion by Edwards and Holt (2010) that methodological triangulation is where more than one method of data collection and analysis is employed (e.g., a mix of qualitative and quantitative data sources). The selection of triangulation approach in this research is due to several reasons as the following justification.

First, this research argues that each method has its own advantages and disadvantages. Patton (1990) argues that using only one method is more exposed to error linked to that method (cited in El- Gohary, 2009). Thus, by combining these methods can overcome every methods' weaknesses on the one hand, while complementing every methods' strengths on the other.

Second, combining methods of research can be very powerful to gain insights and results ( Fellows and Liu, 2009; cited in Edwards and Holt, 2010). The use of various methods in single research should increase better validity and reliability of the findings and conclusion. El- Gohary (2009) suggests the use of triangulation could remove bias that is often associated with a single method. Thus, an academic argument can be strengthened through the utilisation of triangulation.

Third, this study has found a limited number of previous researchers in SME internationalisation research area, particularly within the determinants of SME internationalisation adoption research vein. Thus, this research attempts to fulfill the knowledge gap by utilising a triangulation methodology.

#### 5.4.2 Standpoints of Semi-Structured Interviews and Survey Questionnaires as Methods used in this Research

This research deployed semi-structured interview to explore and purify determinants of internationalisation adoption obtained from the extant literature. Subsequently, the purified determinants are validated through survey questionnaire analysis. The usage of these two methods of data collection is based on some justifications.

This research deploys semi-structured interviews because the technique is appropriate to explore and purify the preliminary determinants obtained from the extant literature. The method is beneficial to understand what is happening and provide valuable information about SME internationalisation in Malaysia context. Furthermore, since it can provide in-depth information through an inductive approach, the technique allows the researcher to deal with a large number of open-ended questions to be answered (Saunders *et al.*, 2016, p. 394). Hence, the researcher could have enough time to ask questions about the 46 variables that contribute to SME internationalisation adoption and the impact on business performance found in extant literature, which in turn, lead to understanding internationalisation adoption by Malaysian SMEs. It is also found in some literature that managers are more likely to agree to be interviewed rather than complete a questionnaire, especially when dealing with a large number of questions (e.g. Saunders *et al.*, 2016). Moreover, Saunders *et al.* (2016) suggest that there is a potential of interviewees may be reluctant to answer survey questionnaires to someone they have never met. Based on these standpoints, this current research used the semi-structured interview for data collection in the exploratory phase.

Regarding the usage of the survey questionnaire, this research deploys survey questionnaire to validate findings in the exploratory interviews. The survey questionnaire is suitable for the descriptive and explanatory phase of study due to several reasons. Within descriptive and explanatory phase, the research problems and variables to be measured are structured and well understood (Ghauri and Grønhaug, 2005, p. 59). Therefore, the role of conducting survey questionnaire is to examine and explain relationships between variables, in particular, cause-and-effect relationships (Saunders *et al.*, 2016, p. 439). Also, there is a financial implication of data collection and entry which typically cost less than personal interviews or any other methods (Cooper and Schindler, 2008. p. 226; Saunders *et al.*, 2016, p. 439). Mainly, this technique could reduce the cost of traveling from the United Kingdom to Malaysia for data collection. Furthermore, the technique is also appropriate to contact participants who might otherwise be inaccessible (Cooper and Schindler, 2008, p. 226). In the case of this research, owners/ managers of internationalising SMEs are continually traveling abroad. Hence, it is difficult to access the participants face-to-face for data collection. As an option, survey questionnaire provides flexibility for participants regarding time to answer at their convenience.

## 5.5 The Research Data

### 5.5.1 Secondary data

*“Secondary data refer to information gathered by someone other than the researcher conducting the current study”* (Sekaran, 2003, p. 222). Within this research, secondary data was collected through the internet, published material and official reports. Secondary data was reviewed to understand circumstances of Malaysian SMEs, geographical dispersion of the firms, Malaysia economic circumstances and their policy on supporting SME development and internationalisation. Also, this research has collected information about factors influencing SMEs internationalisation adoption through extant literature which was required through the internet and published material.

### 5.5.2 Primary data

*“Primary data refer to information obtained first-hand by the researcher on the variables of interest for the specific purpose of the study”* (Sekaran, 2003, p. 219). Primary data can be required from individuals and focus groups through survey questionnaire, interview and observation (Saunders *et al.*, 2016). Within this research, primary data is collected through semi-structured interviews during the exploratory phase study. The interviews were conducted on 20 experts including Malaysian internationalised SME owners/ managers and government official who involve in international trade activities. Also, primary data was collected through survey questionnaire of internationalised Malaysian SMEs which were located in the entire country.

## 5.6 Data Collection Procedures

This study identified both secondary and primary data collection to understand the internationalisation adoption by Malaysian SMEs. Hence, a need to follow a right procedure in collecting data especially regarding primary data collection is required. Among the procedure of primary data collection relates to the design of the research sample. The process of designing the research sample is now discussed in the following sections.

### 5.6.1 Sample Design

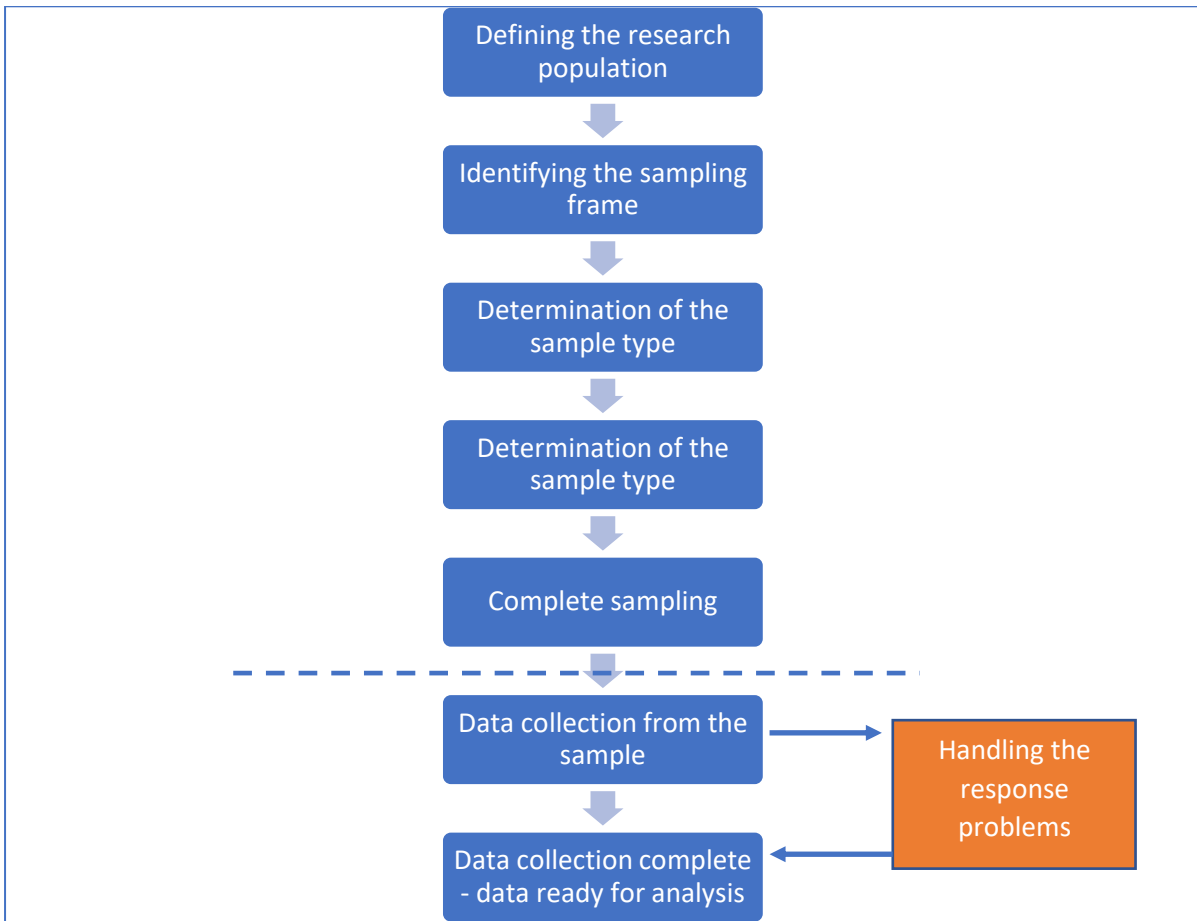
Since this research aims to understand internationalisation behaviour by Malaysian SMEs, it is essential to recognise scope of the study's sample. That is, regarding the research population and frame, the location of the samples and characteristics of the samples (such as age, size, revenue and the industrial sector), sample size and the unit of analysis (Ghauri and Gronhaug, 2005, p. 108; El-Gohary, 2009). It is impossible to conduct a survey of the total population of internationalised SMEs in Malaysia. Consequently, a sampling technique of survey questionnaire is required. The basic idea of using sampling is that by selecting some of the elements in a population, the researcher may conclude the entire population (Cooper and Schindler, 2008, p. 374). A population element is the individual or participant or object of the measurement. It is also known as the unit of analysis. The reasons of using research sample is because the researcher could achieve lower cost, higher accuracy of the results, better speed of data collection and availability of population elements (Cooper and Schindler, 2008, p. 375). In the case of this research, using a sample can accelerate the process of data collection as the total population is vast in number which accounted 2,226 of internationalised SMEs throughout entire Malaysia. Also, the usage of a research sample could reduce the cost the of questionnaire distribution, communication cost, as well as travel cost associated with data collection.

Several procedures involved in designing the research samples. Within the sample design, this study needs to answer the following questions as suggested by Cooper and Schindler (2008, p. 269) and Ghauri and Gronhaug (2005, p.151)

1. What is the target research population?
2. What is the sampling frame?
3. What is the sample type?
4. What sample size is needed?

Thus, the sampling design procedures within this study process is illustrated in the following Figure 5.5.

**Figure 5. 5: Procedure for Drawing a Sample in this Research**



**Source:** Adapted from El- Gohary (2009) and Ghauri and Gronhaug (2005, p. 146)

#### 5.6.1.1 Sample population and frame

*“Population means the total number of people in a group, events, or things of interest that the researcher wishes to investigate”* (Sekaran, 2003, p. 265). Similarly, Ghauri and Gronhaug (2005, p. 147) define population as the universe of units from which the sample is to be selected. Within this research, population refers to the total number of Malaysian SMEs that are currently involved in international business activities. While research frame is where the researcher enables to exclude participants who do not meet the criteria for inclusion (Bryman and Bell, 2015, p. 190).

To determine the research population, this study has predominantly identified several criteria of the enterprises that enable them to be included in the population. The criteria are illustrated as the following characteristics:

1. The company must have employees between five to 200 people (as the definition of SME in Malaysia).
2. The company should have Malaysian ownership and based in Malaysia.
3. The enterprises should involve in either manufacturing or service sector (regardless of any industry).
4. The company should have involved in outward international business activities (e.g., export, joint venture and foreign direct investment).

To require information about enterprises that meet these requirements, several Malaysia government agencies were contacted. The agencies include Department of Statistics Malaysia, Ministry of International Trade and Industry (MITI), Malaysia External Trade Development Corporation (MATRADE) and SME Corporation Malaysia (SME Corp). These agencies were selected because they interact with companies that are doing international trade activities in Malaysia. Among these governmental agencies, only SME Corp could provide a detail list of enterprises that meet the research requirements, while the rest of agencies could only provide the list of Malaysian exporters in general (without the distinctive size of the company) and could only provide the percentage of export value contributed by Malaysian SMEs. The availability of the required data by SME Corp is because the organisation is the central agency that coordinates SME development in Malaysia. It gathers all information about SMEs' trade activities and development programs from all governmental agencies. Hence, this study relies on the database obtained from SME Corp due to the role of this organisation in keeping information of Malaysian SMEs.

Based on a database obtained from the SME Corp, the research has constructed a research population of 2,424 Malaysian SMEs that are involved in internationalisation activities. Using details of the companies such as website address, contact information and firm's address, this study conducted screening of the companies' status to confirm whether they are still involved in international business activities and remaining active in the business. The companies' websites were reviewed particularly in the section of 'about us' to obtain information of the companies. The screening process resulted in 198 SMEs are out of the research requirements. This is due to several reasons such as discontinue exporting, having less than five employees, shut down the business operation, as well as the websites and companies' contact is no longer available.



Consequently, the 198 companies were excluded which resulting 2,226 companies remain in the sample frame.

Out of the 2,226 samples frame, this study has found 88% (1,956 SMEs) operate in the manufacturing sector, while 12% (270 SMEs) operate in the service sector. The mix response from different sectors and industries could enable this research to establish a generalisation of the research findings. Also, this study has found that the distribution of the companies scatter across entire states of Malaysia, which in turn, could enable this research in producing generalisable research findings. Table 5.7 illustrates the distribution of internationalised Malaysian SMEs in the sample frame.

**Table 5. 7: Distribution of Research Population According to Location**

<b>N</b>	<b>States</b>	<b>Number of internationalised SMEs</b>	<b>Percentage (%)</b>
1	Penang	328	15%
2	Perak	131	5.8%
3	Kedah	81	3.6%
4	Pahang	27	1.2%
5	Negeri Sembilan	52	2.3%
6	Melaka	77	3.5%
7	Johor	309	14%
8	Terengganu	11	0.5%
9	Kelantan	7	0.3%
10	Sarawak	45	2%
11	Sabah	20	0.9%
12	Selangor	934	42%
13	Kuala Lumpur	201	9%
14	Perlis	1	0.04%
15	Putrajaya	1	0.04%
<b>Total</b>		<b>2,226</b>	<b>100%</b>

**Source:** Department of Statistics, SME Corporation Malaysia (2016)

Table 5.7 illustrates that the distribution of research population is compared to the distribution of the total population of Malaysian SMEs (as discussed in Chapter 6 – Section 6.2.2). This study found there is a similar pattern of location distribution in both research population internationalised Malaysian SMEs (see Table 5.7) and the total population of Malaysian SMEs (see Table 6.1). Most of the SMEs are located in four states which are Selangor 42%, Penang 15%, Johor 14% and Kuala Lumpur 9%. Furthermore, the differences between research population and SME population in each state are likely minimal percentage (ranges from 0% to 7.6%). Thus, it infers that the distribution of research population can clearly represent the Malaysian SMEs population. Therefore, this research will provide reliable results, which in turn, produces generalisable research findings of SME internationalisation in Malaysia.

#### 5.6.1.2 Sample type

Research sample is a segment or representative of the population that is used for investigation (Ghauri and Gronhaug, 2005, p. 146). The usage of research sample in a study is due to several reasons such as inability to survey the entire population, budget constraints and time constraints (Saunders *et al.*, 2016, p. 275). However, there are several procedures to determine research sample. Most of the authors in business, management and social sciences research methods divide sampling procedures into two broad categories, which are: i) probability or representative sampling; and ii) non-probability sampling (Bryman and Bell, 2015, p. 190; Ghauri and Gronhaug, 2005, p. 146; Saunders *et al.*, 2016, p. 275).

*“Probability sampling is a sample that has been selected using random selection so that each unit in the population has a known chance of being selected”* (Bryman and Bell, 2015, p. 187). The outcome of this sample selection method is generally assumed to be a representative sample of the research population. The objective of deploying the probability sampling is to minimise the sampling error. Sampling error is defined as *“the difference between a sample and the population from which it is selected, even though a probability sample has been selected”* (Bryman and Bell, 2015, p. 187). Usually, probability sampling is often associated with survey and experiment research methods (Saunders *et al.*, 2016, p. 276).

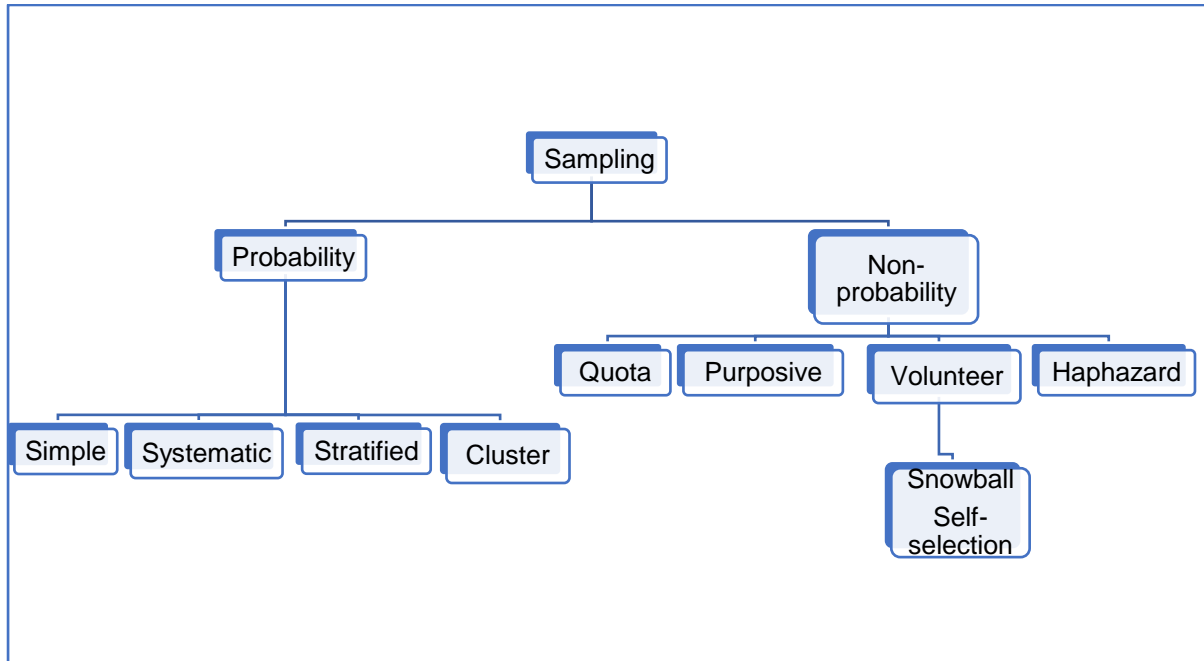
There are several types of probability sampling include simple random sampling; systematic sampling; stratified sampling; and cluster sampling (Ghauri and Gronhaug, 2005, p. 148; Saunders *et al.*, 2016, p. 276). While simple random sampling is illustrated as all units in the sampling frame have the same chance of being included, systematic sampling is described as selecting a specific unit after a random selection start. For example, if a firm wants to measure average order size, it selects a number between 1 to 10, if it selected number 7, subsequently the firm select every ten unit: 7, 17, 27 and so on (Ghauri and Gronhaug, 2005, p. 149). Conversely, stratified sampling is where the population is divided mutually exclusive into subsets, and subsequently, a random sampling from the stratified subsets is done to ensure every part of the population gets a better representation. Cluster sampling is where the population is divided into mutually exclusive subsets and a random sample from the subsets is selected. However, the difference between cluster sampling and random sampling is where the researcher examines all units in the selected clusters (Ghauri and Gronhaug, 2005, p. 151).

In contrast, non-probability sampling is *“a sample that has not been selected using a random selection method. It infers that some units in the population are more likely to be selected than the others”* (Ghauri and Gronhaug, 2005, p. 147; Bryman and Bell, 2015, p. 187). Saunders *et al.* (2016) explain non-probability sampling is where the probability of each unit being selected from the population is not known and it is impossible to answer research questions or to achieve research objectives that require the researcher to make statistical inferences of the entire population. Saunders *et al.* (2016, p. 276) suggest non-probability sampling can be divided into four categories include quota sampling, purposive sampling, volunteer sampling (snowball, self-selection), and random sampling (convenience). Figure 5.6 shows a guideline for a researcher in conducting sampling techniques in a study.

In the case of the current research, the probability sampling particularly simple random sampling is used as this technique could give all the units in the population the same chance of being selected. Moreover, simple random sampling could provide the smallest sampling error as the efficient technique is measured by the size of its sampling errors (El-Gohary, 2009; Saunders *et al.*, 2016, p. 281). This will allow a

statistical inference on the research population of this study which relates to SME internationalisation in Malaysia context and across industrial sectors.

**Figure 5. 6: Sampling Techniques**



**Source:** Adapted from Saunders *et al.* (2016, p. 276)

### 5.6.1.3 Sample size

It is difficult for this study to survey on the research frame of 2,226 internationalised Malaysian SMEs because of financial and time constraints. Consequently, probability random sampling is deployed to conclude the population. This study deployed two methods of calculation to identify the minimum sample size needed: i) identified based on sample population (De Vaus, 2014); and ii) based on number of latent variable and items in structural equation modelling (Awang, 2014, p. 24; Hair Jr *et al.*, 2014, p. 100).

First, De Vaus (2014) suggested the calculation of sample size base on how confident the researcher need to be that estimate is accurate (the level of confidence in the estimate is generally accepted at 95% confidence level in social science and business research). Also, the calculation of sample size base on the proportion of responses the researcher to have some particular attributes. The proportion of responses in this research is the number of Malaysian SMEs involving in outward internationalisation activities. The proportion of this research is determined from 30 cases of the pilot

samples (as advised in Saunders *et al.*, 2016, p. 704). From the pilot survey, this study discovered 28 out of the 30 participants (93%) met the research requirement, while other 2 participants (7%) were considered small businesses. That 93% is considered belonging to this specified category. Having these three information, the study calculated the minimum sample size required as suggested by De Vaus (2014) by using the following equation.

$$\eta = p\% \times q\% \times \left(\frac{z}{e\%}\right)^2$$

Where:

$\eta$  is the minimum sample size required;

$p\%$  is the percentage belonging to the particular category;

$q\%$  is the percentage not belonging to the specific category;

$z$  is the  $z$  value explaining the level of confidence required (See Table 5.8); and

$e\%$  is the margin of error required.

As the total of the Malaysian SMEs involves in internationalisation adoption is 2,226. This study calculated the minimum sample required as the following calculation steps;

$$\begin{aligned} \eta &= 93 \times 7 \times \left(\frac{1.96}{5}\right)^2 \\ &= 651 \times (0.392)^2 \\ &= 651 \times 0.154 \\ &= \mathbf{100} \end{aligned}$$

Based on the calculation of sample size suggested by De Vaus (2014), this study needs a minimum sample size of only 100. However, this assumes the researcher achieve a response rate of 100 per cent. The  $Z$  value used in the calculation above was referred to the following Table 5.8.

**Table 5. 8: Levels of Confident and Associated Z Values**

Level of confidence	z value
90% certain	1.65
95% certain	1.96
99% certain	2.57

**Sources:** Adapted from De Vaus (2014), cited in Saunders *et al.* (2016, p. 704)

Second, this study deploys the second method of calculating research sample suggested by Awang (2014) and Hair *et al.* (2014). This method is calculated based on structural equation modelling, which depends on the number of latent constructs and items as essential characteristics in determining sample size. Table 5.9 illustrates the minimum sample size suggested in structural equation modelling analysis.

**Table 5. 9: Minimum Sample Size Required in This Study According to Structural Equation Modelling**

<b>Model Characteristics (Number of latent constructs and items)</b>	<b>Minimum sample required</b>
Five or less latent constructs measured in a study, where each latent construct has more than three items.	100 sample
Seven or less latent constructs in a study, where each construct has more than three items.	150 sample
Seven or less latent construct measured in a study, where some constructs have less than three items.	300 sample
More than seven latent constructs measured in a study, where some constructs have less than three items.	500 sample

**Source:** Adapted from Awang (2014, p. 24)

#### 5.6.1.4 Unit of analysis

The unit of analysis refers to the primary unit of measurement in the research (Bryman and Bell, 2015, p. 74). De Vaus (1991) defines the unit of analysis is the unit from which information is obtained. It refers to the level of accumulation of the data collected during the subsequent data analysis stage (Sekaran, 2003, p. 132). The unit of analysis can be regarding individuals, dyads, groups, organisations, societies and culture (Sekaran, 2003, p. 132; Bryman and Bell, 2015, p. 75).

As this research intends to understand factors influencing internationalisation adoption by Malaysian SMEs; and examine the impact of internationalisation adoption on Malaysian SMEs' business performance, the unit of analysis of the study would be the organisation/ firm. Hence, the data is collected from Malaysian SME owners,

managers, heads of the unit of international business that able to provide perceptions on internationalisation adoption of each company. These respondents are appropriate to provide information as they involve directly in planning, decision making, implementing and monitoring of international business activities of the companies.

### 5.7 Questionnaire Development

The survey questionnaire is defined as “a quantitative method and utilised to examine widespread social issues whereby the result of a sample can be generalised upon to reflect the society as a whole” (Mostafa, 2003). Therefore, the purpose of using survey questionnaire is to require data about the unit of analysis (internationalised Malaysian SMEs) from owner/ managers that can facilitate testing of the research hypotheses. The questionnaire (see Appendix one) was designed to extract data regarding owner/ managers’ attributes (i.e. foreign market knowledge, motivation to go to international markets, personal networks with overseas’ customers), data reflects to firm’s attributes (i.e. level of R&D, communication and production technology, human capital management capability, reputation and trust), perceptions towards environmental attributes reflecting internationalisation adoption (i.e. globalisation phenomena, national export policy, foreign countries’ policy and availability of financial supports by banks). Also, the data reflects the perception of owner/ managers about the perceived level of ethics issues in marketplace (i.e. the perceived level of bribes and internet fraud in foreign marketplaces), the level internationalisation adoption (i.e. number of international markets, percentage of international sales and profits, the reasons of internationalisation adoption) and business performance indicators (i.e. sales growth, profit growth, number of international markets, foreign market know-how, international knowledge). Moreover, essential data about the profile of the enterprises were drawn out (i.e. age, number of employees, location, and years of internationalisation involvement).

The study designed the questionnaire in four sections. Section one concerns the background of the respondents and firms. Sections two focuses on determinants of internationalisation adoption (including entrepreneur, firm, environmental and ethics attributes), followed by section three which deals with firm internationalisation adoption to understand participants’ reactions and willingness to undertake international business adoption. Finally, section four deals with the business performance of the

SMEs' as an impact of internationalisation adoption (including financial and non-financial performance).

Ease of questionnaire completion was given attention; therefore, the questionnaire is short, precise, and comfortable in discussing to avoid any harm to participants, which in turn, can affect the process of answering the questionnaire. Also, questions led to double meaning were avoided so the participants could answer the questionnaire confidently and without any hesitation. The question has only three open-ended questions including the information about the first international country, list of international countries and the most critical country significant to the SMEs. The rest of the questions are designed where participants need to tick the appropriate answer according to their preferences.

#### 5.7.1 Research Measures

The questionnaire was designed in scales and interval in nature using Five Point Likert Scales and Frequency Verbal Scales. The usage of Five Likert Scales in the questionnaire was because it is an appropriate interval scale that measures behavioural variables (El-Gohary, 2009). Moreover, Churchill (1979, p. 66) contends that multiple items measures is better than single-item measures in serving marketing research (Cited in El- Gohary, 2009). The Likert Scale used in this study ranged from 1= Strongly Disagree to 5= Strongly Agree. The usage of Five Point Likert Scale format has been used widely in the study of SME internationalisation (Burpitt and Rondinelli, 2000; Hollenstein, 2005; Karadeniz and Göçer, 2007; Amarasena, 2013). While the purpose of Frequency Verbal Scales is to understand the profile of participants and geographical distribution of the firms in this research.

There are seven main constructs in this study. The constructs include entrepreneur/human capital attributes, firm attributes, environmental attributes, ethics attributes, internationalisation adoption, financial performance and non-financial performance. These constructs are latent variables which cannot be measured directly. Instead, they are measured by using multiple items which were designed in the survey questionnaire.



This study has developed measures explaining ethics attribute construct, internationalisation adoption. However, measures explaining entrepreneurial attributes, firm attributes, environmental attributes, financial performance and non-financial performance were adopted from measurements used by previous researchers (as discussed in Chapter 3 and 4). This study conducted statistical tests namely Cronbach Alpha and Item-to-total correlation tests to confirm validity and reliability of all measures used. The outcomes of Cronbach-Alpha test and Item-to-total correlation tests are found higher than the generally accepted value (as discussed in Chapter 9- Section 9.2) suggested by Edgett (1991). The details of the result of Cronbach-alpha test and Item-to-total correlations test is discussed in the next section 5.8. Table 5.10 illustrates the research measures used in the study.

### 5.8 Assessing Validity and Reliability of a Questionnaire

It is crucial to make sure instruments used in the research measure accurately and consistently what they are supposed to measure (Hair *et al.*, 2014). Although the terms 'reliability' and 'validity' seem to be synonymous, however, the terms have quite different meanings within the scope of scientific research (Bryman, 2016, p. 156). While the term 'validity' refers to accuracy, 'reliability' refers to the consistency of the research instruments (Hair *et al.*, 2014). To test validity and reliability of this study's instruments, multiple steps were taken to make sure instruments used in this study achieve the quality of measurements which, in turn, enhance the quality of the study's findings. The process of validity and reliability is discussed in the next sections.

#### *Validity*

Measurement validity aims to ensure a construct measures the intended concept (Hair Jr *et al.*, 2014; Bryman, 2016). There are five types of validity: i) face; ii) concurrent; iii) predictive; iv) construct; and v) convergent (Bryman, 2016, p. 159). Face validity aims to provide an adequate reflection of the content towards the concept in question (Hair JR *et al.*, 2009; Saunders, Lewis and Thornhill, 2009; Hair Jr *et al.*, 2014; Bryman, 2016). Face validity is appropriate for a researcher who introduces a new measure in research (Bryman, 2016, p. 159). It could be established by asking other people whether the measure seems to be getting the concept that is the focus of attention. More specifically, the validation of instruments can be established by asking those with experience or expertise in the study field. This validity technique is the type

commonly used in business research (Hair JR *et al.*, 2009). Another way of establishing face validity is by carefully reviewing the concepts in extant literature (Saunders *et al.*, 2009).

Concurrent validity is where *“the researcher uses a ‘criterion’ on which cases are known to differ, and that is relevant to the concept in the question”* (Bryman, 2016, p. 159). For example, if research intends to measure job satisfaction among employees in a firm, the ‘criterion’ used to validate the measures might be absenteeism because some people are more often absent from work than others (other than through illness). Here, the researcher might gauge the level of job satisfaction are those people are less likely than those who are not satisfied to be absent from work.

Predictive validity is where the researcher uses a future criterion measure, rather than a contemporary and simultaneous criterion as discussed in concurrent validity (Bryman, 2016, p. 159). For example, the researcher uses future absenteeism rather than current absenteeism to gauge the level of job satisfaction.

Construct validity aims to validate the instrument by deduction of hypotheses from a theory that is relevant to the concept. For example, drawing upon the idea of job satisfaction, people with high job satisfaction might be less likely to follow jobs routine, people with low job satisfaction maybe intend to work on jobs routine. Hence, the researcher could investigate this theoretical deduction by examining the relationship between job satisfaction and jobs routine. Construct also known as discriminant validity (Sekaran and Bougie, 2016).

*“Convergent validity is established when the score obtained with two different instruments measuring the same concept are highly correlated, while discriminant validity is established when two variables are predicted to be uncorrelated, and the score obtained by measuring them are indeed empirically found to be so”* (Sekaran and Bougie, 2010, p. 160). The most common technique in testing convergent validity is through factor analysis. Factor analysis could be established by using statistical techniques such as Kaiser Meyer-Olkin’s (KMO) and Barlett’s test of sphericity to measure sampling adequacy (Pallant, 2010). The Bartlett's test of sphericity should be significant ( $p < .05$ ) for the factor analysis to be considered appropriate.

In the case of this research, face validity was established in both techniques. First, most of the measurements in this research are adopted from an extensive literature review. A deductive approach was conducted from the literature review, as well as; an inductive approach was conducted by exploratory interviews to validate the determinants found in the literature. Second, the current researcher met experts in the field such as academicians in international marketing, international business, and entrepreneurship from Birmingham City University, Aston University, and Wolverhampton University to validate the research measures. Consequently, several measures including questions in section 2 (determinants of SME internationalisation), section 3 (internationalisation adoption), and section 4 (business performance) needed minor revisions to enhance clarity, ease completion and accuracy of the intended concept. Third, this study has also established factor analysis in structural equation modelling by using Analysis of Moment Structure (AMOS) software (the result of validity test is discussed in Chapter 9- Section 9.2). Finally, this study conducted a pilot survey on 30 internationalised Malaysian SMEs owner/ managers to confirm the instrument validity; and to establish reliability test of the instrument which, in turn, will produce a usable survey questionnaire for this research.

### *Reliability*

Reliability refers to issues concerning the consistency of measures; and therefore, a questionnaire is considered reliable if it achieved consistent scores for participants' answers (Bryman, 2016, p. 156). Furthermore, reliability is concerned with the *“degree to which the observed variable measures the “true” value and is “error-free”...if the same measure is repeatedly asked, for example, more reliable measures will show greater consistency than less reliable measures”* (Hair *et al.*, 2014, p. 8). Also, Robson (2002) defines reliability as *“to extend to which a measuring device or a whole research project would produce the same results if used on different occasions with the same object of study”*. There are three types of reliability: i) test re-test; ii) alternative form; and iii) internal consistency (Saunders *et al.*, 2016).

Test-retest reliability is obtained by repeating measurement for the same respondents at different times (Hair *et al.*, 2014, p. 123). Therefore, the questionnaire should be delivered and completed twice by the same research participants. If the answers are similar, this means test-retest reliability has been achieved. However, this may create

problems as in reality, it is difficult to persuade the respondents to answer the same questionnaire twice.

*“Alternative form reliability is established through comparing responses to alternative forms of the same question or groups or questions. Where questions are included for this purpose usually in longer questionnaire”* (Saunders *et al.*, 2016, p. 452). However, this technique suffers the same problems to the test-re-test reliability as participants need to deal with repetition, as well as, a lengthy questionnaire.

As an alternative, measurement reliability test can be established by internal consistency. Internal consistency aims to achieve measurement reliability by testing the correlation of responses of questions with each other within a subgroup in a questionnaire (Saunders *et al.*, 2016, p. 451). Internal consistency could be established by a statistical technique so-called Cronbach’s alpha. Cronbach’s alpha ranges from 0 to 1. The result with 0.6 to 0.7 is considered acceptable, followed by 0.8 to <0.9 is very good, and  $\leq 0.9$  is excellent (Hair *et al.*, 2014, p. 123). In the case of this research, Cronbach-alpha test was used to measure the reliability of all measures used. The process and result of the reliability test by using Cronbach-alpha is discussed in the next section 5.9 of data preparation for analysis.

### 5.9 Getting Data Ready for Analysis

The study has conducted data preparation, entering and checking prior to establishing a reliability test. The study then prepared data for analysis after both pilot and the main survey questionnaire data collection. The first process of data preparation was editing the raw data collected from the survey questionnaire (Sekaran, 2003, p. 301). The data editing process aims to achieve the following objectives: i) detecting any data errors and handling non-responses; ii) correcting the errors where possible; iii) ensuring the quality of the data achieve the targeted standard (El-Gohary, 2009; Sekaran, 2003, p. 301).

The second process was data coding and categorising data (Sekaran, 2003, p. 301). Within this process, all measures were coded and categorised to differentiate each other and to suit the statistical tool that was used to analyse the data namely Statistical Package for Social Science (SPSS). Also, the coding was applied to main constructs

and subconstructs to ease the process of identification of measures during the analysis process.

The third process was data entry (El-Gohary, 2009). Within this process, the coded data were entered in the SPSS software version 24 for analysis. The final process was labelling the data in SPSS software to make sure all variables are accessible to be reviewed and each data were given values. Within this final process, an assistant was used for reading the coded data while the researcher entered the data in the software. By finishing this process, the data is then ready to be analysed. The process of reliability analysis through Cronbach-alpha is now discussed in the following section 5.10 of measuring the goodness of data.

### 5.10 Measuring the Goodness of Data

Testing goodness of data entered in SPSS is needed before establishing any statistical analysis afterwards. The purification of the data or measures used in the study aims to produce a reliable and valid data to be tested in any statistical analysis such as hypotheses test (Sekaran, 2003, p. 307). Hence, statistical techniques namely Cronbach-alpha and item-to-total correlation tests were established in this study to measure the goodness of the data, as well as, the internal consistency of the measures (Pallant, 2010, p. 97).

#### 5.10.1 Cronbach-alpha Test

Cronbach-alpha test is concerned with constructs reliability and internal consistency of measures used in the study (Cortina, 1993; Bryman and Bell, 2015, p. 169). It aims to make sure all measures that make up a scale are correlated and ‘hang together’ (Pallant, 2010, p. 97). Cronbach-alpha is calculated “*based on the calculation of the mean reliability coefficient for all possible ways of splitting a set of items into two halves*” (Haron, 2002; cited in El-Gohary, 2009). There is no consensus among scholars on an acceptable Cronbach-alpha value (Cortina, 1993). For example, an acceptable value of Cronbach-alpha coefficient is 0.7 and above according to (Cortina, 1993; Pallant, 2010, p. 97). Conversely, Magal *et al.* (1988) propose Cronbach-alpha value of 0.6 and above is acceptable. Moreover, Nunnaly and Bernstein (1994) propose Cronbach-alpha value between 0.5 and 0.6 is sufficient to be considered as reliable measures; and Cronbach-alpha 0.6 and above is considered more reliable.

In the case of this study, Cronbach-alpha value of 0.6 and above is used because several measures are newly introduced in the research area such as measures explaining ethics attributes construct. The usage of the Cronbach-alpha value of 0.6 in this study is supported by Nunnally and Bernstein (1994) and Megal *et al.* (1988) as discussed earlier. Therefore, measures that achieve Cronbach-alpha value below 0.6 will be excluded. However, Cronbach-alpha value is sensitive to the number of items in a scale. It is common to see low Cronbach-alpha value in constructs with less than ten items (e.g. achieve only 0.5) (Pallant, 2010, p. 97). As most of the constructs in this research have less than ten items, it may be appropriate to consider the mean of item-to-total correlation if the value of Cronbach-alpha is low.

#### 5.10.2 Item-to-Total Correlation

Item-to-total correlation is a reliability test that measures any item relates to the rest of items in a specific scale (Haron, 2002; c.f. El-Gohary, 2009). Churchill (1979) proposed item-to-total correlation that is making up a specific dimension share a common core. Pallant (2010, p. 97) suggests referring to the value of item-to-total correlation in the case of the value of Cronbach-alpha is too low (e.g. less than 0.6). However, there is a different suggestion about the value of item-to-total correlation by scholars. For example, Briggs and Cheek (1986) suggest an accepted value of item-to-total correlation should be between 0.2 and 0.4. Conversely, Edgett (1991) suggest an acceptable value of item-to-total correlation is 0.3 and above; and should be retained for further analysis.

This study adopted the acceptable item-to-total correlation value 0.3 and above as proposed by Edgett (1991) because it is widely accepted in previous business researchers (e.g. Mostafa, 2003; El-Gohary, 2009). Hence, if the overall Cronbach-alpha value is below than 0.6, and the value of item-to-total correlation below than 0.3, this study may need to consider removing items with low item-total correlations unless they represent an additional domain of interest. The process and result of reliability analysis by Cronbach-alpha and item-to-total correlation are discussed in detail in Chapter 9- Section 9.2.

## 5.11 Semi-Structured Interviews

The usage of semi-structured interviews depends on the purpose of the research. It is likely researchers will include semi-structured interviews for an exploratory study (Saunders *et al.*, 2016, p. 394). Creswell and Plano Clark (2011) support that mix-methods research design that begins with the qualitative approach is known as exploratory sequential design (cited in Bryman, 2016, p. 639). *“The exploratory sequential research design entails the collection of qualitative data before collection of quantitative data”* (Bryman, 2016, p. 638). The aims of conducting qualitative semi-structured interviews in this study is to explore and purify variables found in the literature review. Also, the result of the investigations will be used to generate hypotheses and the research framework, which could be then tested using quantitative survey questionnaire. Moreover, the purpose of conducting semi-structured interviews is to follow up qualitative findings with quantitative research which, in turn, could produce generalisable results of the qualitative findings to be assessed (Bryman, 2016). Within semi-structured interviews phase, multiple steps were conducted including sampling, interviews process and data analysis.

### 5.11.1 Sampling in Semi-structured Interviews

*“Although probability sampling may be used in qualitative research, however, it is rarely used in qualitative research because of the constraints of ongoing fieldwork and difficulty to map ‘the population’ from which a random sample might be taken, that is, to create a sampling frame”* (Bryman, 2016, p. 408). As an alternative, researchers use the non-probability sampling technique in the most qualitative studies due to sample size constraint. There is very limited guidance in estimating sample size in a qualitative study; and to some extends there are no rules in deciding sample size for non-probability sampling (Guest *et al.*, 2006; Saunders *et al.*, 2012, 2016, p. 297). Based on several researchers’ experience, it is recommended that the minimum sample size range from four to thirty-six for a qualitative study (Saunders *et al.*, 2012, p. 47). Conversely, several other researchers suggest the generally accepted sample size range between two to four as the minimum; and ten to fifteen is the maximum (e.g. Peery, 1998, p. 794). However, there is a general qualitative sampling guideline postulated sampling could be continued as long as the breadth and depth of the knowledge studied is expanding and stop sampling whenever no new knowledge is gained. In another words, the non-probability sampling size is determined by the

concept of 'saturation' or the point at which no new information is observed from the interviews (Guest *et al.*, 2006)

The sampling technique used for semi-structured interviews in this current study is non-probability sampling, where a selection of 30 research participants was made from MATRADE website. Several experts that have experienced and knowledgeable about internationalisation adoption of SMEs in Malaysia were selected to be interviewed. Based on the general guideline provided by (Coper and Schindler, p. 169), the 30 samples size was initially targeted. However, data saturation was reached after conducting 18 semi-structured face-to-face and phone interviews but the current study conducted two more interviews since the researcher has arranged the schedule with respondents. A total of 20 interviews conducted in this study achieved the sample size suggested by several authors as mentioned earlier (e.g. Guest *et al.*, 2006). The detail of semi-structured interviews process, data analysis and results are discussed in Chapter 6- Section 6.4.

## 5.12 Chapter Summary

This chapter discussed the methodology used and the reasons for selection of the research design. The discussion on research methodology in this chapter is based on the result of a literature review conducted in chapter two, three and four. Consequently, steps of designing the research approach, sampling procedure, data collection and analysis methods were illustrated. The reasons for selecting the research design based on the research objectives and questions were justified in this chapter. The chapter started with a discussion on necessary information about the different research strategies, designs and methodologies in general. It then discussed the importance of selecting an appropriate research design and methodology in this study. Afterwards, the chapter discussed the different fundamental paradigms in research and illustrated the appropriate post-positivism paradigm underpinning this current research. After that, all research methodology stages and procedures were discussed based on the post-positivist paradigm.

Also, the chapter illustrated the results of a literature review on research design, methodology, and data collection techniques used in the previous literature between



1994 and 2016. The review of extant literature on methodology aimed to support the selection of the research design of this current research. Therefore, this study found that the triangulation approach remains scant in SME internationalisation research field. Most of the research conducted single method either qualitative or quantitative. Hence, it is justified for this study to fulfil the research gap especially the triangulation method in a study of Malaysian SME internationalisation. The chapter then illustrated the triangulation methodology will be deployed regarding data, method and methodological triangulation. The selection of this triangulation approach was justified to achieve the research objectives and answer the research questions.

The chapter then discussed sampling procedure and methods used in the study. Within this section, the topic regarding sampling such as type of sample, sample size, unit of analysis was illustrated. Also, the chapter discussed data collection methods or techniques, construction of the research questionnaire, data entry and analysis procedures. The chapter ended with a brief discussion about qualitative data collection and justified the selection of semi-structured interviews participants in the study. The detail of semi-structured interview processes and results are discussed in Chapter 6.

**Table 5. 10: Research Measures**

N	Constructs		Items	Sources
<b>Independent variables</b>				
1	Determinants of SME internationalisation	Managerial related factors (internal)	<p><b>1. Management network relationship</b> 4 items; responses of intensity of networking are coded using a five-point Likert scale ranging from 1= very little to 5=very extensive.</p> <ul style="list-style-type: none"> <li>• I have a good relationship with international customers.</li> <li>• I have a good relationship with suppliers.</li> <li>• I have a good connection with industrial bureaus.</li> <li>• I have a good connection with government officials in regulatory and supporting organisations.</li> </ul> <p><b>2. Management foreign market knowledge</b> 6 items; 1=completely disagree...5=completely agree.</p> <ul style="list-style-type: none"> <li>• I do have knowledge about the needs of foreign customers.</li> <li>• I am knowledgeable about my foreign competitors.</li> <li>• I do have knowledge about channels of distribution in foreign markets.</li> <li>• I am skilful at determining foreign business opportunities.</li> <li>• I have a good understanding of the business foreign laws.</li> <li>• I am good in understanding of foreign cultural norms.</li> </ul> <p><b>3. Management international business vision</b> 4 items; 1=completely disagree...5=completely agree.</p> <ul style="list-style-type: none"> <li>• I am very interested in developing foreign business.</li> <li>• I believe internationalisation is essential to achieving business goals.</li> <li>• I believe the company has to develop foreign business in order to succeed in the future.</li> <li>• I believe the most attractive business opportunities lie in foreign markets.</li> </ul> <p><b>4. Management entrepreneurial orientation</b> 5 items;1= completely disagree.5=completely agree.</p> <ul style="list-style-type: none"> <li>• I introduce new management techniques to improve efficiency.</li> <li>• I emphasize the pursuit of long-term goals and strategies to company members.</li> <li>• I am ready to undertake high risk projects.</li> <li>• I consider taking calculated risks.</li> <li>• I believe taking bold and wide-ranging based on the nature of the environment is necessary to achieve the firm's objectives.</li> </ul>	<p>Adapted from sources including semi-structured interview and literature review (e.g. Zhang <i>et al.</i>, 2016; Ahmad, 2014; Peng and Luo 2000)</p> <p>Adapted from Fletcher and Prashantam (2011); Morgan and Katsikeas (1997) and the result of semi-structured interview</p> <p>Adapted from (Tang, 2007; Leonidou and Katsikeas, 2007) the result of semi-structured interview.</p> <p>(Covin and Slevin, 1989; Zahra and Garvis, 2000; Hutchinson <i>et al.</i>, 2006; Ibeh and Young, 2001; Zhang <i>et al.</i>, 2016), and the result of semi-structured interview</p>

Firm related factors (internal)	<p><b>1. The intensity of research and development (R&amp;D)</b> 4 items; 1= completely disagree. 5=completely agree.</p> <ul style="list-style-type: none"> <li>• R&amp;D is very important as our industry involves fast product maturity (e.g. ICT products).</li> <li>• We concern with the development of new products to compete in international markets.</li> <li>• We employ scientists and/ or engineers to support new products development.</li> <li>• We invest in advanced technology / equipment as a mean to develop new products.</li> </ul>	Adapted from (Karadeniz and Gocer, 2007; Park, 2010; Gerke and Benson-Rea, 2011), and the result of semi-structured interview.
	<p><b>2. Internet and telecommunication technology</b> 4 items; 1= completely disagree...5=completely agree.</p> <ul style="list-style-type: none"> <li>• My firm uses internet applications to acquire foreign market knowledge.</li> <li>• We use internet to promote our products / services to foreign customers.</li> <li>• We use internet to communicate and maintain relationship with our international customers (e.g. customer service supports and personal email).</li> <li>• Our company has a website to attract international customers.</li> </ul>	Adapted from (Ahmed <i>et al.</i> , 2006; Ahmed <i>et al.</i> , 2006), and the result of semi-structured interview.
	<p><b>3. Competitive advantage</b> 5 items; 1=completely disagree. 5=completely agree.</p> <ul style="list-style-type: none"> <li>• Customers are generally satisfied with our products' quality.</li> <li>• The price of our product is very competitive.</li> <li>• We do constant product innovation to meet the market needs.</li> <li>• Our product is not widely available from international competitors.</li> <li>• We have regular flow of unexpected enquiries/ orders from overseas customers</li> </ul>	Adapted from (Su and Adams, 2010; Leonidou <i>et al.</i> , 2007; Morgan and Katsikeas, 1997; Chelliah <i>et al.</i> , 2010; Hutchinson <i>et al.</i> , 2006), and the result of in-depth interview.
	<p><b>4. Human capital and management capability</b> 4 items; 1= completely disagree...5=completely agree.</p> <ul style="list-style-type: none"> <li>• Most of our employees have strong technical skills (e.g. products designer and manufacturing operators).</li> <li>• We have a good number of experienced employees in international markets.</li> <li>• We can train our employees in terms of international customer handling skills and culture awareness.</li> </ul>	Adapted from Kumar and Yakhlef (2014); and the result of semi-structured interview.

		<ul style="list-style-type: none"> <li>We have highly skilled management team.</li> </ul>	
		<p><b>5. Reputation and trust</b> 4 items; 1=completely disagree...5=completely agree.</p> <ul style="list-style-type: none"> <li>My firm establishes its credibility with international clients from the first order.</li> <li>We offer free products warranty and return services when there is no satisfaction.</li> <li>We take responsibility of our product's safety.</li> <li>Our products / services are certified by international certifications (e.g. ISO, HACCP, and GMP).</li> </ul>	Adapted from (Javalgi and Todd, 2011), and the result of semi-structured interview.
		<p><b>6. Firm's networking</b> 7 items; 1=very weak...5=very strong Approximately how strong is your firm's relationship with the following?</p> <ul style="list-style-type: none"> <li>Customers</li> <li>Suppliers</li> <li>Competitors</li> <li>Government policy makers</li> <li>Industry based associations/ agencies</li> <li>Trade associations/ agencies/focal supplier</li> <li>Financial institutions such as bank and government agencies.</li> </ul>	Adapted from (Park, 2010; Musso and Francioni, 2015; Johnsen, 2007; Lindstrand and Lindburgh, 2011); and the result from semi-structured interview
	Environmental related factors (external)	<p>Please tick the option that best describes your view on the following statements of environmental factors that influence your firm's internationalisation.</p> <p><b>1. Globalisation phenomena</b> 5 items; 1=completely disagree...5=completely agree.</p> <ul style="list-style-type: none"> <li>Relaxed foreign markets regulation accelerates my firm's internationalisation</li> <li>Information, communication technology advancement promotes my firm's internationalisation adoption.</li> <li>Improved transportation channels influence my firm's export acceleration.</li> <li>We prefer foreign countries with low cost of factors of production.</li> <li>We target countries with potential growing markets (e.g. high number of population with strong buying power).</li> </ul>	Adapted from (Graham, 1999); the result of semi-structured interview.
		<p><b>2. National export policy</b> 4 items; 1=completely disagree...5=completely agree.</p> <ul style="list-style-type: none"> <li>We use export incentives of Malaysian government for internationalisation (e.g. R&amp;D, branding and packaging grants).</li> </ul>	Adapted from (Morgan and Katsikeas, 1997; Crick and

		<ul style="list-style-type: none"> <li>We use working capital supports by Malaysia government to internationalise.</li> <li>We use foreign promotion programmes sponsored by Malaysian government to internationalise.</li> <li>Exchange rate stabilisation encourages us to internationalise.</li> </ul>	Chaudry, 2000); the result of semi-structured interview.
		<p><b>3. Foreign country policy</b> 4 items; 1=completely disagree...5=completely agree.</p> <ul style="list-style-type: none"> <li>We prefer to go to countries that have reduced tariffs.</li> <li>We prefer to go to countries with easy product regulations.</li> <li>We prefer countries with weak currency (decline in value of currency).</li> <li>We prefer to go to Malaysia's free trade agreements (FTA) partner countries.</li> </ul>	Adapted from (Morgan and Katsikeas, 1997); the result of semi-structured interview.
		<p><b>4. Institutional and financial actors</b> 4 items; 1=completely disagree...5=completely agree.</p> <ul style="list-style-type: none"> <li>Malaysian banks (e.g. Exim Bank) provide financial assistance to our company to internationalise.</li> <li>We benefit from government linked financial institutions such as MARA, TEKUN and SME Corp) to internationalise.</li> <li>We avail foreign market knowledge from overseas Malaysian banks (e.g. CIMB Bank)</li> <li>We benefit from government institutions (e.g. MATRADE and MIDA) to acquire foreign market knowledge.</li> </ul>	Adapted from (Lindstrand and Lindberghl, 2011; Reid, 1984).
	Ethical issues related factors	<p><b>1. The intensity of corruption in host country</b> 12 items; 1=completely disagree...5=completely agree</p> <ul style="list-style-type: none"> <li>We always refer to international corruption index before involving in any foreign markets to avoid extra, unofficial payments.</li> <li>We do not go to foreign markets with high index of internet fraud.</li> <li>We avoid going to foreign markets with high index of counterfeiting.</li> <li>Firms in my industry pay unofficial payments if it does not affect business performance and profitability.</li> <li>Paying extra, unofficial payments significantly impacts on firm's entry mode in foreign markets either direct exporting (non-equity based), joint venture (equity-based) or foreign direct investment (equity-based).</li> </ul>	Adapted from (Boddewyn, 1988; Ring <i>et al.</i> , 1990; cited in Uhlenbruck <i>et al.</i> , 2006).
		<p>Firms in my industry pay extra, unofficial payments to public officials to...</p> <ul style="list-style-type: none"> <li>... to facilitate ease interaction in foreign markets.</li> <li>...get licenses or permits to expand or operate foreign business.</li> <li>...deal with settlement of taxes.</li> </ul>	Adapted from (Boddewyn, 1988; Ring <i>et al.</i> , 1990; cited in Uhlenbruck <i>et al.</i> , 2006).

			<ul style="list-style-type: none"> <li>• Gain government contracts.</li> <li>• Deal with customs services.</li> <li>• Deal with court or judges.</li> <li>• Deal with law enforcement agencies.</li> </ul>	
<b>Dependent/ intervening variables</b>				
2	Internationalisation adoption of your firm - internationalisation acceptance, internationalisation involvement decision.		<p><b>1. Internationalisation adoption.</b> Please circle the most appropriate number that explains the best about your firm's internationalisation adoption. Questions in this part concern your ability, reactions and willingness to undertake international business expansion. 10 items; Tick in the appropriate box.</p> <ul style="list-style-type: none"> <li>• Internationalisation allows us to diversify market size.</li> <li>• Diversifying from Malaysian market permits us to spread the risk.</li> <li>• Internationalisation promotes our company's growth.</li> <li>• Substitution of production in foreign countries reduces our cost of production.</li> <li>• Internationalisation increases our social status.</li> <li>• Internationalisation is a possible solution to problems in domestic market.</li> <li>• The more foreign markets we involved, the more sales revenue we achieved.</li> <li>• Internationalisation increases our company's goodwill.</li> <li>• Internationalisation supports us to avoid saturation in the local market.</li> <li>• Internationalisation enables us to maximize our current production capacity.</li> <li>• Internationalisation benefits us to travel abroad frequently.</li> </ul>	(Spowart <i>et al.</i> , 2009; Ibeh and Young, 2001; Kothari, 1979; cited in Reid, 1981), and the result of semi-structured interview.
			<p><b>2. Internationalisation indicators</b> Questions in this part concern your firm's internationalisation in terms of mode and scale. Please choose the most appropriate answer that explains the best about your firm's internationalisation.</p>	(Kuivalainen <i>et al.</i> , 2012; Park, 2010).
<b>Dependent variables</b>				
3	Overall firm performance	Financial performance	<p>Please indicate the degree of your satisfaction regarding your company's financial performance as a result of internationalisation. (Circle the number that reflects your satisfaction).</p> <p><b>1. Profit performance</b></p>	(Kuivalainen and Sunqvist, 2008; Westhead <i>et al.</i> , 2004)

		<ul style="list-style-type: none"> <li>• Total firm's profitability growth.</li> <li>• Foreign profit as a percentage of total profit.</li> <li>• Gross profit margin.</li> <li>• Net profits from international operations.</li> </ul>	
		<p><b>2. Sales performance</b></p> <ul style="list-style-type: none"> <li>• Total firm's sales growth relative to industry average.</li> <li>• Foreign sales as a percentage of total sales.</li> <li>• Level of market share in our foreign markets.</li> <li>• Number of our new market entry.</li> </ul>	(Kuivalainen and Sunqvist, 2008; Westhead <i>et al.</i> , 2004)
	Non-financial performance	<p>Please indicate the degree of your satisfaction with your company's non-financial performance as a result of internationalisation (Circle the number that reflects your satisfaction).</p> <p><b>1. Knowledge performance</b></p> <ul style="list-style-type: none"> <li>• Foreign marketing know-how</li> <li>• Technical knowledge (e.g. production)</li> <li>• International knowledge (e.g. foreign products preference)</li> <li>• New ideas about products, services, and business methods).</li> <li>• Enhancement of the company's managerial capabilities as a result of internationalisation.</li> </ul>	(Kuivalainen and Sunqvist, 2008; Westhead <i>et al.</i> , 2004)
		<p><b>2. Efficiency performance</b></p> <ul style="list-style-type: none"> <li>• Gaining access to lower cost or better value factors of production.</li> <li>• Enhancement of the company's production as a result of internationalisation</li> <li>• Developing economies of scale in production costs.</li> <li>• Confronting international and local competitors more effectively.</li> </ul>	(Kuivalainen and Sunqvist, 2008; Westhead <i>et al.</i> , 2004)
		<p><b>3. Realisation of company's goals performance</b></p> <ul style="list-style-type: none"> <li>• Enhancement of the company's brand image and reputation both domestically and internationally.</li> <li>• Overall success in international market.</li> <li>• Longevity and sustainability in foreign market.</li> </ul>	(Kuivalainen and Sunqvist, 2008; Westhead <i>et al.</i> , 2004)

## Chapter 6: Exploratory Interviews- Exploring Internationalisation Adoption by Malaysian SMEs

### 6.1 Introduction

This chapter is devoted to exploring the aspects of internationalisation adoption by Malaysian SMEs through interviews. The main reason behind conducting exploratory interviews is to purify prior information obtained from the literature review. Since little or no pre-existing theoretical bias about factors contributing Malaysia SME's deciding to internationalise, the exploratory interviews will increase understanding about variables that are appropriate to the Malaysia context.

The chapter begins with exploring the current circumstances of Malaysia SMEs. The topics discussed include: overviewing Malaysia geographically, analysing current circumstances of Malaysia economy, outlining profile of Malaysia SMEs, and exploring the government incentives towards development and internationalisation of SMEs in Malaysia.

The chapter pursued with reporting the process of data collection through semi-structured interviews. The report includes the process of formulating sample size, developing interview guide, executing data collection through semi-structured interviews, data transcription, analysis and subsequently, discussing the results of interviews.

Finally, the chapter concluded findings from the exploratory interviews and subsequently compares with the information gathered from the literature review. After that, the researcher will use the results as a basis for research framework development and formulating the research hypotheses.

### 6.2 Overview of Small and Medium Enterprises in Malaysia

*"In 2016, SMEs contributed 36.6% to total national Gross Domestic Products (GDP) and 18.6% of the country's exports while providing 65.3% of total employment. By 2020, Malaysia aims to raise SME contribution to GDP to 41% and its share of total country's export to 23%. Hence, it is important for SMEs to*



*increase their efforts to remain as the main driver of Malaysia's economic growth."*

*(Malaysia's 6th Prime Minister, SME Corporation Malaysia, 2017)*

### 6.2.1 Malaysia at a Glance and Economic Assessment

The Malaysia territory consists of two main regions including the peninsular of Malaysia and the Island of Borneo. The South China Sea separates these two territories within 640 miles distance amounting the area of 127, 355 square miles in total. Furthermore, Malaysia federation has 13 states and three federal territories namely; Kuala Lumpur; Putrajaya; and Labuan which are directly under the federal government of Malaysia administration.

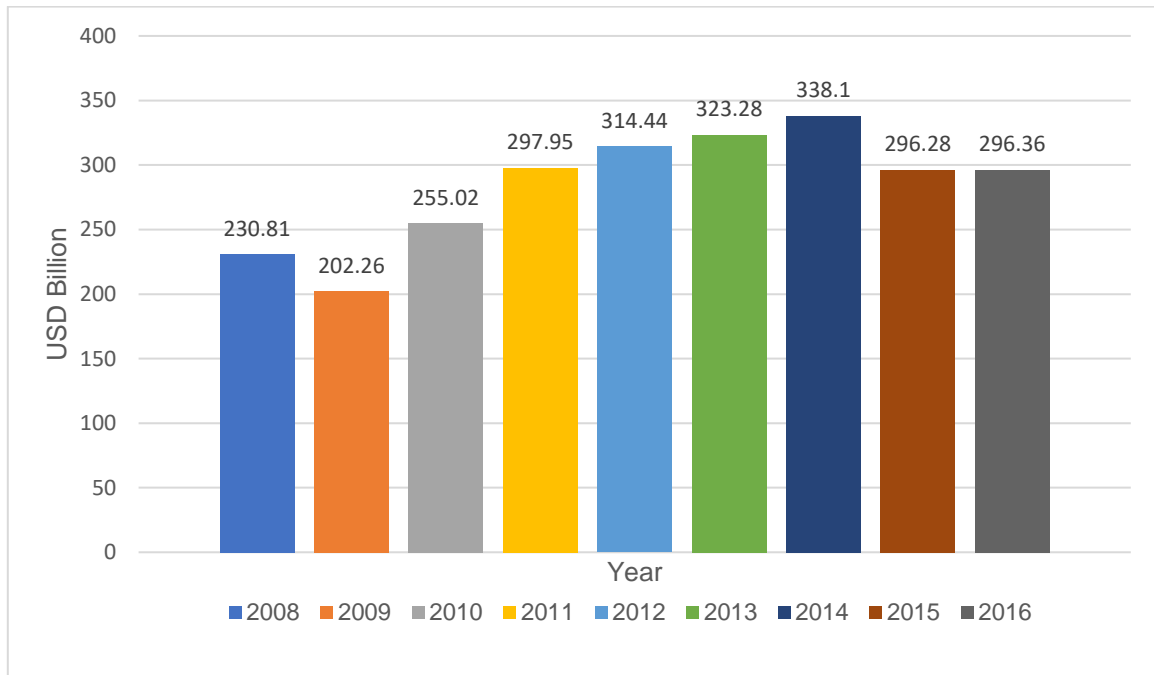
Malaysia has 32 million of the total population as updated on 10 June 2018 (Department of Statistics, 2018b). Malaysia has a unique multi-ethnicity that have been living peacefully. The majority ethnic is Bumiputra (Malays and other indigenous) which is accounted 62% out of the total population, this followed by Chinese 21%, Indian 6%, other ethnics 0.9% and non-citizens 10%. Also, Malaysia allows its citizen to practice any religion without restriction. Muslim is the official religion representing 61.3% of total population, Buddhist 19.8%, Christian represents 9.2%, Hindu 6.3%, and another traditional Chinese religion (including Confucianism and Taoism) represents 1.3% of total population. Furthermore, Malaysian citizen speaks in many languages. The official language is Malay language or so-called Bahasa Malaysia. However, English, Chinese (Cantonese, Mandarin, Hokkien, Hakka, Hainan, Foochow), Tamil, Telugu, Malayalam, Panjabi and Thai are also well spoken by citizens. Malay Muslim is dominant in politics, education and the civil service. In contrast, Chinese holds the economic power of Malaysia.

#### 6.2.1.1 Current Economic Status of Malaysia

Malaysia's economy has been growing year by year. Malaysia is one of upper middle-income economies according to the World Bank report (World Bank, 2018b). The country's GDP was accounted worthy of 296.36 billion US dollars in 2016 (see Figure 6.1). This value represented 0.48% of the world economy. While average Malaysia's GDP from 1960 to 2016 was 83.47 billion US dollar, the highest GDP was accounted

worthy to 338.10 billion US dollar in 2014, and the lowest was accounted 2.42 billion US dollar in 1961. Also, the country’s economy grew at a faster pace recently in the third quarter of the year 2017 (6.2%) as compared to 2016 (4.3%). The positive achievement of country’s GDP and economic growth was due to local consumptions and global trade balance (World Bank, 2018a).

**Figure 6. 1: Malaysia GDP between 2008 and 2016**

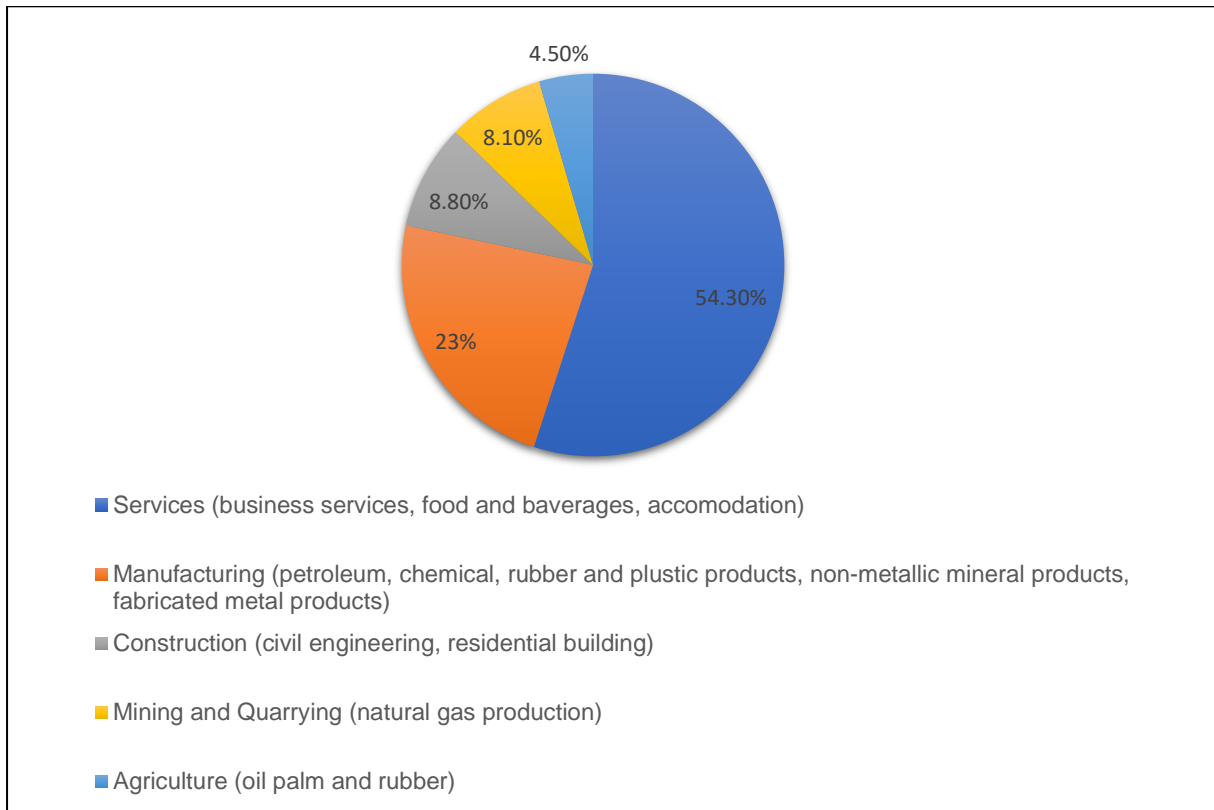


**Source:** Adapted from World Bank (2018)

### Local Demands as Impetus to Sustainable GDP Growth

Local consumptions elevated Malaysia’s GDP growth in recent years. Services and manufacturing sectors were the main impetus in fulfilling local demands in 2016. While services sector contributed 54.3% shares to Malaysia GDP 2016, manufacturing represented 23% shares. These percentages were mainly contributed by local retails industry. Conversely, the contribution from other economic sectors was still disappointing including mining and quarrying 8.8%, agriculture 8.1% and construction 4.5% (see Figure 6.2).

**Figure 6. 2: Percentage Shares of Malaysia GDP 2016 by Business Sectors**



**Source:** Adapted from (Department of Statistics, 2018)

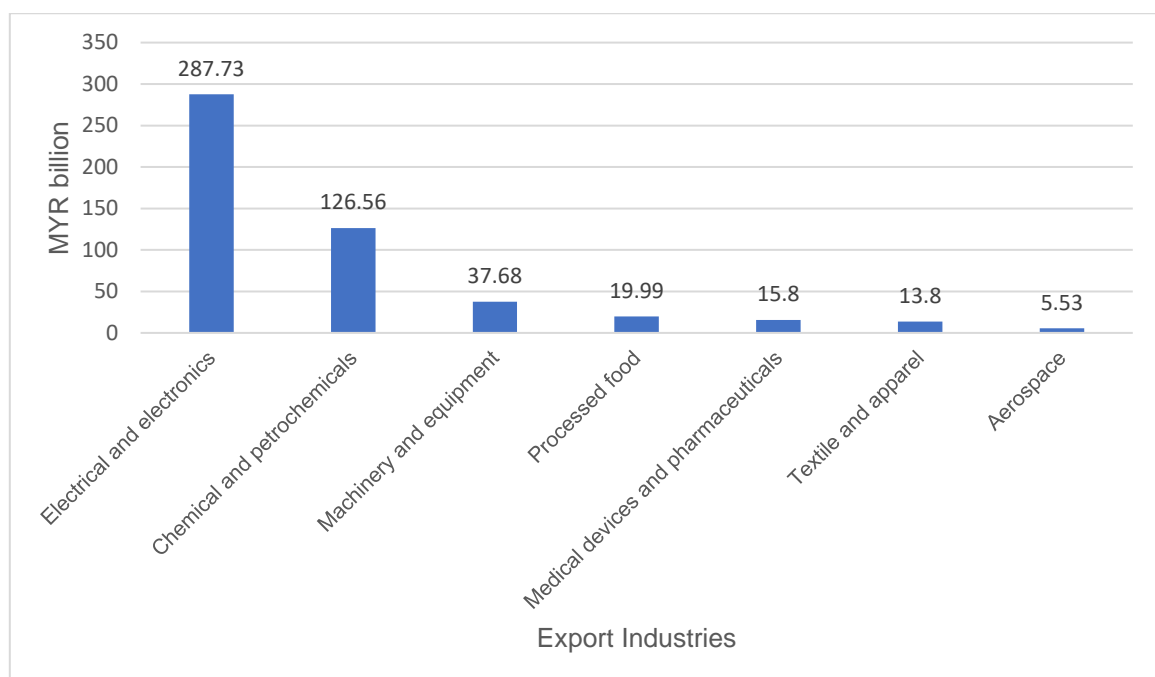
### Global Trade Propels Malaysia GDP Growth

In the light of Malaysia’s global trade records, Malaysia’s export value has contributed to a steady GDP growth rate between 2014 and 2017. The amount of export value worth to RM785.93 billion, albeit the import value was slightly lower amounted RM698.66 billion. Consequently, a trade surplus accounted RM87.27 billion in 2016 (RM91.58 billion in 2015). As such, Malaysia enumerated as the 24<sup>th</sup> largest exporter and 26<sup>th</sup> largest importer in the world (WTO online database, 2017; cited from Ministry of International Trade and Industry, 2016)

The manufacturing sector dominated total exports value worth at 82.2% (RM645.67 billion) in 2016. In contrast, other sectors did not perform well in global trade activities. The sectors include: agricultural sector contributed only 9% shares (RM70.43 billion) and mining accounted 8% shares of total export value (RM64.32 billion).

On the other hand, there were sixth main industries contributed to export shares. The industries include electrical and electronics; chemicals and chemical products; petroleum products; machinery and equipment; manufactures metal; optical and scientific equipment. Notably, the biggest export goods and services by Malaysia companies was electrical and electronics products; followed by chemical and petrochemicals products. Figure 6.3 depicts the distribution of export value according to the industry in 2016.

**Figure 6. 3: Distribution of Malaysia Export Value 2016 According to the Industry**

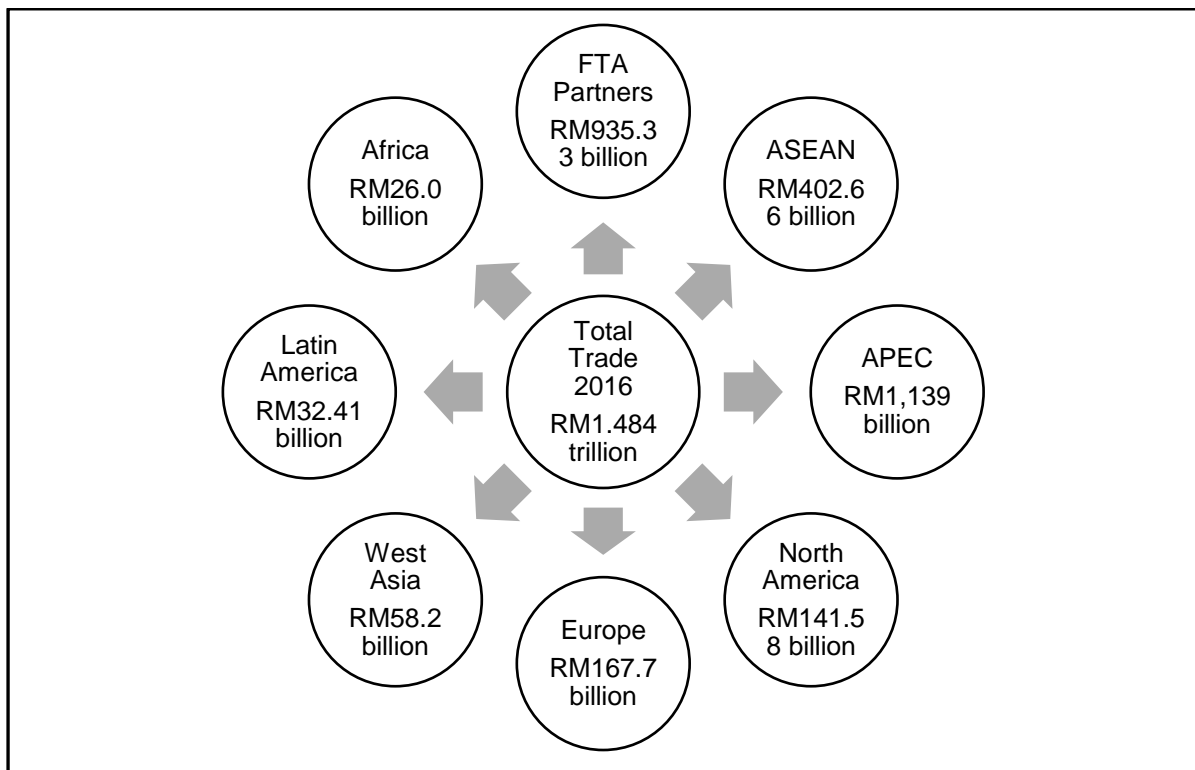


**Source:** Adapted from 24<sup>th</sup> Malaysia International Trade and Industry Report (MITI, 2016, p. 43)

Regarding Malaysia import performance, manufacturing sector dominated imports activities amounting 88.2% shares (RM616.18 billion) of total imports value. While agricultural industry imports value contributed to 5.7% shares (RM39.82 billion), mining goods contributed to 4.2% shares (RM29.41 billion) of total imports value. Most of imports value comes from electrical and electronic (E&E) products, chemical and chemical products, machinery, equipment and parts, as well as, petroleum products.

With regards to global trade partners, Malaysia has established strong trade relationships with countries from Northern hemisphere to the Southern hemisphere of the world. The top five Malaysia trading partners were China which contributed 16.2% of total trade value (RM1.484 trillion); Singapore contributed 12.6%; the United States 9.2%; Japan 8.1%; and Thailand 5.8%. The following Figure 6.4 depicts the distribution of trade value according to the country in 2016.

**Figure 6. 4: Malaysia Trade Partners' Contribution to Total Trade 2016**

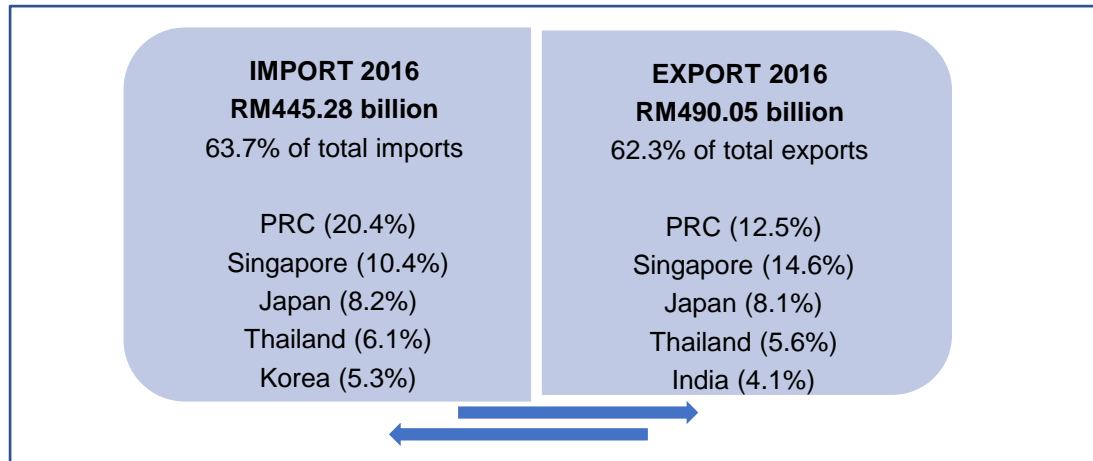


**Source:** Adapted from 24<sup>th</sup> Malaysia International Trade and Industry Report (MITI, 2016, p. 43)

Malaysia has consistently exported and imported manufacturing goods and services from several foreign countries. The biggest export market was Singapore which amounted 15.6% of total export value. The second largest export market was the People Republic of China (PRC) amounted 12.5%, and the least export destination was India 4.1%.

On the other hand, the biggest import goods were from the People Republic of China which amounted 20.4%. Figure 6.5 shows the main exports and imports destination of Malaysia goods and services.

**Figure 6. 5: Import and Export Value of Main Trade Partners 2016**



**Source:** Adapted from 24<sup>th</sup> Malaysia International Trade and Industry Report (MITI, 2016, p. 43)

### Global Trade Initiatives

Malaysia has established a series of foreign trade agreements (FTAs) to reduce trade barriers concomitant to foreign markets expansion. The country established FTAs in two ways: i) participated in regional FTAs; and ii) established individual bilateral FTAs with other countries. For example, Malaysia participated in series of regional trade agreements including: i) ASEAN (ATIGA); ii) ASEAN-China (ACFTA); iii) ASEAN-Japan (AJFTA); iv) ASEAN-Korea (AKFTA); v) ASEAN-INDIA (AIFTA); vi) ASEAN-Australia-New Zealand (AANZFTA). Also, the country has established separate bilateral agreements (FTAs) such as Malaysia-Japan (MJEPA), Malaysia-Pakistan (MPCEPA), Malaysia-India (MICECA), Malaysia-New Zealand (MNZFTA); and Malaysia-Turkey (MTFTA). Moreover, Malaysia has established foreign trade agreements with other markets including Africa, Latin America, West Asia, the United States and Europe. The top trading partners in Africa was South Africa, Egypt, United Republic of Tanzania and Ghana which amounted worth to RM26 billion trade value in 2016.

### 6.2.2 Profile of Malaysian SMEs

The definition of SME varies according to countries where this business community located. For example, European countries define SMEs as firms that employ below than 250 people (Muller *et al.*, 2014). Conversely, National SME Development Council (NSDC) Malaysia defines manufacturing SME as firms consisting of  $\leq 200$  employees and the annual turnover  $\leq$ RM50 million. Furthermore, services SMEs is defined firms employ  $\leq 75$  employees and the annual turnover  $\leq$ RM20 million. NSDC defines a microenterprise as enterprises that employ not more than five employees and sales turn over less than RM300, 000 (SME Corporation Malaysia, 2018).

Most business population in Malaysia are SMEs. SMEs represent 98.5% (907, 065 enterprises) of total 920, 624 businesses in Malaysia. Within the population of SMEs, the amount comprises 76% (693,670) microenterprises; 21% (192, 783) small enterprises; and 2% (20, 612) medium enterprises (SME Annual Report, 2017). The amount depicts that most Malaysia SMEs are still at a micro level which confronts with the liability of smallness and lack of resources. The size of Malaysia SMEs could be one of the reasons the contribution of Malaysia SMEs in export value is still low (18%) of total export value.

#### 6.2.2.1 Distribution of Malaysia SMEs According to Geographical Regions

SMEs exist throughout Malaysia (including both rural and developed areas). Surprisingly, most Malaysia SMEs established in three main cities of Malaysia including Selangor 19.8% (179, 271 SMEs), Wilayah Persekutuan Kuala Lumpur 14.7% (133, 703 SMEs), and Johor 10.8% (98, 190 SMEs). The concentration of SMEs in these geographical regions may be due to several factors including higher population, rapid economic growth and a higher level of income of people in these areas. Hence, the status of better economics could be impacting the income of the SMEs.

Conversely, the federal government's ruling areas such as Wilayah Persekutuan Putrajaya consists of only 0.1% (1, 236 SMEs), which has the least number of SMEs. The low distribution of SMEs in these areas may be due to the area was gazetted as the government administration and offices area, therefore, reducing economic

activities in the area. Table 6.1 depicts the distribution of Malaysia SMEs according to the geographical region in 2017.

**Table 6. 1: Distribution of Malaysia SMEs According to Geographical Regions in 2017**

<b>N</b>	<b>State</b>	<b>Number of SMEs</b>	<b>Percentage (%)</b>
1	Selangor	179, 271	19.8
2	WP Kuala Lumpur	133, 703	14.7
3	Johor	98, 190	10.8
4	Perak	75, 140	8.3
5	Penang	66, 921	7.4
6	Sarawak	61, 036	6.7
7	Sabah	55, 702	6.2
8	Kedah	48, 894	5.4
9	Kelantan	46, 618	5.1
10	Pahang	37, 573	4.1
11	Negeri Sembilan	32, 721	3.6
12	Melaka	31, 361	3.5
13	Terengganu	29, 324	3.2
14	Perlis	6, 808	0.8
15	WP Labuan	2, 567	0.3
16	WP Putrajaya	1, 236	0.1
	<b>Total</b>	<b>907, 065</b>	<b>100.0</b>

**Sources:** Adapted from SME Corporation Malaysia (2018)

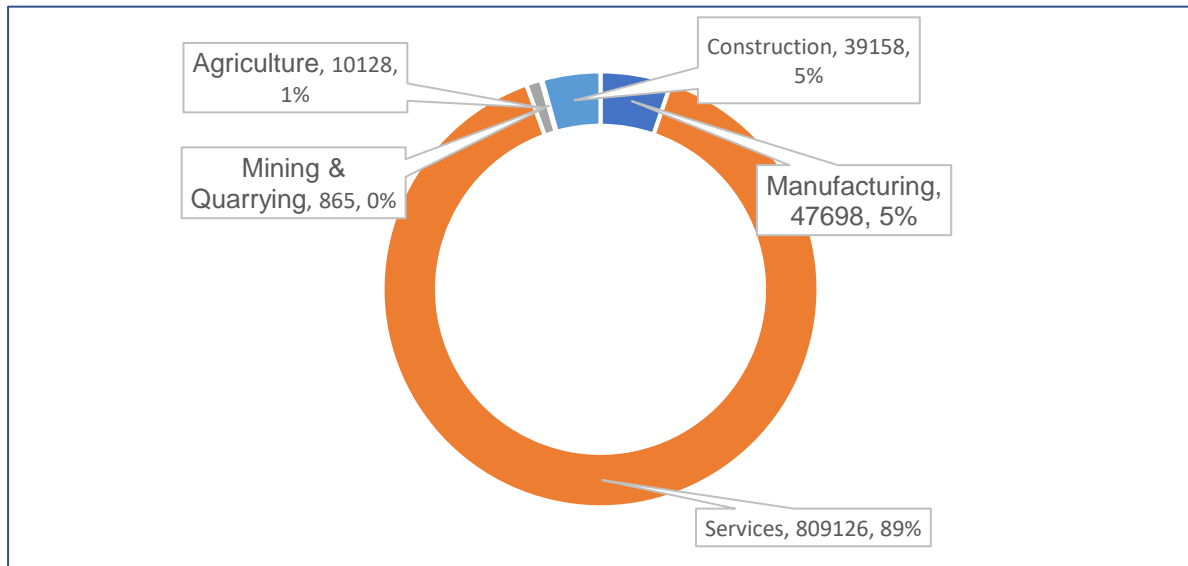
#### *6.2.2.2 Distribution of Malaysia SMEs According to Business Sector*

Figure 6.6 illustrated that most Malaysia SMEs involved in services sector 89.2% (809, 126 SMEs) including business services, food and beverages and accommodation. SMEs in manufacturing sector represents only 5.3% (47, 698 SMEs), followed by construction 4.3% (39, 158 SMEs), agriculture 1.1% (10, 218 SMEs) and mining and



quarrying 0.1% (865 SMEs). The service sector plays an important role due to high local demand mainly wholesale and retail trade, food and beverages, as well as, accommodation.

**Figure 6. 6: Distribution of Malaysia SMEs According to Economic Sector**

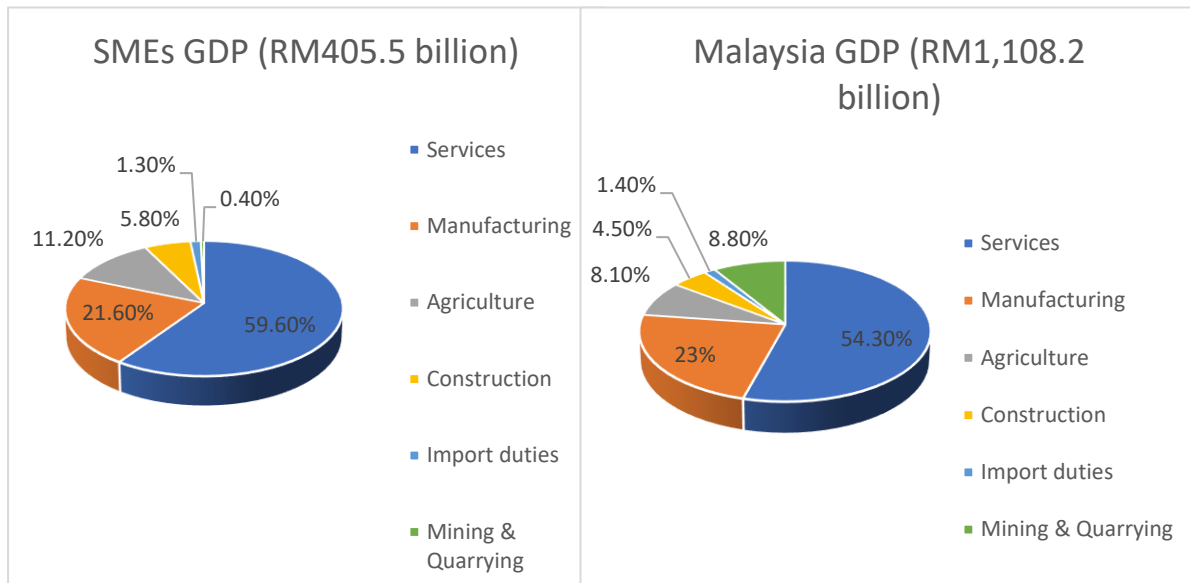


**Source:** Adapted from SME Annual Report 2016/ 2017 (SME Corp Malaysia, 2017, p.142)

### 6.2.2.3 Contribution of Malaysia SMEs to Country's GDP

SMEs play an enormous role in Malaysia economy. Particularly, SMEs contribute 36.6% to total Malaysia GDP in 2016 (RM463.2 billion). Furthermore, SMEs fulfil local and foreign market demands through two main sectors. These two sectors including services sector which recorded a significant high contribution in the GDP shares (59.6%) and SMEs in manufacturing sector contributed 21.6% out of SMEs GDP in 2016 (refer to Figure 6.7).

**Figure 6. 7: SMEs GDP and Overall Malaysia GDP 2016 Share by Economic Activity in 2016 (at constant 2010 prices)**



**Source:** SME Annual Report 2016/ 2017 (SME Corp Malaysia, 2018, p. 18).

#### 6.2.2.4 Exports Share of Malaysia SMEs.

Although Malaysia SMEs played a significant role in Malaysia GDP, their export share to total export value was still disappointing in 2016 (18.6%). Also, SME's exports share was only accounted 17.7% in 2015, as well as, 17.6% share in 2014 (SME Corporation Malaysia, 2017). In contrast, total export share contributed by SMEs in the United States accounted (30%) of all exporters between 1997 to 2007 mainly from electrical products, machinery and chemicals industry (the United States International Trade Commission, 2010).

Malaysia SMEs involved in global trades was accounted only 2,226 enterprises (0.25%) out of total SMEs population 907, 067 enterprises in 2016 (Department of Statistics SME Corporation Malaysia, 2016). Most of the exports/ international SMEs operate in Selangor state (934 SMEs), followed by Penang (328 SMEs), Johor (309 SMEs) and Kuala Lumpur (201 SMEs). The concentration of exports SMEs in these regions was due to the availability of good transportation system, internet infrastructure and closer to sea cargo ports (see Figure 6.8).

**Figure 6. 8: Distribution of Sea Cargo Ports in Malaysia**



**Source:** Adapted from Jeevan *et al.* (2015)

Fewer exports/ international SMEs operate in other territories. Table 6.2 shows the distribution of SMEs involve in international trade and the location of sea cargo ports in Malaysia.

**Table 6. 2: Distribution of Internationalised SMEs According to State**

<b>N</b>	<b>State</b>	<b>Number of SME</b>	<b>Percentage</b>
1	Penang	328	<b>14.7%</b>
2	Perak	131	<b>5.9%</b>
3	Kedah	81	<b>3.6%</b>
4	Pahang	27	<b>1.2%</b>
5	Negeri Sembilan	52	<b>2.3%</b>
6	Melaka	77	<b>3.5%</b>
7	Johor	309	<b>13.9%</b>
8	Terengganu	11	<b>0.5%</b>
9	Kelantan	7	<b>0.3%</b>
10	Sarawak	45	<b>2%</b>
11	Sabah	20	<b>0.9%</b>
12	Selangor	934	<b>41.9%</b>
13	W.P Kuala Lumpur	201	<b>9%</b>
14	Perlis	2	<b>0.1%</b>
15	Putrajaya	1	<b>0.04%</b>
	<b>Total</b>	<b>2,226</b>	<b>100%</b>

**Source:** Department of Statistics SME Corporation Malaysia (2018)

### *SMEs Exports Share by Economic Activity in 2016*

SMEs exports share 2016 was mainly contributed by the services sector which amounted 9.4% of total exports share. Nevertheless, SMEs in manufacturing and agriculture sector contributed a slightly lower share of 9.2%. The exports contribution involved global trades of 270 SMEs in the services sector, and 1, 955 SMEs in the manufacturing sector (refer to Table 6.3)

Notably, the smaller number of services SMEs have contributed a higher income to the country. Consequently, the percentages show services sector in Malaysia particularly, business services and accommodation provider related to tourism industry play important roles in Malaysia's global trade.

**Table 6. 3: Number of SMEs' Export by Economic Sector**

<b>N</b>	<b>Sector</b>	<b>Number of SME</b>	<b>Percentage (%)</b>
1	Manufacturing	1,955	<b>88%</b>
2	Services	270	<b>12%</b>
3	Agriculture	1	<b>0.0%</b>
<b>Total</b>		<b>2,226</b>	<b>100%</b>

**Source:** Statistics Department of SME Corporation Malaysia (2016)

### **6.3 Government Support towards the Development and Internationalisation of Malaysian SMEs**

The Malaysian government stands committed towards the development of competitive and resilient SMEs as the key contributor to Malaysia's economy. It has appointed the Ministry of International Trade and Industry (MITI) as the central minister to coordinate international trade activities and industrial development. *"MITI was established in April 1956 and was formerly known as The Ministry of Commerce and Industry prior to being rebranded in February 1972"* (Ministry of International Trade and Industry, 2016). The vision of the ministry is twofold: to promote Malaysia as a profitable investment location, and to make Malaysians as most competitive entrepreneurs by 2020. MITI's

goal was to produce high quality goods and services to promote Malaysia's competitiveness and economic growth.

The ministry has taken several initiatives to increase participation of Malaysia businesses in international trade including Malaysia SMEs. The major initiatives were the establishment of the several government agencies deliberately to support SMEs development and to promote global trade. These government agencies are SME Corporation Malaysia (SME Corp); Malaysia External Trade Development Corporation (MATRADE); SME Bank; and Malaysian Industrial Development Finance Berhad (MIDF); as well as, the ministry has cooperated to another government-linked agency namely Majlis Amanah Rakyat (MARA) to increase export participation among Bumiputra. The research will now discuss each of these agencies' roles, and functions in detail.

#### 6.3.1 SME Corporation Malaysia (SME Corp)

SME Corporation Malaysia is a central coordinating agency that formulates overall SME development blueprint in Malaysia. This organisation was established in 1996 as Small and Medium Industries Development Corporation (SMIDEC) which was later had a remarkable rebranded into SME Corporation Malaysia in 2009. The vision of the agency is to be *"the premier organisation for the development of progressive SMEs to enhance wealth creation and social well being of the nation."* While the mission of this organisation is *"to promote the development of competitive, innovative and resilient SMEs through effective coordination and provision of business support"* (SME Corporation Malaysia, 2018).

SME Corporation Malaysia endeavours several roles and functions to fulfil the vision and mission. The functions include being the Central Coordination Agency (CCA) to various SME development programs which are hosted by 15 ministries and more than 60 governmental link agencies every year. Within this task, SME Corp Malaysia monitors the smooth facilitation and integrates overall information about SME development programs in the country. The CCA initiative helps the government to identify and reduce duplication in delivering resources to SMEs, optimise fund allocations, map out future developmental programs and strategies policy planning upon SME. Acting the task mandated, SME Corp Malaysia coordinates, monitors,

evaluates and reports the progress and effectiveness of SME development programs to the government every year.

In addition to the main task as the central coordination agency, SME Corp Malaysia has also been hosting several programs to enhance SMEs capabilities and competitiveness. For example, SME Corps has introduced an evaluation tool to recognise the level of SME competitiveness namely SME Competitiveness Rating for Enhancement (SCORE). Furthermore, the agency has organised brand development programs such as branding and packaging mobile gallery. Also, the agency has been providing financing facilities to SME such as soft loans for SMEs and SME Emergency Fund (SMEEF). SME Corps has also organised capacity building programs including Business Accelerator Programs (BAP). For Bumiputera exports encouragement, SME Corp Malaysia has provided incentives through a program namely Galakan Export Bumiputra (GEB).

The GEB program was designed to increase export participation among Bumiputra SMEs. SME Corp Malaysia provides various consultation supports and financial funds including MYR500, 000 thousand or 50% of total project cost of MYR1 million during internationalising their business abroad. In addition to the scope of incentives, SME Corp Malaysia provides funds for physical office or business operation overseas; marketing and promotional activities overseas; branding development; overseas market feasibility study; certification and international standard requirement; and product improvement for export.

### 6.3.2 Malaysia External Trade Development Corporation (MATRADE)

MATRADE is a government agency established to help Malaysia enterprises in exploring foreign markets potential. The vision of the agency is to “*positioning Malaysia as a globally competitive trading nation*” (External Trade Development Corporation, 2018). The mission is to promote Malaysia’s enterprises to the world through promoting goods; implementing a national marketing strategy; undertaking foreign market research, and creating comprehensive foreign markets databases. To accomplish the missions, MATRADE has established offices in 40 major cities in the world including five local branches in Malaysia (Penang, Terengganu, Johor, Sabah, and Sarawak). Consequently, MATRADE has so far provided Malaysian SMEs with

various sources of foreign markets information through various sources including MATRADE's portal; MyExport; MySMS; publications; trade statistics; market information; trade leads; and international tender notices.

Regarding exporters development program, MATRADE has initiated a series of export training programs such as New Export Development Programme; e-Trade Program; and Market Development Grant (MDG) for financial incentives to potential exporters. To promote internationalisation acceleration of SMEs in Malaysia, MATRADE provides financial support namely Go-Ex Program which was designed to improve the financial competitiveness of potential export SMEs. The financial incentives include providing funds up to MYR1 billion for insurance coverage credit facility for SME exporters; MYR150 million to expand the export market and promotion; and MYR100 million allocations to enhance automation of local furniture production for export. Moreover, the organisation also offered Mid-Tier Companies Development Program which was designed to improve export growth and capabilities among local mid-tier companies. Therefore, MATRADE managed to benefit export promotion grant (RM32.25 million) to 1,970 SMEs in 2014.

MATRADE has also launched e-Trade facilities in 2014 to support SMEs and entrepreneurs for leveraging e-commerce for export purposes. This program was a collaboration program with Multimedia Development Corporation Malaysia (MDeC) to increase the participation of Malaysia enterprises in global e-marketplaces such as Alibaba.com. Also, MATRADE has successfully organised 306 promotion activities in 2016 including trade fairs, export acceleration mission (EAM), International sourcing programs (INSP) and Trade and Investment Missions.

### 6.3.3 SME Bank

SME Bank is a fully-owned government bank which was established in 2005 as a financial institution. The objective of this bank is to provide financing facilities to SMEs through various government funds. The bank has so far launched various financing package to enable Malaysia SMEs to go abroad. For example, the bank has approved a total of financing amounted RM2.90 billion benefited 1,376 SMEs in 2016. Furthermore, the bank provided financial assistance to 89 SMEs amounting RM64.0 million to accelerate the internationalisation of SMEs in the halal industry in 2014. Also,

the bank approved of a fund amounting of RM5 million benefiting 39 Bumiputra entrepreneurs in Online Business Financing Programme (OBFP), and Entrepreneur Premise Program which currently the bank provides 454 factory space for rental nationwide with 90% occupancy rate in the present.

#### 6.3.4 Malaysian Industrial Development Finance (MIDF)

Since the inception in 1960, the agency has granted total financing valued at MYR13.5 billion and benefiting 10,422 companies. The agency has approved MYR550.63 million to 241 companies in 2016 through main five soft loans schemes. The soft loans schemes provided by MIDF include soft loan scheme for automation and modernisation; soft loan scheme for SMEs; soft loan scheme for services sector; soft loans scheme for exports; and soft loans scheme for Bumiputra automotive entrepreneurs.

The agency provides financing schemes to SMEs for development and expansion of the companies. The loan provided is up to 100% of the total project cost with 4 percent interest rate per annum. Furthermore, the agency also provides soft loan facilities to services companies that are striving to expand their market into overseas market with a maximum loan up to 90% of total project cost and the fixed profit rates as low as 2% per annum.

#### 6.3.5 Majlis Amanah Rakyat (MARA)

Majlis Amanah Rakyat (MARA) or Council of Trust for the People was established in 1966 as the central coordinating agency for developing, encouraging, and fostering the economic and social development of Bumiputra (including Malay and other indigenous). The organisation was established during the first Bumiputra Economic Congress resolution in 1965 due to the protection of education rights, economics balance and welfare of Bumiputra.

The organisation aspires “*to be an outstanding organisation of trust while upholding the nation’s pride*” (MARA, 2018). While the mission of MARA is “*to the forefront the fields of entrepreneurship, education and investments by enhancing equity holding of Bumiputra*” (MARA, 2018). Hence, the organisation responsible for developing successful and innovative Bumiputra entrepreneurs; develop globalised Bumiputra



human capital with integrity, contribute to equity ownership and facilitate delivery system effectively.

Regarding the entrepreneurial development, MARA aims to develop competitive global entrepreneurs among Bumiputra in line with the governments' aim to elevate the economic status of Bumiputra. Hence, MARA has introduced several initiatives to achieve the aims. The initiatives include organising new entrepreneur and start-up development programs, conducting series of business management training to new entrepreneurs, and business competency improvement courses. Furthermore, MARA also helps businesses to promote new potential industries and provides business spaces and infrastructures to entrepreneurs nationwide. MARA also provides financial supports to Bumiputra enterprises, especially to potential exporters. The supports include funding purchases of machinery and equipment; working capital; installation and ICT adoption; factory renovation; big promotional items in overseas including billboard and marketing tools.

#### 6.4 Malaysian SMEs and Internationalisation Adoption: Exploratory Process of the Research

This research extended data collection technique deployed by Senik *et al.* (2010). They (*ibid*) had conducted 32 expert interviews including academicians, policy makers and chamber of commerce to understand most influential aspects of Malaysian SMEs' internationalisation. In contrast, this current research differs regarding participants target group by included SMEs owners and managers since this could provide a more comprehensive understanding from the perspective of practitioners or businessman.

##### 6.4.1 Research Samples

The research targeted a sample of 30 interviewees. The selection of sample size based on four justifications: first, there is no consensus and solid technique for calculating qualitative sample within extant literature. Furthermore, there is a general qualitative sampling guideline postulated sampling could be continued as long as the breadth and depth of the knowledge studied is expanding and stop sampling whenever no new knowledge is gained (Cooper and Schindler, 2008, p. 169). Therefore, this research aimed to undertake 30 interviews to achieve a level of theoretical saturation. Second, the decision was made based on consideration of time limitation, cost

constraint and the distance between interviewer and research participants (United Kingdom-Malaysia) (suggested in Marschan-Piekkari and Welch, 2004: 187; Bryman, 2012: 425). Third, it is suggested that the minimum sample size range from four to thirty-six for a qualitative study (Saunders *et al.*, 2012, p. 47). Fourth, this research has referred to a sample of previous researchers within the same study area which had conducted between eight and 35 interviews (for example, Mostafa, 2003, p. 200; Ahmad, 2014; Senik *et al.*, 2010). The samples in this research consist of 22 SME owners/ managers who experienced in international business activities and eight MATRADE officials who experienced in promoting Malaysian enterprises to the world.

The researcher selected interviewees from SME owners/ managers and MATRADE officials purposefully through snowball strategy. 10 SME owners/ managers database were obtained through one of Malaysia SMEs who exports products to the United Kingdom. Additionally, the researcher required eight MATRADE officers including six officials from export promotion and market access division and two trade commissioners who were based in London. The researcher also obtained 12 other Malaysia SMEs' database from a government international trade events namely 'Choose Malaysia Event' which was held in London between 24 and 27 September 2016.

The SMEs in the research samples have undertaken internationalisation strategy in their business activities. Furthermore, these SMEs were Malaysian ownership companies, and all of them were private companies. There was no focus on a certain business sector and industry since this study identifies the common factors influencing firms' internationalisation across all SMEs sectors and industries.

#### 6.4.2 Exploratory Interview Processes

First, a set of semi-structured interview guide was developed based on the extant literature. The interview guide was then submitted together other documents (such as participant's consent form, participant information sheet and overall research strategy plan) to the university research ethics committee to ensure that adequate consideration has been given to ethical aspects of the research, thus reducing harm

and upset to the participants. Subsequently, the research ethics was recognised prior conducting the interviews.

Second, an invitation letter was sent to 10 Malaysia SMEs and eight MATRADE officers through email. Subsequently, they were followed up by phone calls. Concomitant to the initiatives taken, 10 SMEs and three officials agreed to participate in the research through an interview.

Third, the researcher executed an additional initiative by requiring information from MATRADE London about participating companies in promotion event held in London so called Choose Malaysia Event 2016. Thus, it reduced time and cost of travelling to Malaysia as these companies came to London for promoting their products and services internationally. The SME owners/ managers were then contacted for research participation through email. Seven of them agreed to participate in an interview, while the rest excused participating due to time limitation. In total, 20 final SMEs agreed to participate in the research interview increasing the percentage (67%) out of the targeted sample number.

Fourth, the researcher contacted all participants to set suitable time and places for the interviews. The researcher then issued participant consent form to be completed and participant information sheet prior conducted the interviews. All the semi-structured interviews were conducted between Jun and at the end of September 2016. During the interviews process, the researchers conducted 15 face-to-face interviews and five phone interviews and in dual languages including Malay and English. Each interview lasted for an hour on average and all interviews were recorded via voice recorder and subsequently were transcribed into written materials. The transcript was shared with the interviewee to afford an opportunity to amend and augment the initial responses.

Finally, the interviews data were analysed manually through the following themes: i) profile of the interviewees and enterprises; ii) factors influencing internationalisation adoption of Malaysian SMEs; iii) impacts of internationalisation on firms' performance regarding financial and non-financial performance.

### 6.4.3 Results and Discussions of the Exploratory Interviews

The initial step was to write up a descriptive summary for each interview to “allow for the unique pattern of each case emerge” (Eisenhardt, 2002; cited in Battisti *et al.*, 2014) and to capture the diversity of SME and interviewee experiences on the process of internationalisation. The next step involved searching for patterns across the interviews. These concepts provided an analytical frame to analyse the international business patterns of SME in the sample.

#### 6.4.3.1 Demography of Participants and Companies

A total of 20 participants involved in the exploratory interviews. Most interviewees were assessed as the owner (entrepreneur) of the SMEs (15 participants), whereas the rests were a chief executive officer (CEO) (one participant) and head of the international marketing of the SME (one participant). Government officials were head of the department (two participants) and assistant to the head of the department (one participant). Table 6.4 depicts the distribution of participants according to the position.

**Table 6. 4: Distribution of Participants According to Position**

<b>N</b>	<b>Position</b>	<b>Frequency</b>	<b>Percentage</b>
1	Entrepreneur (owner)	15	<b>75%</b>
2	Chief executive officer	1	<b>5%</b>
3	Head of international marketing	1	<b>5%</b>
4	Head department of MATRADE	2	<b>10%</b>
5	Assistant to the head department of MATRADE	1	<b>5%</b>
<b>Total</b>		<b>20</b>	<b>100%</b>

Regarding the age of participants, the range of age was between 31 and 61 years old. Notably, there was no participant interviewed aged below than 30 years old. Interestingly, most of the participants’ age was between 41 to 50 years old (53%); in contrast, the lowest frequency of participant’s age was 61 years old and above. (See Table 6.5).

**Table 6. 5:** Distribution of Participants According to Age

<b>N</b>	<b>Age range</b>	<b>Frequency</b>	<b>Percentage</b>
1	Under 30 years	0	<b>0%</b>
2	31 to 40 years	6	<b>30%</b>
3	41 to 50 years	9	<b>45%</b>
4	51 to 60 years	4	<b>20%</b>
5	61 years and above	1	<b>5%</b>
<b>Total</b>		<b>20</b>	<b>100%</b>

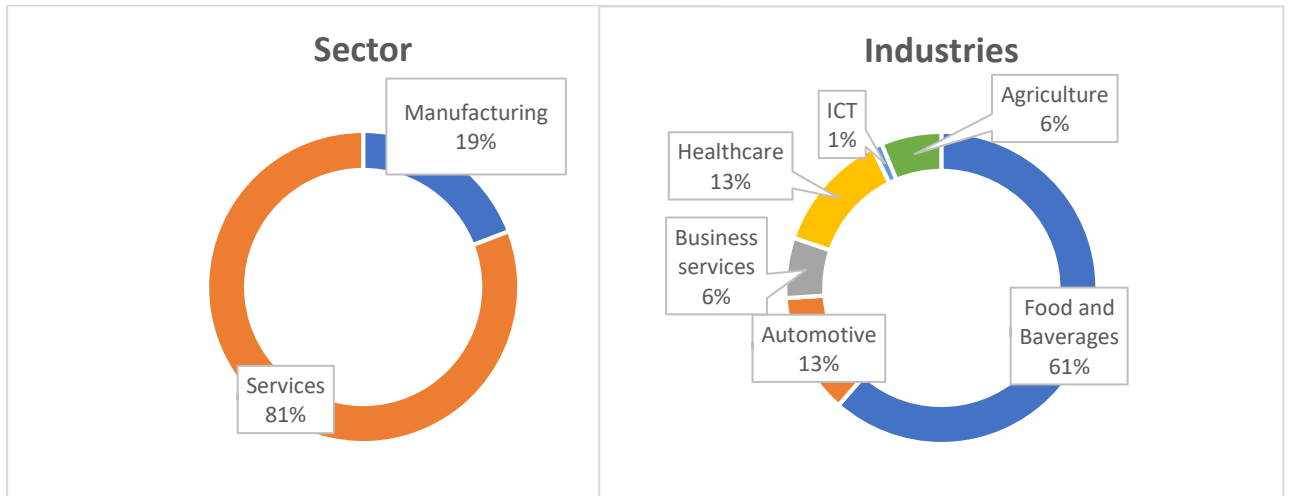
With regards to the size of the companies, there were 13 firms classified as small enterprises that employed five to 75 employees and four medium enterprises which employed 76 to 200 employees. Notably, most of SMEs in this study were small regarding the size of firms (see Table 6.6).

**Table 6.6:** Distribution of SMEs according to size

<b>N</b>	<b>Size of company</b>	<b>Frequency</b>	<b>Percentage</b>
1	Micro	0	<b>0%</b>
2	Small (5 to 75 employees)	13	<b>76%</b>
3	Medium (76 to 200 employees)	4	<b>24%</b>
<b>Total</b>		<b>17</b>	<b>100%</b>

The exporting SMEs involved in various business sectors and industries. While the majority of 13 firms involved in the manufacturing sector (76%); only four other companies were involved in the services sector (24%). Regarding industries, the research found 10 SMEs involved in food and beverages (59%), two SMEs involved in automotive (12%), and one company provided ICT services (6%). There was only one firm involved in agriculture (6%), two SMEs in the healthcare industry (12%) and one SME in business services (6%).

**Figure 6. 9: Distribution of Participants (SMEs) According to Economic Activities**



From the interviews conducted, the research found nine participants established their firms less than five years and eight other companies had established more than five years (see Table 6.7). These findings suggested that most of the SMEs in this study are born global companies (nine enterprises) because they have already internationalised although their companies' age is less than five years.

**Table 6. 6: Age of Companies**

<b>N</b>	<b>Age of companies</b>	<b>Frequency</b>	<b>Percentage</b>
1	Less than five years	9	<b>53%</b>
2	Five years and above	8	<b>47%</b>
<b>Total</b>		<b>17</b>	<b>100%</b>

Mode of internationalisation varies among participants interviewed. This research found all firms involved in outward internationalisation activities. Accordingly, this research found ten firms involved in direct export strategies; five firms appointed foreign agents or joint venture (including franchising), and two other firms involved in foreign productions or offices (own majority equity abroad). Table 6.8 depicts the mode of internationalisation of participants.

**Table 6. 7: Distribution of SMEs According to Mode of Internationalisation**

<b>N</b>	<b>Mode of internationalisation</b>	<b>Frequency</b>	<b>Percentage</b>
1	Direct exporting	10	<b>59%</b>
2	Foreign agent/ joint venture	5	<b>29%</b>
3	Foreign productions/ offices	2	<b>12%</b>
<b>Total</b>		<b>17</b>	<b>100%</b>

The participants diversified their international business into five regions of countries including Association of Southeast Asian Nations countries (ASEAN); West Asia; Africa; Europe; and Asia-Pacific Economic Cooperation countries (APEC). Most participants export manufacturing goods and services to Europe (33%) and followed by APEC countries (23%). The participants limit their export activities to Africa region which accounted only (6%) of the total export regions. Notably, from the interviews conducted it seems that participants tend to diversify overseas markets to neighbouring regions including Asia countries, West Asia and APEC countries in general (refer to Table 6.9).

**Table 6. 8: Distribution of Market Scope According to Region and Country**

<b>Region</b>	<b>Country</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Region percentage</b>
ASEAN Countries	Brunei	3	<b>8%</b>	<b>19%</b>
	Indonesia	2	<b>4%</b>	
	Singapore	2	<b>4%</b>	
	Vietnam	1	<b>3%</b>	
West Asia	Saudi Arabia	2	<b>4%</b>	<b>19%</b>
	UAE	1	<b>3%</b>	
	Oman	1	<b>3%</b>	
	Iraq	1	<b>3%</b>	
	Kazakhstan	1	<b>3%</b>	
	Qatar	1	<b>3%</b>	
Africa	Egypt	1	<b>3%</b>	<b>6%</b>
	Ghana	1	<b>3%</b>	
Europe	The United Kingdom	9	<b>23%</b>	<b>33%</b>
	Belgium	1	<b>3%</b>	
	Italy	2	<b>4%</b>	
	Hungary	1	<b>3%</b>	
APEC Countries	China	3	<b>8%</b>	<b>23%</b>
	Japan	3	<b>8%</b>	
	Australia	1	<b>3%</b>	
	New Zealand	2	<b>4%</b>	
<b>Total</b>		<b>39</b>	<b>100%</b>	<b>100%</b>

#### *6.4.3.2 Exploring the Factors Influencing the Internationalisation of Malaysian SMEs*

From the literature review, 47 determinants of internationalisation were discovered and classified into two main groups including internal and external of the SMEs. Variables were then classified into four sub-groups: i) management; ii) firm; iii) environmental; and iv) ethics-related factors. The current research stance on justification by Jones and Coviello (2005) and Martineau and Pastoriza (2016) in categorising the variables groups, who proffer that entrepreneur and firms related factors affect the internationalisation behaviour. Consequently, they classified into three categories in their previous research including entrepreneur, firm, and environmental level.

This study extended the research of Jones and Coviello (2005) and Martineau and Pastoriza (2016) into new perspective namely, ethical-related factor. Since there was a high repetition from interviewees about the impacts of ethical-issues consideration on their internationalisation decision processes, this study considers undertaking a further empirical study on the factor. Table 2 shows the summary of results from the data analysis regarding important factors influencing firms' internationalisation; these important variables are now discussed in further detail.

#### Management/ Individual Characteristics

Out of a total eight variables related to management characteristics that transpired from the literature review; there was a consensus among interviewees on four important factors that may influence the internationalisation of Malaysian SMEs. The important determinants with regards to management characteristics include the international vision (18 interviewees); entrepreneurial orientation (19 interviewees); network relationship of management (18 interviewees); and foreign market knowledge (19 participants). Table 6.10 depicts the factors related to management characteristics that influence the internationalisation of Malaysian SMEs.



**Table 6. 9: Determinants of the Internationalisation Adoption of Malaysian SMEs Related to Management Characteristics**

<b>N</b>	<b>Determinants of Malaysian SMEs Internationalisation</b>	<b>Interviewees</b>	<b>Frequency</b>	<b>%</b>	<b>Remarks</b>
1.	International vision.	A, B, C, D, E, F, G, H, I, L, M, N, O, P, Q, OR, OS, OT	18	<b>90%</b>	Important
2.	Entrepreneurial orientation (including positive perception towards export barriers).	A, B, C, D, E, F, G, H, I, K, L, M, N, O, P, Q, R, S, T	19	<b>95%</b>	Important
3.	Network relationship (including social and business networks).	A, B, C, D, E, F, G, H, I, K, L, M, N, O, Q, R, S, T	18	<b>90%</b>	Important
4.	Foreign market knowledge (including international business management skills).	A, B, C, D, E, F, G, H, I, K, L, M, N, O, P, Q, R, S, T	19	<b>95%</b>	Important
5.	Experience (experience abroad and industry experience).	A, C, D, F, G, H, M, N, O, P, Q, R, S	13	<b>65%</b>	Moderately important
6.	Education level.	A, C, F, G, I, M, N, O, P, Q, S	11	<b>55%</b>	Moderately important
7.	Owners'/ managers' age (the younger, the more aggressive to internationalise).	C, H, K, L	4	<b>20%</b>	Less important
8.	Foreign language proficiency.	C, E, F, G, H, K, L, M, N, O, P, Q, S, T	14	<b>70%</b>	Moderately important

*Note: important factor is a factor with frequency 76% to 100% of total participants' consensus; moderately important is a factor with frequency 51% to 75%, and less important factors is a factor with frequency 0% to 50%. The proportion is adopted from the study conducted by Ahmad (2014, p.179).*

### International Vision

There was a consensus among 18 interviewees (90%) on the characteristic of international vision of management impacting the adoption of internationalisation by Malaysian SMEs. For companies A, B, C, D, E, F, G, H, I, L, M, N, O, P and Q the internationalisation of businesses has been grounded in the vision and values of the entrepreneurs.

Using four interviewees as representative examples from these companies, company K and H admitted that they had desired to go to international markets before the companies' establishment. Company H received their first foreign order from Italy within one year of company inception. As a strategy to accelerate the

internationalisation process, they developed a website in English and advertised their services to international markets. Also, company O and R have an export intention when they realised the local market has saturated. Consequently, they extended to the international market to increase sales and profitability. Moreover, company R explored foreign markets with the intention of securing an idea of new products development.

*“Most of the entrepreneurs in my industry (web design) want to go to international markets. The evidence is we can see from the English language in their companies’ websites, which infers they have the intention to make the websites to be visible to international customers. It is the same with our company” (Company H).*

*“We started the business with the intention to go global. The reason is we want to sell the products internationally and get payments in better currencies...obviously; it will give us more profitable” (Company L).*

*“My company needed to go to international market since the industry was saturated in the local market. So, we took internationalisation strategy to Africa, UAE, Qatar, and Europe. As a result, 80% of our total revenue comes from international market sales” (Company N).*

*“The reason for overseas markets extension is because there are huge market opportunities. Why should we limit the market while we can earn more money from international market?” (Company O).*

*“We extend to overseas markets to increase our sales, and we want to explore what we can expand on existing products. Maybe we should add on another new product, especially on the packaging issue, what is the latest trend, may be right now people like to put in the box, so sometimes we attend trade event just to explore what is new in the market” (Company R).*

In contrast, two interviewees disagreed with the characteristic of global vision influences the internationalisation of Malaysian SMEs. Company J undertook their first

international activities without intention. Instead, they engage in international activities due to foreign demand on their tacit knowledge of business consultation. Company K accidentally received its first foreign business opportunity when the owner was on his vacation to Indonesia. Since then, the Company K has continually exported the products from Malaysia to Indonesia.

Although a plethora of previous studies have been conducted, mainly on investigating the impacts of management characteristics on SMEs' internationalisation adoption in general (e.g. Aaby and Slater, 1989; Javalgi and Todd, 2011), fewer studies found specifically related to the impacts of export intention on SMEs' decision to internationalise.

This research found a consistent result on the international vision impacting SME's decision to internationalise with previous studies. For example, Meneses *et al.* (2014) found an international vision of family business successors highly contributed to the internationalisation of the family firms. These early international business vision was often gained from the experience of living and working in many different markets which created an international mindset among the management (Hutchinson *et al.*, 2006). Hence, Hutchinson *et al.* (*ibid*) found the expansion of international markets among UK SMEs in the retail sector was associated with the international vision of the management.

However, based on the previous studies, yet this perspective of management characteristics has never been tested empirically in the internationalisation of Malaysia Malaysian SMEs context. Therefore, this study considers examining the factor statistically in the next stage of the research.

### Entrepreneurial Orientation

Most of the participants show a high intensity of entrepreneurial orientation including the characteristics of being innovative, proactive and willingness to take the risk. With regards to the proactive characteristic of an entrepreneur, most of the research participants were proactively involved in foreign marketing by frequent travel to foreign countries. They avoid reactively waiting for local orders inside their host country. Instead, they travel abroad for promotion and marketing purposes. For example, from

the interviews conducted, Company G joined Malaysian government promotion programs in overseas markets every year to explore the foreign marketplace. Moreover, some other firms take proactive decisions to produce goods in overseas markets as the strategy to enable them to offer quality goods and competitive price to overseas clients.

*“A lot of SMEs comfort with existing performance, but I did not satisfy with stagnant performance. Consequently, I went to international markets to increase sales, company’s growth, knowledge and experience” (Company A).*

With regards to the innovative characteristic, Company G was involved in international innovation competitions and had won the Gulf Food Awards 2015.

Regarding the risk-taking characteristic of an entrepreneur, Company M frequently travels to Middle Eastern countries to explore markets without having any order after many times travelling. However, the owner is willing to take risks on travelling without having a certain business deal. Most of the interviewees admitted they face risks at every stage of their business. They took it as positive way to augment business learning processes and strived to overcome every risk. Some of the participants such as company (D) reduce overseas risks by conducting initial research and ground works before entering any foreign country.

*“Every business confronts risk; the risk is everywhere locally and internationally, so we need to take it as positive and change it into opportunities...” (Company B).*

*“For me, the risk is part of experiences; I take the risk as a positive way to get experiences...” (Company D).*

*“I have spent much money without getting anything, just sending samples and I think it has been more than MYR100, 000. However, I take the risk positively...” (Company I)*

## Network Relationship

The results of semi-structured interviews suggested that Malaysian SMEs rely on network relationship of the management to internationalise. Networks relationship with customers, suppliers and government officials that provide information and support for internationalisation give them a lot of benefits and competitive advantage that they cannot afford by their own.

Malaysian SMEs established networks through various circumstances. For example, the management of company A and H used foreign social networks with friends and relatives who live abroad and exported products through them. Moreover, management of company A, B, D, G and I developed networks with potential clients who attended local and international trade fairs. Whereas, company K obtained international contacts by chance, when the management spent time for holiday overseas.

*“Network relationship is very important. For example, I used a network with my Malaysian friend who lives in the United Kingdom to penetrate the market. He knows the trade processes, environment, culture and consumer demands in the country. He helped me to produce products according to the market demand in the country.” (Company A).*

Moreover, Officer R, S and T suggested that network relationship is an important element for building trust between Malaysian SMEs and overseas customers. They often organise a business meeting between Malaysian SMEs and overseas companies to create networks among them. Indirectly, Malaysian SMEs also used networks with government officials to seek opportunities in foreign markets.

*“I believe network relationship is when you have local network influence. We involve in a very niche market of firefighting vehicles. There is quite some players, many offerings, and we must use networks who can help to understand the local content, the specification, the requirements, the customers’ needs, and the budget and financial ability of clients. We use our overseas agents’ network to acquire information about potential clients in their countries” (Company F).*

*“We diversified to Australia, Dubai and UK market based on our networks. We went there because of people that we know in the foreign countries. It is quite difficult if we do not know anyone there. Most of them are Malaysian who live in overseas. They were the people who help us to bring our products to the foreign countries” (Company H).*

*“We normally do due diligence before getting involved with any clients in overseas markets. We visit them in their countries. We will then try to establish network relationship with them before confirming any business deal” (Company K).*

*“Network relationship is important, that is how you build trust. Certain markets they are very concern about trust, like Japan. They need a trust before you get engaged with them, it is difficult to work together with them if they do not trust you. Some of them are quite formal, but some of them are very straightforward in building trust” (Officer R).*

The interviews' result is consistent with previous studies. For example, Amal and Filho (2010) found there was strong evidence of entrepreneurs' networks impacts the internationalisation processes of the beginning of internationalisation, market selection and the entry mode. Furthermore, Ciravegna *et al.* (2014) found there was a strong role of networking on the internationalisation of high technology Costa Rican and Italian SMEs through personal contacts of the firms' management. Furthermore, Hutchinson *et al.* (2006) found there was a significant relationship between network relationship of nine United Kingdom retail SMEs on their internationalisation activities including both formal and informal relationship.

As this factor relates to the relationship between two individuals (management) instead of organisations (companies) (Han, 2006), this study found that there is scant research conducted within this context. In contrast, previous research on networks relationship were extensively conducted in the context of the organisation (e.g., Coviello and McAuley 1999; Coviello and Hugh Munro 1997; Coviello 2006; Evers *et al.*, 2008; Fuller-Love and Thomas 2004; Han 2006; Jansson and Sandberg 2008; Tikkanen 1998). Hence, by considering this knowledge gap, as well as positive responses from

interviewees about this factor, the current research will use this factor in the next stage of the study.

### Foreign Market Knowledge

The research found foreign market knowledge is important in the internationalisation process. For example, knowledge of foreign rules and regulations helps to avoid denial of products entry in foreign marketplaces. The lack of foreign market information was the reason for the denial of Company C to enter their products in China. The products were ceased at a China port before they were sent back to Malaysia. The reason was due to lack of information on procedures of exporting health products to China. Hence, foreign market knowledge is crucial to meet foreign markets demands and governmental procedures. Foreign market knowledge is available from a variety of sources including the government agencies of MATRADE and MITI, relatives and friends from overseas and experience from studying and working abroad.

*“We have good products related to food and beverages, they are well accepted locally, yet we do not know the preference of overseas customers, we need information about their preferences regarding taste and price range. Knowledge of foreign markets is very important to us...”* (Company A).

*I did not know the procedures of exporting at first order, a government agency like MATRADE assisted me in completing the export processes... I have obtained foreign market knowledge from the government agency”* (Company H).

*“We need to know the demand from overseas customers; we cannot sell something that they do not need it...”* (Company B).

### Firm Characteristics

Out of total 19 variables discovered regarding environmental characteristics, 13 factors were found having a consensus of participants more than 70 percent. The important determinants with regards to organisation characteristics are the intensity of research and development (R&D) (80%); technology (including internet and production technology) (85%); competitive advantage (e.g. price leadership, unique and quality products) (95%); firm’s networks (90%); and reputation and trust (95%).

**Table 6. 10: Determinants of the Internationalisation Adoption of Malaysian SMEs Related to Firm Characteristics**

<b>N</b>	<b>Determinants of Malaysian SMEs Internationalisations</b>	<b>Interviewees</b>	<b>Frequency</b>	<b>%</b>	<b>Remarks</b>
1	Firms' age (the longer in industry, the more intention to internationalise).	C, N, P, S,	4	20%	Less Important
2	Firms' size (the bigger the size, the more intention to internationalise).	C, M, Q, S,	4	20%	Less Important
3	Intensity of research and development (R&D).	A, B, C, D, E, F, G, H, I, K, M, O, P, Q, S, T	16	80%	Important
4	Technology (including internet and production technology).	A, B, C, D, E, F, G, H, L, M, N, O, P, Q, R, S, T	17	85%	Important
5	Psychic distance (including geographical, cultural and language distance).	A, C, K, M, P, Q, R, S, T	9	45%	Less Important
6	Competitive advantage (e.g. price leadership, unique and quality products).	A, B, C, E, F, G, H, I, J, K, L, M, N, P, Q, R, S, T	19	95%	Important
7	Low labour cost advantage.	A, D, E, F, G, H, N, O, P, S	10	50%	Less Important
8	Human capital management capability/ specialised human resources.	A, B, C, E, F, G, H, J, K, M, N, O, P, Q, R, S	16	80%	Important
9	Firms' network (including industry network).	A, C, D, E, F, G, H, I, K, M, N, O, P, Q, R, S, T	18	90%	Important
10	Reputation and trust.	A, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T	19	95%	Important
11	Market orientation (desire to achieve extra sales, profits and growth).	B, C, E, F, G, H, K, L, M, Q, R, S, T	13	65%	Moderately Important
12	Desire to reduce risk by expanding market.	A, B, C, E, F, H, I, L, M, N, O, P, Q, R, S	15	75%	Moderately Important
13	Desire to increase resource seeking/ production capacity.	A, C, E, F, G, H, I, L, M, O, P, Q, R, S, T	15	75%	Moderately Important
14	Organisational learning intention.	C, E, F, G, H, J, L, M, N, O, P, Q, R, S, T	15	75%	Moderately Important

*Note: important factor is a factor with frequency 76% to 100% of total participants' consensus; moderately important is a factor with frequency 51% to 75%, and less important factors is a factor with frequency 0% to 50%. The proportion is adopted from the study conducted by Ahmad (2014, p.179).*



## Intensity of Research and Development (R&D)

*“Research and development are very crucial nowadays. Everyone can produce any products in the markets. Hence, companies should differentiate their products from others through R&D of the products; and makes the products unique and fulfil the markets’ needs. We do have our R&D team and we team up with two companies in Australia because they are concentrating on R&D in the Silicon Valley” (Company B).*

*“R&D is very important. However, it depends on the business context. We used to be a market leader ten to fifteen years ago. So, we spent many budgets for R&D to have products in advance. However, we are no more the market leader. So, we just follow what the current market leader does. The main reason is that we do not have more money for R&D. To do R&D, we need much investment, which unfortunately our shareholders do not want to invest” (Company F).*

*“We need R&D in the business. Unfortunately, we are still consistent with the same products after ten years. That is our failure. Maybe the government should assist Malaysian SMEs in R&D since it requires much money. We can learn from Thailand on their fresh products development, where the government consistently give supports on R&D” (Company H).*

*“R&D improves your products quality. For example, we took one year of products’ R&D to meet the market demands in Japan. Everything we have to be perfect. It is not a problem. To me, it improves our products’ quality so that it could be an international quality standard” (Company I).*

*“In the food processing products, R&D is very crucial. We need to spend money to make sure the food is safe; we want to make sure the longevity of shelve life is enough for overseas markets, we want to make sure the foods fulfil the foreign markets demand regarding taste and packaging. For instance, our foods products were initially not accepted in Japan due to aftertaste intolerance. After had gone through R&D processes, we discovered palm oil which was one of the ingredients were not favour by Japanese. Hence we transformed the products according to Japanese taste preference” (Company I).*

From the interview result, it was found that the majority of interviewees (16 interviewees) agreed that the intensity of R&D might influence Malaysian SMEs to internationalise. First, R&D helps Malaysian SMEs to produce unique products, which consequently helps Malaysian SMEs to promote competitive products to the overseas customers (Company B, F and H). Second, R&D improves the products quality. The company I proffered that they need products quality in the food industry to ensure safety for consumers, longer lasting shelve life and fulfil taste preferences.

However, R&D consumes much investment. For example, company F stopped being the market leader since company shareholders refuse to spend money on R&D. Similarly, company H remains with the same product after ten years since they do not have enough budget for R&D. Hence, the failure of developing new products make both companies slow in accelerating their expansion in the overseas market. All in all, Malaysian companies still need R&D for developing competitive products in international markets.

The interview results on the role of R&D is consistent with the previous studies. For example, Karadeniz and Göçer (2007) proposed that the intensity of R&D is positively related to the internationalisation of a firm. They (*ibid*) proffered this perspective has extensively been studied in the theory of internationalisation new venture, which focused on studying the internationalisation of high-technology firms or knowledge-based product and services. This study supported the argument in the case of internationalisation process of the company F when they were the market leader due to spending budget on R&D. Similarly, the other studies support this finding, Gerke and Benson-Rea (2011) found products innovation influenced the internationalisation of outdoor sports goods industry in New Zealand, particularly in the sub-sectors yachting and outdoor clothing.

Based on the interview findings and supported by the previous studies, this research will investigate the relationship of intensity of R&D with the internationalisation processes of Malaysian SMEs in more generalizable approach which involves more quantitative data analysis.

## Technology

*“Food industry depends on technology. I used to sell foods that can only last for 3 hours, but with the new technology, I can now produce foods that can last for twenty-four months. As a result, I have sold my products to Japanese” (Company I).*

*“My business is depending 100% on technology as we involve in web design business. I communicate with my overseas customers through the internet without the need to travel to those foreign countries” (Company L).*

Technology such as internet technology and production technology are very crucial for Malaysian SMEs to diversify their business abroad. With the advent of new communication technology, firms can communicate with their clients and establish business transactions without travelling. Also, internet technology is a marketing tool and after-sales service for overseas customers. Furthermore, with the advent of production technology, Malaysian SMEs could produce quality and innovative products.

## Competitive Advantage

Malaysian SMEs have improved their products' quality to compete in international markets. Furthermore, Malaysian SMEs' are now focusing on providing overseas customers with unique and premium quality products. The officer R has confirmed that products' quality might influence Malaysian SMEs particularly in pharmaceutical industry, and electrical and electronics products to internationalise. He proffered:

*“We want to position out companies that are selling premium and quality products; we cannot position our firms by selling cheap products since we need to compete with companies from China which have been providing products with the lowest price in the world”. (Officer R)*

Similarly, company F and C agreed that they had attracted their overseas customers with the quality products. The products have unique, and value added to the customers, such as energy foods exported by company C completed with Malaysia

halal certification which has high value regarding good manufacturing practices and quality ingredients.

*“Our company is known as a company that provides good quality of fire vehicles; clients choose us because of quality of products that we provide to them...”*  
(Company F).

*“in China, we provide clients with our premium quality health products which completed with Halal certification. Malaysia halal certification has been recognised in China due to good manufacturing practices, and it has added value to Muslim users in China. Hence the target market is wider rather than selling health products with normal certification...”* (Company C).

#### Human Capital Management Capability

Most of the interviewees (16 interviewees) repeatedly emphasised that human capital management effectively contributes to the internationalisation of their businesses. To maintain cost-effectiveness, company E rearranged the working hours of their labours in production plant by switching overtime schemes to two shift daily working hours. By doing so, the company managed to reduce the cost of paying extra salaries, increasing productivity and maintaining cost effectiveness.

*“Effective human capital management is very crucial in prospering Malaysia SMEs to go abroad. For example, since the price of raw materials from overseas is increasing, as a consequent, to control the cost of production we found a strategy to eliminate payment for overtime job and replace to shift working times. So, we do not need to pay extra salaries. By creating two working shift a day, we can have more productivity.”* (Company E)

Similarly, Company G reduced the number of workers in the production side by replacing with complete automatic production line to increase labour cost advantage of the company. Furthermore, officer R suggested that Malaysian SMEs need to be concerned about human capital management to internationalise by hiring the right people to undertake tasks in the companies such as technologist, an international

marketer and strategist. Officer S also supported this argument by emphasising Malaysian SMEs must train skilled labours to maintain the quality of products.

*“Human capital management is very important for the companies’ growth internationally. They need to hire the right people. Some companies neglect to give attention to effective human capital management since it needs a big investment. However, when it comes to technology, business strategy and even marketing, definitely they need the right people to be in” (Officer R).*

*“Malaysian SMEs need to improve skills of their workers to produce something standard for the export markets consistently regarding quality and production.” (Officer S)*

The arguments of the crucial capability of human capital management in the process of internationalisation are consistent with previous studies. For instance, the study conducted by Kumar and Yakhlef (2014) found human capital is crucial in the internationalisation process of knowledge-intensive born global companies in India. They found effective human capital management contributed to the internationalisation of a firm that supply quality human capital to the USA. The company recruited university graduates from India and trained them on different technologies that suited to undertake clients’ project in the USA. Earlier studies also suggested the importance of human resource capabilities increased internationalisation behaviour and minimised the risk of failure abroad (e.g. Knight and Cavusgil, 2004; Melen and Nordman, 2007). However, the previous studies were conducted specifically on the born-global firm's context and notably, most of the studies were conducted in exploratory or inductive approach. Hence, this current study will undertake further step by testing the variable statistically on the Malaysian SMEs context.

### Reputation and Trust

The research found trust is very significant as a factor of internationalisation. Some of the companies create their reputation and trust from the first order. For example, Company Q engages in supercar trading to Singapore. They acquired a deposit before delivering cars to buyers. In this case, they need a strong reputation and trust to

penetrate rich and high-income people. Similarly, company M and N are involved in trading foods and beverages to overseas markets including the United Kingdom and Saudi Arabia. They are the representative of Malaysian manufacturers in overseas markets. In this regard, they are always reliable and trusted by both manufacturers and buyers in overseas markets.

*“There is a positive correlation between trust, products quality and price. Our foreign customers normally require these three components when we go abroad...” (Company F)*

### Firm's Networks

The research found a consensus of 18 interviewees on the impacts of firm's network on their internationalisation processes. For example, company C and E develop firm's network through attending trade fairs. They prefer obtaining new networks from MATRADE's program as this organisation offers business to business matching after the trade fairs. Attending government export programs might reduce the cost of promotion in overseas markets as they cannot afford to pay the budget.

*“As a small company, we normally join MATRADE's trade fairs to find business networks. The reason is we can acquire other benefits such business to business matching initiated by MATRADE after the trade fairs. Maybe big companies they can create a network of their own.” (Company C)*

*“We can go to international markets by our own. However, the cost is more expensive than using networks in the foreign countries.” (Company E)*

Furthermore, company I use their foreign networks to learn and obtain information about international customers' preferences. Networking eases controls access for SMEs to enter foreign countries. As an illustration, manufacturers of electrical and engineering products should join the Consumer Technology Association or Malaysian Chamber of Commerce for several reasons. These reasons include network creation, exchange knowledge on customers, products and new technology, promoting their products to foreign customers through industrial partners and getting potential supplier on emergency situations such as shortage of materials and resources on the event of

excessive demands. Company K always experiences shortage of rubber due to uncertainty demands of rubber in Vietnam. To fulfil the excessive demands, they use industrial networks and association of rubber industry in the home country.

*“The more people you know, the more potential of overseas markets you have. We make networks with many people, and they know what you are doing. So, hopefully, anywhere they go they will mention us and our business.” (Company B)*

Moreover, company I used industrial networks in Japan, Korea and Australia to obtain feedbacks in developing their new products.

*“I have a business network in Japan, Korea, and Australia. They keep giving us feedback on our products. They are not our agents, but they are traders who interested in our products and want to find possibilities for us to diversify in their countries. This network is very important to our company.” (Company I)*

The results are consistent with previous studies on the impacts of firms' network to SME internationalisation. There are many previous studies that have investigated the role of firm's network on firm's internationalisation, these include: Coviello and Hugh Munro (1997), Coviello and McAuley (1999), Coviello (2006), Evers *et al.* (2008), Fernández and Nieto (2005), Fuller-Love and Thomas (2004), Han (2006), Jansson and Sandberg (2008), Johnsen (2007) and Tikkanen (1998).

Although a plethora of previous researchers have concentrated on a firm's network, the literature in the context of Malaysia remains scant. For example, Senik (2010) investigated networking impacts on the internationalisation of Malaysian SMEs; they found networks with institutions, personal relations and business associates contribute to the internationalisation of Malaysian SMEs. However, since the methodology of the research was an exploratory approach by interviewing experts, there is an opportunity to conduct future research on more generalizable methods.

## Environmental Characteristics

Out of total 13 variables related to organisational characteristics, four factors were found having a consensus of participants more than 75%. The four important determinants with regards to environmental characteristics are globalisation phenomena (90%); national export policy (80%); foreign countries policy (85%); and institutional and financial actors (85%) (See Table 6.12). The new variable related to ethical issues also plays important roles in the internationalisation of Malaysian SMEs which accounted (80%). Hence, each variable will be discussed in detail.

**Table 6. 11: Determinants of the Internationalisation Adoption of Malaysian SMEs Related to Environmental Characteristics**

N	Determinants of Malaysian SMEs Internationalisations	Interviewees	Frequency	%	Remarks
1	Globalization phenomena (such as advanced internet technology, transportation system, and fewer trade barriers).	A, C, D, E, F, G, H, I, K, L, M, N, O, P, Q, R, S, T	18	90%	Important
2	National export policy (government export assistance programmes).	A, C, E, F, G, H, M, N, O, P, Q, R, S, T	17	85%	Important
3	Importer's specific investment.	A, B, C, D, E, F, G, H, I, N, R, S, T	13	65%	Moderately important
4	Importer role performance.	A, B, C, D, E, F, G, N, O, P, R, S, T	13	65%	Moderately important
5	Weather and climatic advantages (agriculture-based businesses).	E, G, H, I, K, N, O, P, R, S, T	11	55%	Moderately important
6	Foreign countries policy (e.g. relaxed rules and regulations).	A, B, C, D, F, G, H, I, K, L, M, N, O, P, Q, R, S, T	18	90%	Important
7	Institutional and financial actors (financial funding opportunities).	A, B, C, E, F, G, H, I, J, K, M, N, O, P, Q, R, S	17	85%	Important
8	Political stability.	B, C, D, F, M, N, O, P, Q, R, S, T	12	60%	Moderately important
9	Ethical issues in both home and foreign countries (e.g. corruption/bribery).	A, C, D, E, F, G, I, J, K, L, M, N, P, Q, R, T	16	80%	Important
10	Halal certification.	A, B, C, D, E, G, I, K, M, N, O	11	55%	Moderately important
11	International standards accreditations (e.g. ISO, HACCP).	B, F, I, M, N, O, P	7	35%	Less important

*Note: important factor is a factor with frequency 76% to 100% of total participants' consensus; moderately important is a factor with frequency 51% to 75%, and less*



*important factors is a factor with frequency 0% to 50%. The proportion is adopted from the study conducted by Ahmad (2014, p.179).*

### Globalization Phenomena

Globalisation phenomena are one of the most important factors influencing Malaysian SMEs internationalisation. The rapid reduction of trade barriers such as the establishment of foreign trade agreements (FTA) in ASEAN countries eases the process of exporting and investment of Malaysian SMEs. However, Malaysian SMEs are still confronted with meeting the standards of supplying goods and services to European countries to date. Alternatively, company L maximises communication technology to serve their international clients without travelling abroad. As a result, the globalisation phenomena has increased participation of Malaysian SMEs in the foreign marketplace.

### National Export Policy

The national export policy is very crucial in elevating the intention of Malaysian SMEs to internationalise their businesses. Out of the 20 participants interviewed, 17 participants (85%) agreed that government's commitments in providing incentives and support could influence Malaysian SMEs to trade abroad. The incentives and initiatives from government could include the reduction of foreign rules and regulations through bilateral agreements; marketing and promotion of Malaysian SMEs abroad; monetary incentives including funds for products packaging specified to country-specific requirements; and source of knowledge and information about doing business in specific countries.

From the interviews conducted, company A emphasised that the government should be involved in reducing foreign trade barriers since most Malaysian SMEs cannot afford to eliminate the hurdles on their own due to firm size constraint. For instance, company A experienced difficulties in selling products in European countries due to strict rules and regulations. They admitted that they could not comply with the high standard of rules and regulations enforced by European countries. Although they have many demands from customers in the United Kingdom, yet still cannot sell their anchovies paste products legally in the country due to strict rules for the commercial

imports from the outside European Union (EU) of fishery products. Similarly, company H complained the government should act in enabling Malaysian poultry products to enter foreign markets. Company H experienced difficulties in exporting their 'Satey' products (a Malaysian dish consisting of small pieces of meat grilled on a skewer and served with a spicy sauce) consistently to Saudi Arabia due to restrictions of Malaysia poultry products to the country. Hence, the Malaysian government should elevate the barriers through bilateral agreements.

*"We have received government assistance, but it is not enough. Especially, regarding rules and regulations required by overseas markets like European countries. It is good if the Malaysian government can make a bilateral arrangement with European countries to ease rules and regulations. Although MATRADE has been allocated to EU countries to promote Malaysian businesses, it is useless if we cannot export goods due to rules and regulations restricted to the products. We admit the rules and standards are too high for Malaysian SMEs. That is why we need the government supports to reduce the barriers through bilateral agreements."* (Company A)

Companies interviewed suggested that government support should be inclusive of marketing expenses in foreign markets once customers agreed to buy the products. As small and medium companies, they have a constraint related to capital, especially when they had spent much money on products development. For example, company E and N emphasised that they need to pay half of the advertising cost to overseas buyers such as advertising and listing cost. The reason is that their products are new to the markets. Hence, they need to spend much money to introduce to local customers. Also, they need to spend money on new products packaging according to the foreign demands. Consequently, they requested for the government supports due to the inability of their companies to provide the marketing cost.

*"The government supports only for the starting of export processes. However, then we need to do our own. We cannot depend on the government. Hence, we hope the government should increase the supports, especially regarding advertising. When we go abroad, the buyers will ask how much we can support for advertising since our brand is unknown in their countries. Also, regarding*

*packaging. In overseas markets, they have their packaging styles, preferences and regulations. So, we have to change packaging and labelling.” (Company E)*

Most of the interviewed companies frequently emphasised the importance of the government’s initiative in promoting SMEs to global marketplaces. For example, company C admitted that most of Malaysian SMEs relied on MATRADE promotion programs to obtain new customers from overseas. They attended yearly international business events organised by MATRADE and MITI either held in the host or the home country.

*“Most Malaysian SMEs go to export markets through MATRADE trade fairs because of the incentives and other benefits provided. For instance, they are paid for participating in the promotion events from the government agency. Moreover, after attending the expo or trade fairs, MATRADE will organise a business to business meeting between the foreign buyers and Malaysian exporters.” (Company C)*

Furthermore, companies H and N suggested that Malaysian government should provide more information about foreign markets’ rules and regulations before they expand the businesses abroad. Companies C and N products were denied from an entry in China and the United Kingdom. Both companies’ products were stranded at the foreign seaports which resulted them losing a consideration amount of money. Consequently, company H suggested the government should reveal more information about foreign countries regarding products’ rules and regulations, shipping procedures and channel of distribution. Furthermore, they suggested that the knowledge should be tailored to country-specific as the rules and requirements differ between countries. Hence, more holistic and integrative information should be available within the agencies.

*“MATRADE has been supporting Malaysian SMEs in a good way. However, they need to expose knowledge on exporting goods from Malaysia. Their offices are in overseas markets. So, they should expose to us the way to export to the particular countries.” (Company H)*

*“In customs rules and regulations, Malaysian government should release enough information which we cannot find at the moment. For example, the number of ingredients like sugar, sucrose and so on have been mentioned in UK HMRC, but why Malaysian government do not provide that information to the potential exporters in Malaysia?” (Company N)*

Similarly, company E suggested that government should maintain local currency in high value so that Malaysian companies can maintain their profits and performance. If the value of the currency is decreasing, it will affect their cost of productions, hence reducing the income performance of the companies.

*“Low-cost advantage is very crucial in internationalising our products. We are buying ingredients from overseas and sell the finished products to global markets. Our cost is increasing due to the local currency status is weak.” (Company E)*

Previous studies supported the findings. For instance, Shamsuddoha *et al.* (2009) found that there was a strong relationship between government export assistance and the internationalisation of SMEs from developing countries such as Bangladesh. Similarly, Campbell (1996) has suggested free trade agreements such as NAFTA is assumed important for SMEs. Furthermore, the findings are consistent with the research conducted in a similar vein in Malaysia by Ahmad (2014). The researcher (*ibid*) supported that government encouragement for exports can motivate Malaysian SMEs to internationalise. According to the study by Ahmad (*ibid*), the government is a source of foreign market knowledge, exports training programs provider and foreign business opportunities provider to Malaysian SMEs. Furthermore, Ahmad (2010) found there was a significant relationship between internationalisation and the usage of government assistance programmes. However, the study by Ahmad (2010) suggested that future research should consider enlarging participants' populations since their study had involved only 54 participants through survey questionnaires. Based on the findings, the research will investigate the relationship of these factors and the internationalisation of Malaysian SMEs through the statistical test in the next stage of the study.

## Foreign Countries Policy

Foreign countries policy such as relaxed rules and regulations, reduced tariffs and taxation, foreign trade agreements (FTAs) participation are the factors that contribute to the internationalisation of Malaysia SMEs. Most of the companies interviewed (17 participants (85%)) agreed relaxed foreign countries rules and regulations plays an important role in their internationalisation processes. For example, company H exported their products to Brunei and Saudi Arabia because of easier rules and regulations as compared to European countries. They prefer the countries with easy rules and regulations since it involves a cheaper cost to fulfil the requirements. SMEs constraint with the liability of smallness including financial and capital capability. Hence, the company H chose to expand to the countries that have better rules and regulations. Similarly, company B prioritised their internationalisation strategy by entering the foreign markets with easier rules such as Brunei before entering markets with high standard rules like the United Kingdom. Moreover, data shown in Table 6.9 depicts that most of the interviewees diversified their foreign markets to the neighbour countries. The reason is due to the ease of doing business in these countries.

*“Better rules and regulations in foreign markets is important since the facilities to fulfil foreign requirements is expensive in Malaysia. For example, to provide a Certificate of Analysis (COA) for exports purpose is expensive in Malaysia. Every lab tests charge according to stock-keeping unit (SKU). For SMEs, the cost is very expensive before selling their products abroad. Furthermore, the completion time is quite long; it takes approximately six months of completion” (Company H).*

*“...we are looking for more lenient rules towards two countries.” (Company N)*

Similarly, company A reported that they experienced difficulties of selling their products in the countries that have high rules and regulations, which impacted their decision to expand to the country.

*“...it is useless if we cannot export goods due to rules and regulations restricted to the products...” (Company A)*

Furthermore, company L prefers to expand their business to foreign countries that have the high security of online trades since they involve in ICT business. The company suggested SMEs should consider foreign countries that have secured payment facilities such as PayPal which both buyers and traders do not have to go through personal banks or credit card which expose to high risk of internet fraud. Moreover, the payment platform makes both buyer and seller easier regarding payment transactions.

Company Q suggested their business needs for easier rules and regulations since they involve in used car trading. They cannot sell their used-cars to the countries that prohibited the use of cars aged more than five years old like Singapore. Hence, the business always needs to find countries that have leniency of rules and regulations.

This research found a consistent finding with previous research about the impacts of foreign country policy on the internationalisation of SMEs. For example, research conducted by Morgan and Katsikeas (1997) found export stimuli for SMEs from external factors are: considerable overseas tariffs reduction; fair currency movements; relaxed products' rules and regulations in overseas markets; governments export assistance programmes; and identifiable growth opportunities in overseas markets.

#### Institutional and Financial Actors

Based on the interviews conducted, the research found there was a high repetition on emphasising the importance of institutional and financial actors by 17 interviewees (85%). For example, company A utilised financial incentives provided for exporters in Malaysia, especially from the government sector. They received funds provided by MARA to obtain equipment for production. Apart from that, they have also utilised working capital funds provided by SME Bank to fulfil orders from overseas customers. According to company A, financial funding is crucial for SMEs, especially when involving in global trade since overseas customers generally place large orders. Moreover, Company B has also used EXIM Bank when there is order from overseas customers on their beverage products. Company C posited that most of SMEs need financial funding opportunities as they confront with smallness and lack of resources.

This finding was found to be consistent with the result of the study conducted by Lindstrand and Lindbergh (2011). They (*ibid*) found banks played a significant role in SMEs internationalisation in Sweden particularly in making SMEs' financial situations flow more efficiently. However, they found there is least usage of banks as a source of international markets information. Similarly, Hashim and Hassan (2008) found a significant role of the Export Import Bank of Malaysia in the internationalisation of 73 Malaysian SMEs. However, future research needs to confirm the result in more generalizable method as the research conducted was limited regarding the sample size.

#### Ethical Issues Affecting Decision to Internationalise

Ethical issues that exist in foreign countries was one of the factors considered by Malaysian SMEs when they diversify business abroad. For example, although company A never refer to corruption index, they considered performing due diligent towards any foreign customer to avoid misconducts in foreign countries. However, company C considers corruption level before going abroad due to avoidance of making unofficial payment to foreign officials. They export health products which require many foreign departments endorsement. Hence, the company C always refer to the corruption index of a country before diversifying abroad.

*“Just imagine how much we need to pay for unofficial payment if we need to get our products approved by ten foreign departments if the country is high in corruption...”* (Company C).

Similarly, although the company F exports their firefighting vehicles internationally through participating in direct foreign tenders, they always avoid appointing foreign subsidiaries or involve intermediaries in the countries that have a high index of corruption. The company strives to maintain goodwill and avoids making extra payments. Also, company G proffered that they have blacklisted countries that were reported with a high corruption index. They are rather not selling their goods to those countries even though there are high demands from them. As a company that sells foods with halal certification, the company G needs to maintain the goodwill of such halal certification without making unofficial payments to foreign officials.

Although the research found a strong impact of ethical issues considered in the behaviour of internationalisation of SMEs in this study, there is no previous research conducted in this research vein. Hence, the research will conduct a statistical test to examine the role of ethical issues consideration on Malaysian SMEs' decision to internationalise.

#### 6.4.3.3 Impacts of Internationalisation on Malaysia SMEs' Performance

This study found a positive relationship between internationalisation strategy and Malaysian SMEs performance, particularly on financial and non-financial performance.

First, with regards to the impacts on companies' financial performance, company F diversified to foreign markets because the industry of fire vehicles is very small and niche, they cannot make extra sales and profits. Consequently, they decided to internationalise the business to extend the market size and maximise the company's sales. Also, company O established food restaurants in foreign markets due to market saturation in Malaysia. Consequently, company O has improved their sales and performance and overcome the problem of local market saturation through internationalisation.

Second, most of the interviewees agreed that internationalisation impacts their company's non-financial performance. For example, company A and Q achieved the satisfaction of being successful in selling their products in overseas markets. Exporting products in overseas markets is a good achievement for them as they are still new in the international marketplace. The companies developed goodwill through exports records. Furthermore, company N deliberately exports their goods for learning and gaining knowledge on overseas markets and improving products' quality.

### 6.5 Chapter Summary

The purpose of the exploratory interviews is to investigate the appropriate factors that influence the internationalisation of Malaysian SMEs and to understand the impacts of internationalisation on Malaysian SMEs business performance. The participants in this study are Malaysian SME owners/ managers who are currently involved in international business activities and Malaysia government officials who have



experienced in the government export assistance programmes. Thirty-three factors influencing SMEs internationalisation obtained from a systematic literature review were used as guidance to understand the study context. However, the exploratory results show only 15 factors appropriate to explain factors influencing Malaysian SMEs to internationalise.

First, the exploratory interviews found factors related to management characteristics influenced the internationalisation of SMEs in this study. The factors regarding management's characteristics include: management's international vision; entrepreneurial orientation; network relationship; and foreign market knowledge. On the other hand, other factors related to management characteristics including management experience abroad; education level; management's age; and foreign language proficiency of management were found least important in influencing the internationalisation of SMEs.

Second, the study found six factors related to firm characteristics influenced the internationalisation of the SMEs. The six important factors related to firm characteristics include intensity of research and development (R&D) of the firms; technology (including internet and production technology); competitive advantage such as price leadership, unique and quality products; firm's networks; effective human capital management capability; and reputation and trust. However, other factors related to firms' characteristics such as firm age, size and psychic distance of the SMEs to customers in overseas markets were found least important impacting the internationalisation of the firms.

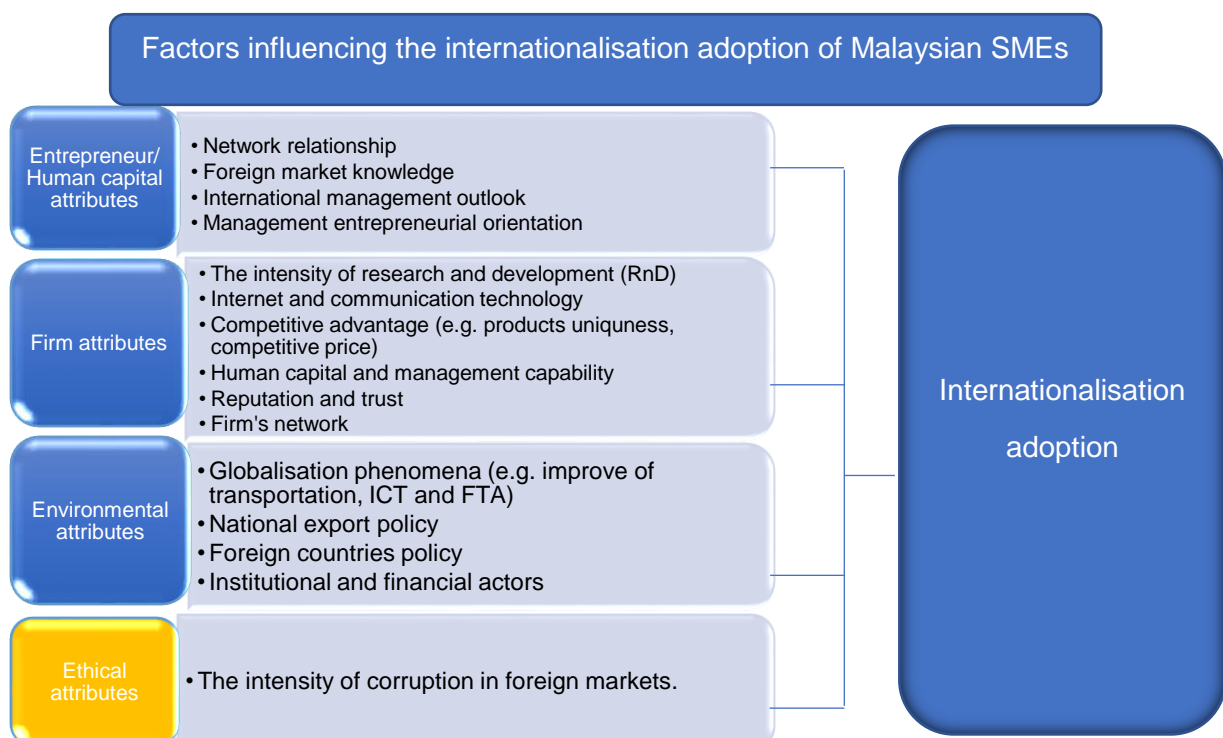
Third, SMEs in this study internationalised due to considering several factors related to environmental characteristics. The factors include globalisation phenomena such as advanced internet technology, effective transportation system and fewer trade barriers; national export policy such as government export assistance programmes; foreign countries policy such as relaxed products rules and regulations; and ethical issues consideration in foreign countries including corruption, bribery and internet fraud.

Fourth, the study found there were positive impacts of internationalisation on the SMEs' performance. The performance measures including financial and non-financial performance such as the growth of the companies' sales and profits, the satisfaction of the SMEs owner/ manager on the global markets extension, and knowledge gained as a consequent of the internationalisation activities.

Overall, although this study is exploratory, it has shed some light on the factors influencing a small sample of Malaysian SMEs to internationalise, as well as, the information from Malaysian officials who experienced in providing governments exports assistance to Malaysian SMEs is gained. Such results supported the findings of Dunning (1998), and Zaki *et al.* (2015) who proffered that the determinants of SMEs' internationalisation differ according to industrial context; countries of study; the size of firms; inward or outward internationalisation and time precocity of internationalisation.

As a result, the findings provide a strong basis for developing a conceptual framework of investigating determinants of Malaysian SMEs internationalisation and its impact on business performance. The following steps will test this framework through empirical research to prove its validity in explaining SMEs' internationalisation in Malaysia.

**Figure 6. 10: Internal and External Factors Influencing Malaysian SMEs' Internationalisation Adoption**



# Chapter 7: A Revised Research Framework Based on the Findings of Exploratory Interviews

## 7.1 Introduction

The chapter aims to outline a revised research framework based on the exploratory studies, which will be underpinning on the previous systematic literature review and exploratory interviews. First, the chapter begins with an illustration of a clear statement of research aims and questions. The revised research aims and questions from the results of exploratory studies are essential to make sure the rest of entire research works meet the research objectives. Second, the chapter explains the needs for a framework to understand the internationalisation of Malaysian SMEs context. Third, the chapter continues with defining research variables regarding the internationalisation adoption measures, factors influencing Malaysian SMEs to internationalise and business performance measures. Fourth, the research ends with the formulation of the research hypothesis which will be constructing the research survey questionnaire.

## 7.2 Research Aims and Questions

From the literature review conducted, this study found many knowledge gaps in understanding the factors influencing internationalisation of Malaysian SMEs. The understanding of factors influencing internationalisation should cover overall economics sector instead of the specific sector such as manufacturing. Previous scholars have extensively conducted researches on the specific manufacturing sector in Malaysia context. For instance, the research conducted by Andersson *et al.* (2004), Ayob and Freixanet (2014), Hashim and Hassan (2008), Richardson (2014), Senik *et al.* (2011), Singh and Mahmood (2013), and Ismail and Kuivalainen (2015) are examples of previous researchers conducted in Malaysia specifically on the manufacturing sector. Therefore, this research will cover factors that are appropriate to explain both manufacturing and services sectors as this area remains under-researched in a Malaysia context.

Also, the exploratory interviews resulted in the factors influencing Malaysian SMEs' internationalisation in various categories including management, firm, and

environmental characteristics, and not to mention factors related to ethical issues. Subsequently, this study needs to understand the relationship between these factors and the adoption of the internationalisation by Malaysian SMEs empirically. The relationship will be tested statistically in the first model of the study (refer to the research framework in Figure 7.1). Furthermore, this study needs to understand the impacts of internationalisation on the business performance of Malaysian SMEs due to a limited number of previous researchers in this research vein (Coviello and Martin, 1999; Lu and Beamish, 2001; Oviatt and McDougall, 1994). Hence, this study will also conduct an empirical statistical test on this internationalisation-performance relationship in the second model. In doing so, this study sets out the main research aims including i) to investigate factors influencing Malaysian SMEs in making decision to operate in overseas markets; ii) to investigate on how the integration of one or more internal and external factors impact upon SME's internationalisation adoption; and iii) to understand the impacts of internationalisation activities on business performance in terms of financial and non-financial performance.

This study attempts to answer three research questions to achieve the research aims, namely:

- Q1:** What are the factors that influence the internationalisation of Malaysian SMEs in overseas markets?
- Q2:** What are the roles of external factors in mediating the relationship between internal factors and the internationalisation adoption of Malaysian SMEs?
- Q3:** What are the impacts of internationalisation strategy on Malaysian SMEs' regarding financial and non-financial performance?

This study has systematically reviewed the extant literature to answer the first research question. Resources reviewed for this research included study areas such as international business, strategic management, international marketing, and international entrepreneurship. Four main theories were related to the internationalisation of SMEs including stage theory, network, international new venture (network theory) and international entrepreneurship theory. Nevertheless, theories related to large companies' internationalisation such as transaction cost theory (OLI paradigm), internalization theory and monopolistic-advantage theory should not be

neglected as these theories explain the economics perspective. In contrary, the former theories concentrate on the behavioural perspective of international decision making (Zaki *et al.*, 2015). Hence, an integrative model of these theories will be combined to understand the internationalisation of Malaysian SMEs.

Consequently, the previous studies have derived 33 factors related to management, firm and environmental level. Subsequently, the research has completed exploratory interviews to purify factors that appropriate to Malaysian SMEs context. The results from the exploratory interviews found 15 factors suit to explain the internationalisation of Malaysian SMEs. However, this study needs to conduct a statistical test on these final 15 factors to improve validity, which will be testing by using linear regression analysis in SPSS.

Moreover, to answer the second question, this study will establish a statistical test to measure the role of external factors of SMEs as mediating factors between internal factors and the internationalisation adoption. The study will deploy multivariate analysis by using structural equation modelling by using AMOS software.

Finally, to answer the third question, previous studies including the area of international business and area studies, entrepreneurship and small business management, strategy, general management and marketing were reviewed (e.g. Dunning, 1980; Johanson and Mattsson, 1987b; Johanson and Vahlne, 1990; Prahalad and Hamel, 1990). The results from the extant literature reviews were myriad (as mentioned in chapter 4). Therefore, this study will validate the findings of literature reviews regarding impacts of internationalisation on SMEs, particularly in Malaysia context. The study will conduct linear regression analysis by using SPSS software to validate the findings in the literature reviews.

### 7.3 The Need for a Framework to Understand the Internationalisation of Malaysian SMEs.

The results of systematic literature review in chapter three indicated that the factors of internationalisation adoption among SMEs are varied depending on the country-specific, industry, size of firms, time precocity and inward or outward

internationalisation. Since this study intends to understand the factors influencing Malaysian SMEs' decision to internationalise, particularly regarding outward internationalisation activities such as direct exporting, foreign agents and foreign direct investments, it is essential to develop a new research framework to understand the research area.

Although many previous researchers attempted to understand factors influencing the internationalisation activities in Malaysia, the previous studies vary in different contexts. For example, extensive previous research conducted on Malaysian SMEs in the manufacturing sector. However, the research in Malaysia context is scant regarding services sector and a mix of both manufacturing and services sectors. For example, only Ahmad (2014) studied factors influencing internationalisation of Malaysian SMEs in manufacturing and services industry. Nevertheless, the study conducted by Ahmad (*ibid*) has a limitation regarding theoretical and variables tested. Ahmad (*ibid*) excluded the theory related to economics perspective such as OLI paradigm, thus reducing the understanding of economics-based decision making of the SME owners/ managers, as well as, external related factors of the enterprises such as the location of foreign markets consideration. Also, the researcher (*ibid*) did not deploy regression coefficient in their statistical analysis, where this study finds there is a need to deploy an advanced statistical test to increase the validity of the results.

Also, the previous research conducted in Malaysia lacks understanding regards the impacts of internationalisation on business performance. Only one research was found conducted in understanding the impacts of internationalisation on Malaysian SMEs business performance (Chelliah *et al.*, 2010). However, the study by Chelliah *et al.* (*ibid*) has a limitation regarding sample size; where they analysed only 77 usable questionnaires in the study of internationalisation of Malaysia manufacturing SMEs.

Moreover, no previous studies were found examining the roles of ethics issues as a determinant of SMEs' foreign market expansion. The ethics-related factor may be an important factor to be considered by SMEs when deciding to internationalise as they may encounter bribery, exploitive child labour, human rights violation and other ethical issues in the global marketplace (Asgary *et al.*, 2002). Consequently, SMEs may suffer from profitability reduction or commit in illegal foreign trade activities.

Therefore, based on the previous study conducted in Malaysian SMEs internationalisation context, this study suggests: a new research framework covering internal and external factors of the enterprises; the new variable related to ethical issues; and testing the impacts of internationalisation on the Malaysian SMEs.

#### 7.4 Research Variables

This study has constructed a framework which consists of two models: i) the first model is related to understanding of the relationship between factors influencing Malaysian SMEs internationalisation and internationalisation adoption; and ii) the second model is related to an understanding of the impacts of internationalisation activities on Malaysian SMEs business performance (see Figure 7.1).

This study is based on some measures to construct the framework. The measures used in the first model include factors influencing SMEs internationalisation that based on the findings of the exploratory studies. Measures related to internationalisation adoption and business performance will now be discussed in the following section.

##### 7.4.1 Internationalisation Adoption Measures

This study will investigate some factors related to the adoption of internationalisation by SMEs. These factors are driven by the literature reviews in chapter two regarding SME internationalisation, internationalisation adoption, theories of SMEs internationalisation and the purification of the variables through exploratory studies.

From the review of extant literature on internationalisation, most of the prior researchers refer internationalisation measures as the degree of internationalisation (DOI) (Sullivan, 1994; Ruzzier *et al.*, 2007; Chelliah *et al.*, 2010). The DOI measures are interchangeably used as a dependent variable to investigate the factors influencing internationalisation, or an independent variable to investigate the impacts of internationalisation on business performance. Table 7.1 shows the DOI measures used in previous studies.

The most frequently used internationalisation measure was foreign sales as a percentage of total sales (FSTS) ( $f = 14$  articles) out of 54 articles related to

performance measures. Notably, the least frequently used international constructs were: i) foreign profit as a percentage of total profit (FPTP); ii) total sales in the overall market territory; iii) the percentage of employees that spend a significant part of their time on international activities; iv) the level of technological diversity; and v) the intention/ likelihood of exporting to new foreign markets within the next year. The least usage of the constructs might be due to the inappropriateness of these constructs to various research contexts. For example, the scope of foreign markets is not suitable to explain firms' internationalisation in the early stage as it is more appropriate in explaining why firms continue to expand their international activities.

Furthermore, most of the measures used in DOI above are not so suitable to measure the internationalisation adoption by SMEs, rather its more applicable to large companies' context (Ruzzier *et al.*, 2007). Trtnik (1999) argued SMEs are inextricably linked to the liability of smallness including the inability to have subsidiaries, foreign assets, or even employees abroad since their most frequent outward internationalisation mode is direct exporting from home countries (cited in Ruzzier *et al.*, 2007). Hence, the internationalisation measures such as 'foreign assets as a percentage of total assets (FATA)' and 'overseas subsidiaries as a percentage of total subsidiaries' are not suitable to be used as internationalisation adoption measures in SME context. Nevertheless, there are some other measures could still explain the internationalisation of SMEs such as mode of internationalisation, market scope, product, time, and international sales percentage. Thus, the measures of internationalisation by SMEs in previous studies is illustrated in Table 7.1.



**Table 7. 1: Internationalisation Measures as Degree of Internationalisation (DOI) Measures in Previous Studies**

Attributes	Internationalisation adoption measures	Author (s)	Number of articles
<b>Performance</b>	1. Foreign sales as a percentage of total sales (FSTS).	(Andersson <i>et al.</i> , 2004; De Clercq <i>et al.</i> , 2005; Hsu <i>et al.</i> , 2013; R. G. Javalgi and Todd, 2011; Ketkar and Acs, 2013; Lu and Beamish, 2001; Martin and Papadopoulos, 2007; Pangarkar, 2008; Qian, 2002; Raymond <i>et al.</i> , 2014; Ruzzier <i>et al.</i> , 2006, 2007; Sullivan, 1994; Westhead <i>et al.</i> , 2004; and Yeoh, 2014).	<b>14</b>
	2. Research and development intensity (RDI).	(Ruzzier <i>et al.</i> , 2007, 2006; Sullivan, 1994; and Westhead <i>et al.</i> , 2001).	<b>4</b>
	3. Advertising intensity (AI).	(Ruzzier <i>et al.</i> , 2007, 2006; and Sullivan, 1994).	<b>3</b>
	4. Export sales as a percentage of total sales (ESTS).	(Fernández and Nieto, 2005; and Sullivan, 1994).	<b>2</b>
	5. Foreign profit as a percentage of total profit.	(Sullivan, 1994).	<b>1</b>
	6. Weights sales in overall market territory.	(Raymond <i>et al.</i> , 2014).	<b>1</b>
<b>Structural attributes</b>	7. Foreign assets as a percentage of total assets.	(Hsu <i>et al.</i> , 2013; and Sullivan, 1994).	<b>2</b>
	8. Overseas subsidiaries as a percentage of total subsidiaries (OSTS).	(Chao and Kumar, 2010; Hsu <i>et al.</i> , 2013; Lu and Beamish, 2001; and Sullivan, 1994).	<b>4</b>
	9. International scope- number of export country.	(Andersson <i>et al.</i> , 2004; Chao and Kumar, 2010; De Clercq <i>et al.</i> , 2005; Ibeh and Kasem, 2014; Lu and Beamish, 2001; Yeoh, 2014; and Zahra <i>et al.</i> , 2000).	<b>7</b>
	10. International production - FDI activities.	(Dunning, 1980; and Lu and Beamish, 2001).	<b>2</b>
	11. The percentage of employees that spend a significant part of their time on international activities.	(De Clercq, Sapienza and Crijns, 2005).	<b>1</b>
	12. Perceived gap in marketing knowledge: i) marketing capabilities; ii) marketing learning.	(Ibeh and Kasem, 2014; and Zahra <i>et al.</i> , 2000).	<b>2</b>
	13. Technological diversity.	(Zahra, Ireland and Hitt, 2000).	<b>1</b>
	14. Mode of internationalisation	(Kuivalainen <i>et al.</i> , 2012)	<b>1</b>
<b>Attitudinal attributes</b>	15. Top manager's international experience (TM IE).	(Burpitt, 2000; Kuivalainen and Sundqvist, 2007; and Martin and Papadopoulos, 2007).	<b>3</b>
	16. Psychic dispersion of international operations (PDIO).	(Chao and Kumar, 2010; Ibeh and Kasem, 2014; Prange and Verdier, 2011; Sullivan, 1994; and Zahra <i>et al.</i> , 2000).	<b>5</b>
	17. Intention of exporting to new foreign markets within the next year.	(Reid, 1984).	<b>1</b>
		<b>Total</b>	<b>54</b>

Source: The researcher

Other scholars such as Bilkey and Tesar (1977), Reid (1981) and Oviatt and McDougall (1994) measured internationalisation as the adoption of the innovation-type behaviour of a firm's regular business activities in the local market. The adoption of internationalisation by a firm was explained in a broader context. Reid (1981) suggested the adoption process of early internationalisation occurs in five stages including international awareness, international intention, trial, evolution and acceptance of international expansion.

Similarly, Ibeh and Young (2001) suggested internationalisation adoption is an entrepreneurial behaviour involving innovativeness, proactiveness, and risk-taking. They deployed operational measures to determine firms' export adoption in Nigeria consisting of export starts, presence in a key market(s) and plan for the new export market(s).

The measures for internationalisation adoption by Reid (1981) and Ibeh and Young (2001) are more appropriate for this study since the aim is to determine the factors that may influence the decision process of Malaysian SMEs to internationalise in the early stage. Therefore, based on Reid (1981), Ibeh and Young (2001) and the exploratory interviews, this study will deploy the statements in Table 7.2 to measure the adoption of internationalisation by Malaysian SMEs.

Also, the DOI measures related to the mode of internationalisation, market scope, product, time, and international sales percentage will be investigated in this study as proposed by Kuivalainen *et al.* (2012). However, the DOI measures will only be analysed for understanding the status of Malaysian SMEs internationalisation in the descriptive analysis section of the research findings.

**Table 7. 2: Statements for Measuring the Adoption of Internationalisation in This Study**

<b>N</b>	<b>Statements</b>	<b>Sources</b>
1	Internationalisation allows us to diversify our market.	Reid (1981), Ibeh and Young (2001)
2	Diversifying from Malaysian market permits us to spread the risk.	Exploratory interviews, Ibeh and Young (2001)
3	Internationalisation promotes our company's growth.	Reid (1981)
4	Substitution of production in foreign countries reduces our cost of production.	Exploratory interviews
5	Internationalisation increases our social value and status.	Exploratory interviews
6	Internationalisation is a possible solution to problems in domestic market.	Exploratory interviews
7	The more foreign markets we involved, the more sales revenue we achieve.	Reid (1981)
8	Internationalisation increases our company's goodwill.	Exploratory interviews
9	Internationalisation supports us to avoid saturation in the local market.	Exploratory interviews
10	Internationalisation enables us to maximise our current production capacity.	Reid (1981)

**Source:** The researcher

#### 7.4.2 Impacts of SMEs Internationalisation on Business Performance

Little research has been undertaken to determine the impact of internationalisation on SME's performance (Coviello and Martin, 1999; Lu and Beamish, 2001; Oviatt and McDougall, 1994). Based on the prior articles reviewed, only a total of 15 articles have studied internationalisation-business performance relationship. While two articles directly tested the impact of internationalisation strategy on business performance, the rest ( $f = 13$  articles) have precisely focussed on particular variables which are either moderator or mediator variables of the internationalisation- business performance relationship. The two articles that directly examine the impact of internationalisation upon business performance are: i) Pangarkar (2008) who found a positive relationship

between the degree of internationalisation (DOI) and firm's performance; and ii) Qian (2002) who found a U-shaped curved of the relationship between multinationality, product diversification, and profitability of SMEs within the United States.

Amongst the articles related to studies on moderator of internationalisation- business performance relationship are: i) Hsu *et al.* (2013) who found a positive impact of CEO attributes on the internationalisation-performance relationship; ii) Majocchi *et al.* (2005) who found a positive relationship between firm size and business experience on export performance; and iii) Lu and Beamish (2006) who found a negative impact of host country knowledge and size of the firm on profitability of international joint venture (IJV) firms.

The relationship of internationalisation-business performance remains vague. The reason for the uncertainty in findings presented is due to various empirical test results and no consensus on prior research findings. While some studies found a positive relationship, other studies found a negative and U-shaped curve relationship (see Table 4.3 in Chapter 4). The next section discusses on business performance measures adopted in this study.

## 7.5 Business Performance Measures

There are two types of business performance measures found in prior research, namely: i) financial, and ii) non- financial (see Table 7.4). Although previous researchers have extensively discussed these measures, a lack of uniformity is evident regarding research findings across different studies. Pangarkar (2008) argues that: *"prior studies have used a broad range of performance measures, ranging from outcomes achieved in the product markets (such as sales growth) to accounting measures such as: return on assets (ROA), return on sales (ROS) and return on equity (ROE), as well as, market-based measures (such as Beta and Risk-adjusted returns)."* Based on Table 7.3, it is notable that, profitability growth was the most popular performance measurement ( $f =$  nine articles) out of total 37 articles reviewed. The popular usage of profitability growth is because certain quantitative measurements such as ROE and ROI are difficult to obtain since companies are unlikely to disclose this commercially sensitive information (Yeoh, 2014).

ROS is the second highest performance measure used in prior studies ( $f =$  eight articles). Qian (2002) quoted “*the rationale of using ROS due to sales are expressed in more current monetary terms than assets, which would have been acquired over a longer time frame and carried at book values* (c.f. Qian, 2002; Geringer *et al.*, 1989).”

However, these three measures above are broadly classified as financial aspects of performance measurement, and as such ignore non-financial perspectives. Bucklin and Sengupta (1993) argued that monetary-based measures of performance are not reflected the quality of the SMEs’ performance. However, Chong (2008) asserted that financial and non-financial performance assist owners/ managers of SMEs to gain a broader perspective on measuring and comparing their entrepreneurial performance in overseas markets.

**Table 7. 3: Business Performance Measures.**

Type	Performance measures	Author (s)	Total no. of articles (f)
Financial	1) Return on assets (ROA).	(Hsu <i>et al.</i> , 2013; Pangarkar, 2008; Chao and Kumar, 2010; Musteen <i>et al.</i> , 2013; and Zeng <i>et al.</i> , 2009).	4
	2) Total sales growth/ or return on sales (ROS).	(Pangarkar, 2008; Qian, 2002; Musteen <i>et al.</i> , 2013; Lu and Beamish, 2001; Yeoh, 2014; Zhou <i>et al.</i> , 2007; Ruzzier <i>et al.</i> , 2006; and Westhead <i>et al.</i> , 2004).	8
	3) Profitability and sales growth from exporting (subjective performance measures).	(Yeoh, 2014; Pangarkar, 2008; Zhou <i>et al.</i> , 2007; Musteen <i>et al.</i> , 2013; Zahra <i>et al.</i> , 2000; Lu and Beamish, 2006; Ruzzier <i>et al.</i> , 2006; Kuivalainen and Sunqvist, 2007; and Westhead <i>et al.</i> , 2004).	9
	4) Return on equity (ROE).	(Chao and Kumar, 2010; Westhead <i>et al.</i> , 2004; and Zahra <i>et al.</i> , 2000).	2
	5) Return on investment (ROI).	(Chao and Kumar, 2010).	1
	6) Foreign sales as a percentage of total sales (FSTS).	(Gregorio <i>et al.</i> , 2009; Zhou <i>et al.</i> , 2007; and Kuivalainen and Sunqvist, 2007).	3
	7) Foreign profit as a percentage of total profit (FPTP).	(Pangarkar, 2008)	1
Non- Financial/ satisfaction	9) Enhancement of the company's production and managerial capabilities.	(Yeoh, 2014)	2
	10) Enhancement of the company's brand image and reputation both domestically and internationally.	Yeoh (2014)	1
	11) Ability to compete at world's best practices.	Yeoh (2014)	1
	12) Managing the balance between domestic and international operations.	Yeoh (2014)	1
	13) Experience or knowledge gained as a result of entering foreign market, including: technological learning; marketing learning.	(Pangarkar, 2008; Ibeh and Kasem, 2014; and Zahra <i>et al.</i> , 2000)	3
	14) The realization of goals and objectives.	Musteen <i>et al.</i> (2013)	1
		<b>Total</b>	<b>37</b>

Source: The researcher

### 7.5.1 Financial Measures

Table 7.4 illustrates that there are eight financial business performance measures commonly found in the literature; each of these will now be discussed in some further detail.

#### Return on Assets (ROA)

ROA is a performance indicator used when an international firm involves in international investment and diversifies its operation in foreign countries (Pangarkar, 2008; Hsu *et al.*, 2013). In most cases, firms leverage its assets abroad to establish: i) a factory or foreign production facilities; ii) foreign sales or representatives office to conduct marketing activities; and iii) regional headquarters (Cavusgil *et al.*, 2011).

There are various reasons for using ROA as a performance indicator. For example, Hsu *et al.* (2013) deployed ROA as a dependent variable in testing CEO attributes as a moderating effect in the internationalisation-business performance relationship. They (*ibid*) used ROA as a performance measure for two reasons: first, because their work related to internationalisation activities that are associated with economies of scope and scale, was more appropriate to deploy an accounting-based indicator. Second, because their work related to examining the effect of managers' attitude, they used the variable that is frequently measured by managers and analysts.

Similarly, other researchers (e.g. Capar and Kotabe, 2003; Chao and Kumar, 2010) used ROA as a performance measure to test the institutional distance as a mediating effect upon internationalisation-performance relationship. Zeng *et al.* (2009) deploy ROA as a performance indicator in testing the relationship between Chinese export manufacturing firms with FDI activities. They (*ibid*) argue that using a performance indicator depends upon the study's circumstances, for example, in their case, it was much more appropriate to assess FDI performance by using ROA rather than ROI.

ROA has proven to be a reliable performance indicator when considering the age of firms. For example, since the majority of born global firms are young and engage in IT and electrical industrial sector, those firms tend to invest in modern facilities and larger fixed assets. Hence, it is more appropriate to measure born global firms performance by using ROA (Pangarkar, 2008). However, Pangarkar (*ibid*) argued that many firms'

owners have different objectives for their internationalisation strategy. Hence, Pangarkar (*ibid*) introduced a suite of comprehensive performance measures designed to suit with the various firm's aims and objectives regards internationalisation including: ROS, growth in sales, foreign profits, growth in profits, ROA, experience and knowledge gained from foreign operations. Similarly, this study is not focusing only on the internationalisation of Malaysian SMEs regarding FDI activity. Instead, it encompasses many other outward international activities including exporting directly from Malaysia, exporting through foreign agents, a joint venture with foreign partners, and franchising the business in overseas markets either equity or non-equity based.

### Return on Sales (ROS)

Even though many scholars have considered ROA as an important variable to measure a firm's financial performance, other scholars argue that ROS should not be excluded from a performance measurement study. For example, Qian (2002) deployed ROS in the study of SMEs' multinationality and product diversity on profit performance in the United States. ROS was used because it generally depicts in liquid monetary terms rather than fixed assets. Which would have been acquired over a longer period and carried at book values. ROS however, is inextricably linked to different methods of depreciation, local tax regulations, domestic inflation and foreign exchange fluctuations (Choi and Mueller, 1984; cited in Qian, 2002).

Similarly, Lu and Beamish (2001) deployed ROS as a performance measure in their study on internationalisation and performance of Japanese SMEs. They collected firms' accounting and performance information from the Nikkei NEEDS tape, an electronic database that provides information on Japanese companies' performance in the Tokyo stock exchange. They argued that the reason for using ROS as a performance measure is due to a highly correlated variable in their statistical testing to the dependent variable. Despite its inherent value, ROS has been criticised by several scholars on pragmatic grounds that managers are reluctant to disclose this sensitive information and it is often inconvenient to obtain reliable data (Musteen *et al.*, 2013; Yeoh, 2014).



### Profitable and Export Sales Growth (Subjective Measures)

Yeoh (2014) and Westhead *et al.* (2004) proposed to use profitability growth and sales growth as indicators to measure firms' financial performance. Also, Zhou *et al.* (2007) proffered business performance should be measured within three years by financial indicators such as sales growth, profit growth and export growth. Those financial performance measures were tested either objectively or subjectively by measuring the level of satisfaction of firm's managers and business owners. The usage of this financial aspect of measurement has been supported by prior researchers (c.f. Zahra, Ireland and Hitt, 2000; Kuivalainen and Sundqvist, 2007; Zhou *et al.*, 2007; Pangarkar, 2008).

While Musteen *et al.* (2013) indicate the satisfaction of international venture owners by using a Likert-type scale (1= very dissatisfied, 5= very satisfied) on profitability and sales growth performance, Lu and Beamish (2006) indicate profitability growth by subjectively asking the top Japanese managers to specify performance on three scales: i) representing loss; ii) break-even; and iii) gain. Even though perceptual measures may be subject to personal bias (Wall *et al.* 2004; c.f. Musteen *et al.*, 2013), Musteen *et al.* (2013) argued that subjective measures have a high correlation to objective and accounting-based measures. Hence, subjective measures could provide a substitute whenever objectives measures data are not available.

In contrast, Zahra *et al.* (2000) used a different method by objectively gathering accounting-based data for the sales growth as percentages from secondary sources such as the magazine of Business Week, the 100 Best Small Companies, Electronics Business, Fortune, American Electronics Association (AEA) and Software Magazine. They (*ibid*) encountered a positive relationship between international diversity and mode of market entry with new ventures business performance regarding sales growth.

### Return on Equity (ROE)

A limited number of previous studies deployed ROE as a performance indicator. This can be seen from the works undertaken by several researchers such as Westhead *et al.* (2004). They deployed ROE as one of six selected performance indicator variables

in their study on profiles of exporting and superior-performing SMEs internationally. Furthermore, Zahra *et al.* (2000) deployed ROE because it was widely considered as a key indicator of new venture performance by prior researchers (Chandler and Hanks, 1993; Zahra, 1996; Zahra *et al.*, 2000). Also, they (*ibid*) proffered ROE was used extensively to evaluate new venture performance by trade publications, industry experts and venture capitalist.

Chao and Kumar (2010) collected all the financial information over a three-year period from Mergent Online data sources for supplementary analysis of ROE. However, they found no strong correlation between this variable and performance measures as compared to ROS and ROA.

#### Return on Investment (ROI)

Another financial performance measure used in the previous studies is return on investment (ROI) (Chao and Kumar, 2010). McDougall and Oviatt (1996) noted that firms that had increased sales exhibited superior performance regarding both ROI and relative market share. This financial performance indicator has been reviewed in work undertaken by Chao and Kumar (2010) but it did not show a high correlation to performance measurement.

#### Foreign Sales as a Percentage of Total Sales (FSTS)

Prior researchers such as Gregorio *et al.* (2009) deployed the ratio of FSTS as an indicator for business performance. This indicator is also widely used as an indicator for the degree of internationalisation (DOI) (Andersson *et al.*, 2004; De Clercq *et al.*, 2005; Hsu *et al.*, 2013; Javalgi and Todd, 2011; Ketkar and Acs, 2013; Lu and Beamish, 2001; Martin and Papadopoulos, 2007; Pangarkar, 2008; Qian, 2002; Raymond *et al.*, 2014; Ruzzier *et al.*, 2006, 2007; Sullivan, 1994; Westhead *et al.*, 2004; Yeoh, 2014).

#### Foreign Profit as a Percentage of Total Profit (FPTP)

The last indicator of financial performance, foreign profit as a percentage of total profit (FPTP) has been used in work undertaken by Pangarkar (2008). Pangarkar (*ibid*) deployed FPTP as a summation of the following variables: ROS; growth in sales;

foreign profits; growth in profits; ROA; and experience and knowledge gain from foreign operations. The usage of this indicator is due to the complex set of goals carried by SMEs in the study.

### 7.5.2 Non-Financial Measures

As discussed in the literature review Chapter 4 – Section 4.2.2 regarding impact of internationalisation adoption on SMEs non-financial performance, this study has found several potentials of non-financial measures for the research framework development. These non-financial measures include: i) efficiency performance; ii) knowledge performance; iii) realisation of goals and objectives; and iv) longevity and sustainability in foreign markets. Each of these non-financial measures will now be discussed in further detail.

#### Efficiency Performance.

Yeoh (2014) recently deployed non-financial measures to examine the international outcomes of family businesses. The main reason for measuring company's performance with non-financial indicators is due to a high degree of reluctance from managers and business owners to reveal company's confidential information such as financial reports. As an alternative, they (*ibid*) deployed the improvement of company's production and managerial capabilities as an indicator of business performance and other subjective measures. They discovered a positive significant relationship between the international experience of the outside of family business CEO's and the enhancement of the company's production and managerial capabilities. To validate their study, three other performance indicators were deployed, namely: i) enhancement of the company's brand image and reputation both domestically and internationally; ii) ability to compete at world's best practices; and iii) managing the balance between domestic and international operations. They found all these indicators have a positive significant relationship when outside CEO possesses greater international experience. However, these indicators are not underpinned by any theory or previous models in the study.

## Knowledge Performance

Knowledge performance is the amount of knowledge gained from internationalisation activities. The measure has been examined by several prior researchers, particularly researches conducted in international entrepreneurship field such as Zahra *et al.* (2000) and Fletcher and Harris (2012). The knowledge acquisition includes marketing knowledge, technical knowledge and international knowledge (Zahra *et al.*, 2000; Fletcher and Harris, 2012; Ibeh and Kasem, 2014). For example, Ibeh and Kasem (2014) studied the effect of internationalisation strategy on the firms' acquisition of marketing learning. They (*ibid*) found that firms' international activities, perceptions of gaps in marketing knowledge and external social capital had positively influenced firms' acquisition of marketing learning. According to them (*ibid*), foreign market learning and knowledge acquisition trigger and enable economic development of international firms. Marketing knowledge is useful for managers who are unfamiliar with the condition of the foreign market and can improve aspects of their foreign marketing know-how. They (*ibid*) suggest that a firm's international activities and external social capital positively influence firm's acquisition of marketing learning. According to Ibeh and Kasem (*ibid*), firm's cross-border activities enhance learning opportunities including new customer demands, dynamics of different marketplaces, and the liability of foreignness. As firms widen their scope of international activities or enter diverse foreign markets, they learn to respond as appropriate to different customer demands, rival practices, buying culture and different marketing approaches and strategies. Furthermore, Zahra *et al.* (2000) revealed that internationalisation had a positive impact on technological learning. However, the study did not consider technological learning as a variable of business performance but deployed ROE and sales growth as a performance indicator instead.

Pangarkar (2008) proffers that respondents in his study indicated that learning new knowledge as a consequence of international activities was a key benefit for internationalisation of SMEs in Singapore. A list of dependent variables including knowledge gained as a result of internationalisation was tested to reveal a significant positive relationship between both dependent and independent variables. Musteen *et al.* (2013) revealed that when CEOs in their study of firms in the Czech Republic frequently interacted with their international contacts, their foreign market knowledge is significantly enhanced.

## Realisation of Goals and Objectives

Goals and objectives of an internationalisation strategy undertaken by firm's managers and owners may differ, for example, some may be strategic while others are reactive. A typical strategic objective is to penetrate foreign markets and diversify wider markets opportunities, as well as, strengthening resource seeking capability. Conversely, a reactive motive may include the need to serve a key customer that has expanded abroad (Cavusgil *et al.*, 2011, pp. 50-51). Cavusgil *et al.* (2011) listed nine motivations for firms to internationalise including: “*i) seeking opportunities for growth through market diversification; ii) earning higher margins and profits; iii) gaining new ideas about products, services, and business methods; iv) serving key customers that have relocated abroad better; v) moving closer to supply sources, benefits from global sourcing advantages, or gain flexibility in product sourcing; vi) gaining access to lower cost or better value factors of production; vii) developing economies of scale in sourcing, production, marketing, and R&D; viii) confronting international competitors more effectively or thwart the growth of competition in the home market; and ix) investing in a potentially rewarding relationship with a foreign partner.*”

Musteen *et al.* (2013) deployed the realisation of objectives as an indicator to measure first international venture performance. However, this non-financial variable is not based on any prior theory or model and hence, further research is required to validate its appropriateness as a performance indicator.

## Longevity and Sustainability in Foreign Markets

While deploying profitability as a performance indicator, Lu and Beamish (2006) also used longevity and sustainability in foreign markets as a dependent variable in the study of Japanese SMEs international joint ventures (IJV). They examined the effect of firm size and partners' host countries experience on the longevity and profitability with other partners from 41 countries. Consequently, they revealed that firm size has a positive effect on the sustainability of partnership in host countries but a negative impact on profitability especially when partners own a minority of shares in the IJV. Moreover, they also found partners host countries' experience has a negative effect on IJV's longevity but shows a positive relationship with profitability. However, this study only used two variables in business performance measurement and is

challenged by prior researchers who proffer that performance is a complex multidimensional construct (e.g. Venkataraman and Ramanujam, 1986). Nevertheless, the indicator has proven to be relevant and could be applied in future research.

## 7.6 The Research Framework

Factors influencing SMEs' internationalisation adoption and impact on business performance depend upon different contexts. Based on this notion, current research has developed a research framework to fulfill knowledge gaps in the study area.

First, this study adopts the integrative conceptual model introduced by Kuivalainen *et al.* (2012), Coviello and McAuley (1999), Coviello and Martin (1999), (Bell *et al.*, 2003), Ruzzier *et al.* (2006) and Korsakiene and Tvaronaviciene (2012) as this theory could explain factors of SMEs internationalisation in a broader perspective including management, firm, environmental and ethical related factors. This model integrates theories of SMEs internationalisation including behavioural and economics related theories (Zaki *et al.*, 2015). Out of these theories, fifteen determinants of SMEs internationalisation have been discovered in exploratory studies; and will be re-examined statistically to suit to the current research context. Also, a new perspective of determinant related to ethics consideration in will be tested in this study. Therefore, the underpinning of the integrative conceptual model and the new context of determinant created a novelty to this current research.

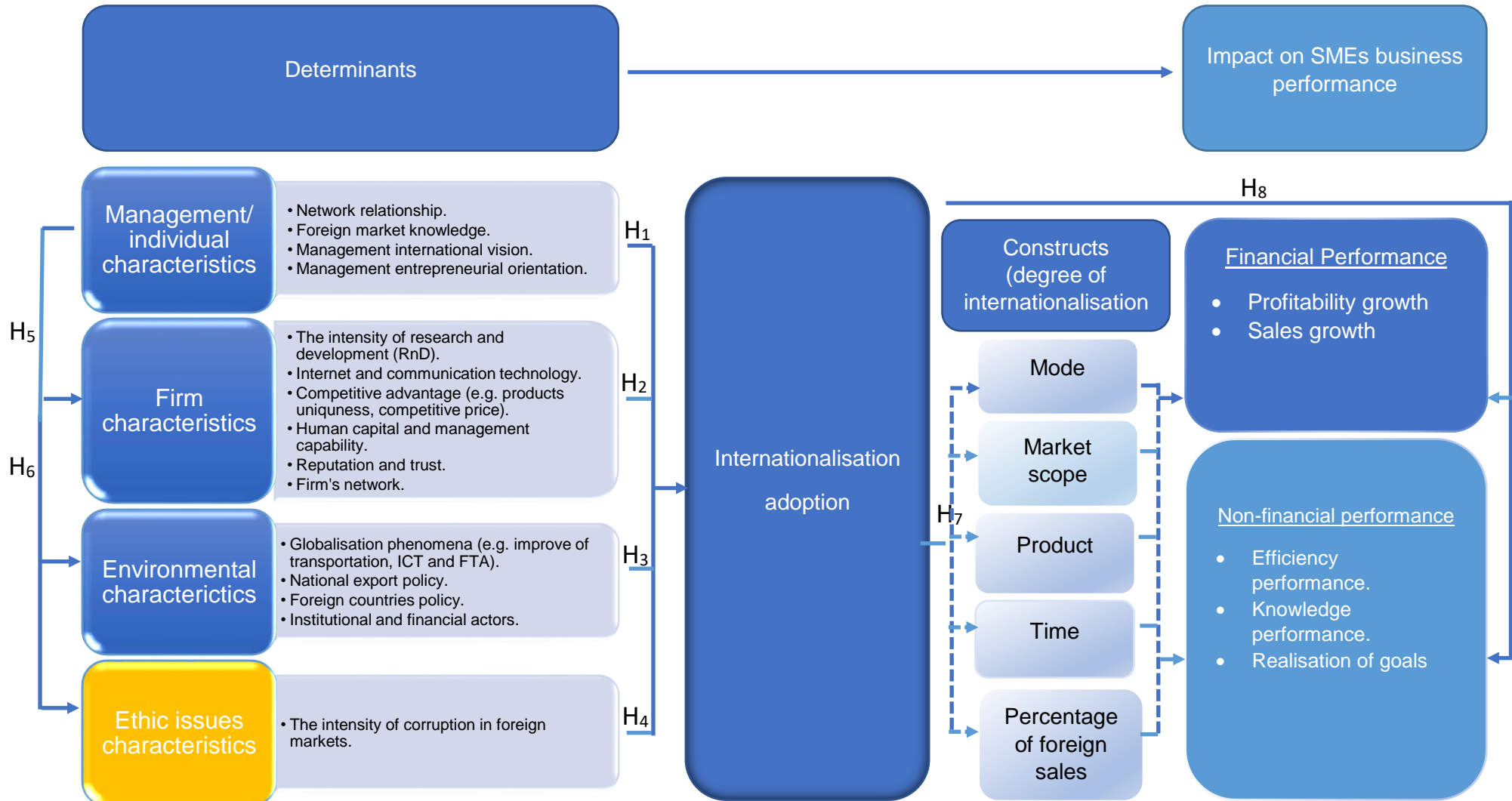
Second, regarding internationalisation adoption measures, this study deployed ten measures adopted from Reid (1981) and Ibeh and Young (2001), as well as DOI measures including i) mode; ii) market scope; iii) products; iv) time of internationalisation, and v) percentage of foreign sales. All these constructs will be examined the relationship between the determinants and subsequently the relationship to SMEs business performance. Deployment of these constructs is based on the reasons as follows: i) these constructs have been proven statistically as highly significant constructs of SMEs internationalisation in previous studies; and ii) the constructs were highly deployed in previous studies.

Third, in terms of performance measures, this research considers both financial and non-financial perspectives. However, only two variables from financial perspectives will be tested: i) profitability growth; and ii) sales growth. This is because only these two financial measures could measure either objectively or subjectively since previous researchers (e.g. Yeoh, 2014) proffered obtaining company's financial reports gives challenges to researchers as firms avoid disclosing commercially sensitive information. In addition, three non-financial performance measures will also be tested, including i) efficiency performance; ii) knowledge performance; and iii) realisation of goals and objectives.

Fourth, regarding country of the investigation, this study decides Malaysia as the research settings since the literature review has revealed only seven published articles related to determinants of SMEs internationalisation were conducted in Malaysia from 1970 to 2016. Thus, this opens enormous opportunities to conduct a study in the research area in Malaysia since the integrative conceptual model is still not being tested in the previous seven studies and the new ethical factors of SMEs internationalisation has not been examined before.

Fifth, regarding industrial perspectives, considering a limited number of SMEs doing international business in Malaysia (19 percent of total export value) this study draws the sample from manufacturing and services sector across a wide range of industries to avoid insufficient data. Furthermore, descriptive results in the exploratory studies depicted 88% of SMEs in the manufacturing sector and 22% of SMEs in the services sector are currently involved in international activities. This result shows SMEs in the latter economics sector also needs attention in future researchers (Department of Statistics, SME Corporation Malaysia, 2016). There is still at present no satisfactory synthesis of the varied empirical evidence in the internationalisation of Malaysian SMEs in both manufacturing and services sectors. Therefore, this study attempts to investigate common factors that influence SMEs in both business sectors to internationalise. The determinants will then be observed regarding commonalities and differences according to industries. Figure 7.1 shows the current study research framework.

**Figure 7. 1: The Research Framework: Determinants of Malaysian SME Internationalisation and the Impacts on Performance**





## 7.7 Research Hypotheses

Based on the previous chapters' literature review and the exploratory phase of data collection, the following hypotheses have been constructed. Both the conceptual framework and empirical study are linked together to test the hypotheses: -

Hypotheses (1): Internationalisation of Malaysian SMEs is dependent on the management and/or individual related factors.

(1-A): Internationalisation by Malaysian SMEs is dependent on the management and/or individual network relationship.

(1-B): Internationalisation of Malaysian SMEs is dependent on the management and/or individual foreign market knowledge.

(1-C): Internationalisation of Malaysian SMEs is dependent on the international management outlook.

(1-D): Internationalisation of Malaysian SMEs is dependent on the management and/ or individual entrepreneurial orientation.

Hypotheses (2): Internationalisation of Malaysian SMEs is dependent on the firm related factors.

(2-A): Internationalisation of Malaysian SMEs is dependent on the firm intensity of research and development (R&D) capability.

(2-B): Internationalisation of Malaysian SMEs is dependent on the internet and communication technology.

(2-C): Internationalisation of Malaysian SMEs is dependent on the firm competitive advantage.

(2-D): Internationalisation of Malaysian SMEs is dependent on the firm human capital and management capability.

(2-E): Internationalisation of Malaysian SMEs is dependent on the firm reputation and trust.

(2-F): Internationalisation of Malaysian SMEs is dependent on the firm's network.

Hypotheses (3): Internationalisation of Malaysian SMEs is dependent on the environmental related factors.

(3-A): Internationalisation of Malaysian SMEs is dependent on the globalisation phenomena.

(3-B): Internationalisation of Malaysian SMEs is dependent on national export policy.

(3-C): Internationalisation of Malaysian SMEs is dependent on the foreign countries policy.

(3-D): Internationalisation of Malaysian SMEs is dependent on institutional and financial actors.

Hypotheses (4): Internationalisation of Malaysian SMEs is dependent on the ethical related factors.

(4-A): Internationalisation of Malaysian SMEs is dependent on the intensity of corruption in foreign markets.

Hypotheses (5): Management related factors are dependent on the firm and ethical issues related factors.

(5-A): Network relationship of management is dependent on firms' internet and technology, firm's reputation and trust and the intensity of corruption in foreign markets.

(5-B): Manager's foreign market knowledge is dependent on the internet and communication technology, firm's network and the intensity of corruption in foreign markets.

(5-C): International management outlook is dependent on the firm's human capital and management capability.

(5-D): Management entrepreneurial orientation is dependent on the firm's human capital and management capability.

Hypotheses (6): Firm related factors are dependent on the environmental and ethical issues related factors.

(6-A): Firm intensity of research and development (R&D) capability is dependent on national export policy and institutional and financial actors.

(6-B): Firm internet and communication technology is dependent on globalisation phenomena such as better internet infrastructure.

(6-C): Firm competitive advantage is dependent on national export policy and institutional and financial actors.

(6-D): Firm reputation and trust are dependent on globalisation phenomena such as improved transportation and internet technology.

(6-E): Firm's network is dependent on globalisation phenomena such as improved transportation, internet technology and the intensity of corruption in foreign markets.

Hypotheses (7): Malaysian SMEs internationalise through a different mode, market scope, product, time and performance levels.

(7-A): Malaysian SMEs internationalise through different market entry mode.

(7-B): Malaysian SMEs internationalise to more than one country or market scope.

(7-C): Malaysian SMEs internationalise through different products dimension.

(7-D): Malaysian SMEs start internationalise through different time precocity.

(7-E): Malaysian SMEs achieve different performance from international trade activities.

(7-F): Exporting via an overseas agent and foreign sales subsidiary are the most common mode used by Malaysian SMEs internationalisation.

(7-G): Exporting physical goods is the most common products sold by Malaysian SMEs rather than selling intangible services.

(7-H): Most Malaysian SMEs enter international market incrementally after having operated a few years in the home market.

Hypotheses (8): Internationalisation adoption has a positive impact on the financial and non-financial performance of Malaysian SMEs.

(8-A): Internationalisation adoption has a positive impact on the financial performance of Malaysian SMEs.

(8-B): Internationalisation adoption has a positive impact on the non-financial performance of Malaysian SMEs.

## 7.8 Chapter Summary

The chapter aimed to outline this research framework based on the discussions in chapter two, three, four and six. The chapter illustrated the aims and questions of the research at the beginning of the discussion, followed by, a justification of the need of a research framework in this study. Consequently, the research has developed a comprehensive research framework consist of two stages including i) identifying determinants of SMEs' internationalisation adoption by Malaysian SMEs; and ii) the impacts of internationalisation adoption on Malaysian SMEs' business performance.

In the first stage, this research selected 15 factors of Malaysian SMEs' internationalisation and ten measures related to internationalisation adoption for further investigation in the empirical statistical test. These measures have been selected based on the results of exploratory studies. In the second stage, this research identified two measures regarding financial performance and three measures related to the non-financial performance of SMEs. Finally, the chapter presented the hypotheses of the research to achieve the research objectives and answer the research questions. Based on the research framework discussed, this study has constructed questionnaires to collect relevant data in survey method (as discussed in chapter 5). The analysis of these data are discussed in the following chapters eight and nine.

## Chapter 8: Descriptive Data Analysis

### 8.1 Introduction

This chapter presents an analysis of data collected from survey questionnaires of 218 Malaysian SMEs involved in international business activities. The descriptive data analysis is essential for requiring generous information about the participative research samples as this study need to validate the samples, which in turn will meet the research aims and answer the research questions.

The primary data analysis chapter begins with an analysis of the profile of the SMEs in the survey questionnaire. Then, this chapter discusses the profile of the participants including owners, managers and personnel who are involved in internationalisation decision making of the SMEs. After that, this chapter discusses the status of internationalisation of the SMEs. The status of internationalisation was related to the degree of internationalisation (DOI) since it has been widely used in previous studies to measure the level of internationalisation of SMEs (as discussed in chapter 7). The DOI components including mode of internationalisation; time of involvement in international markets; products offered to foreign customers; and percentage of international sales. The chapter ends with the analysis of business performance profile of the SMEs after involved in the internationalisation strategy.

While this chapter (and chapter 9) presents the analysis of survey data collected through questionnaires, chapter 10 discusses the interpretation and discussions of the findings. The research then compares the findings of this study to previous studies, followed by the conclusion of the research and recommendations for future researchers in chapter 11.

### 8.2 The Analysis Process of the Quantitative Survey Data

This study conducted primary data collection and analysed the quantitative data through various stages.

First, the study collected primary data through survey questionnaires of 233 owners/managers of Malaysian SMEs. However, the final usable survey answers found 218,

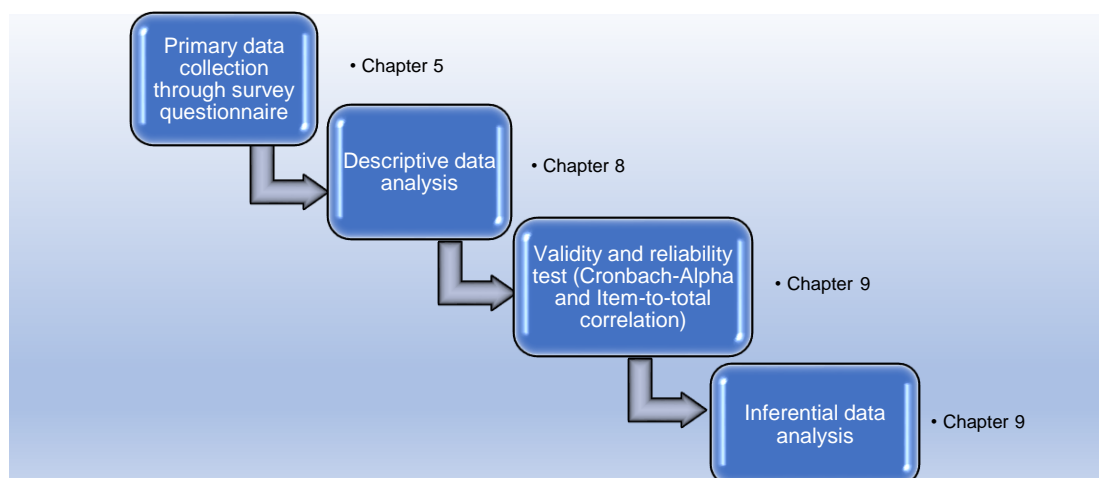
which accounted 48% response rate of targeted samples (445 SMEs). A mix of descriptive and inferential questions was embedded in the survey questions to require information about participants, firms and the impact of internationalisation on business performance through the Likert-scales questions, which in turn will provide answers to the research questions and meet the research aims at the end.

Second, the data were analysed by descriptive statistics to understand the geographical information including SMEs' profile, participants, internationalisation status, and the impacts of internationalisation on business performance through DOI measures. The descriptive statistical test was conducted through the Statistical Package for Social Sciences (SPSS version 24).

Third, the study conducted validity and reliability test of all data collected (based on the research frameworks discussed in chapter seven) through statistical approaches including Cronbach Alpha and Item-to-total correlation test. The implementation of the reliability test is to measure all data fit to explain measures tested in the model before running the statistical test of the hypothesis. The calculation of the reliability test was conducted by using the SPSS software.

Fourth, the results of the reliability and inferential statistics tests regarding hypothesis of this research were discussed in the next chapter 9. Figure 8.1 depicts the flow of data analysis process.

**Figure 8. 1: Flow of Quantitative Data Analysis Process**



**Source:** The researcher

### 8.3 Descriptive Data Analysis

The descriptive data analysis section aims to provide brief information on the geographical background of the respondents and SMEs in this study. This section illustrates the information in various types of statistical reports format including frequency table, graphs and cross-tabulation.

The descriptive data provided in this chapter consist of four main components which include: i) the SMEs profile; ii) the respondents' profile; iii) degree of internationalisation profile; and iv) business performance profile.

The SMEs profile including the information related to SMEs age (time in the business); ii) type of business ownership; iii) employees; iv) location of the SMEs by the state; v) economics sector of the SMEs; and vi) industries related to the SMEs.

The participants' profile was related to their position in the companies. This analysis facet was essential to make sure the participants who answered the questionnaires had been involved in internationalisation decision making.

Furthermore, analysis of the degree of internationalisation of the SMEs include i) years of internationalisation (international experience); ii) percentage of foreign sales to total sales; iii) foreign markets scope; iv) mode of internationalisation; and v) frequency of new products development.

Lastly, the section of descriptive analysis ends with the discussion of business performance profile of the SMEs as involved in the international business activities. The information provided in this section including firms' average profitability growth; firms' average sales growth; and firms' average export growth (internationalisation growth).

#### 8.3.1 The Research Small and Medium Enterprises' Profile

##### 8.3.1.1 SMEs Age (Time in Business for SME)

Table 8.1 presents the distribution of the SMEs in this study by year of establishment. The study found most of the research SMEs were established in less than five years

which accounted 39% (85 SMEs) of total research SMEs. The result followed by SMEs that were in business between six to ten years which accounted 33.9% (74 SMEs), 11 to 20 years 15% (34 SMEs) and finally, 11 to 20 years accounted 11.5% (25 SMEs).

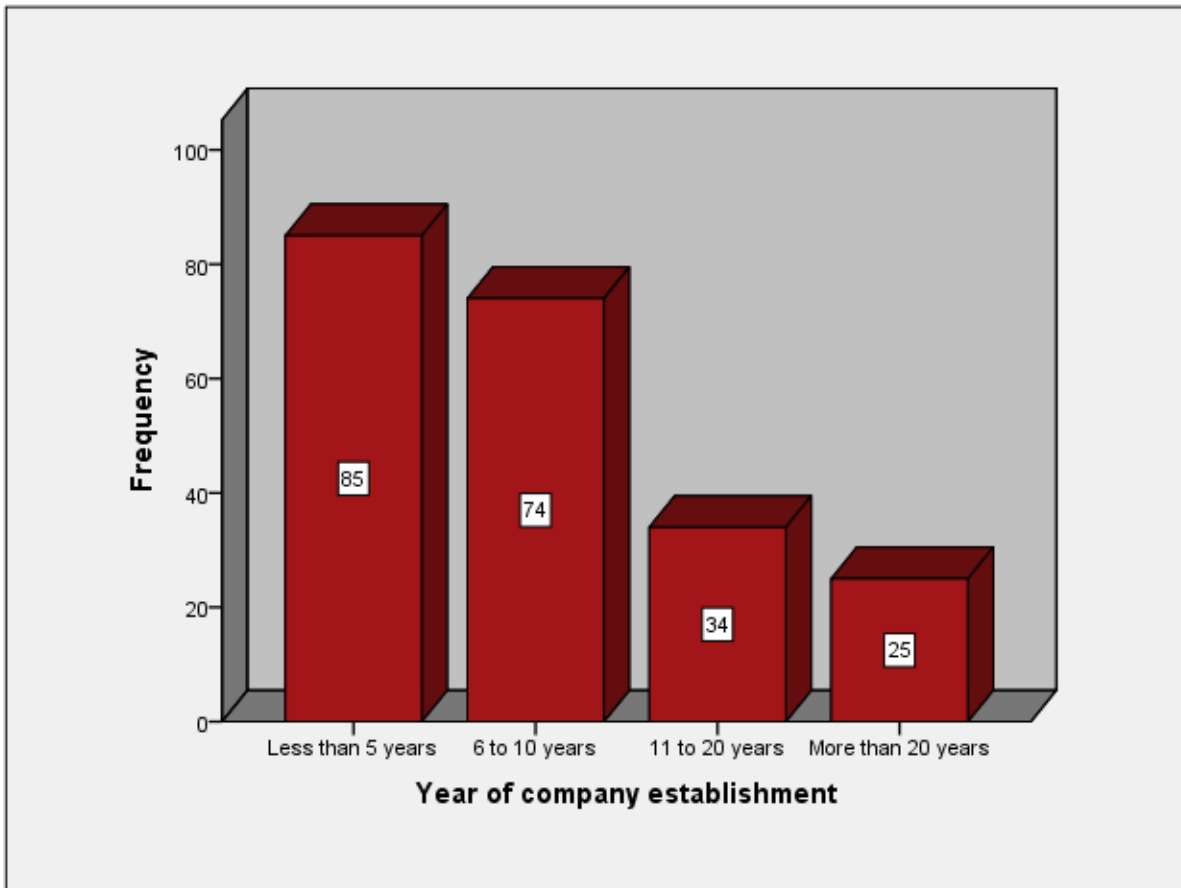
**Table 8. 1: Distribution of the Research’s SMEs by Year of Establishment**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 5 years	85	39.0	<b>39.0</b>	39.0
	6 to 10 years	74	33.9	<b>33.9</b>	72.9
	11 to 20 years	34	15.6	<b>15.6</b>	88.5
	More than 20 years	25	11.5	<b>11.5</b>	100.0
	Total	<b>218</b>	<b>100.0</b>	<b>100.0</b>	

Figure 8.2 depicts that more than 60% (159 SMEs) of the research SMEs in this study were in business less than ten years. The result shows that most of the SMEs have diversified early after the inception of the companies. While ‘international new venture’ companies are the internationalised companies with less than six years of inception, and the international sales of 10 percent out of total sales (e.g. Zahra *et al.*, 2000), the result shows SMEs participating in this research are a mixture of international new ventures/ born-global companies and gradual type internationalised SMEs. Therefore, the sample SMEs are reliable as this study not only intend to understand factors influencing internationalisation of born-global companies but also gradual type internationalised SMEs.



**Figure 8. 2: Year of Company Establishment**



### 8.3.1.2 Type of Business Ownership

SMEs can register for various business registration types in the Companies Commission of Malaysia. The registration types including sole proprietor, partnership, joint stock company, limited liability company or so-called Sdn. Bhd and publicly listed. The registration types differ according to provisions of the acts and administrative guideline of the businesses. This research argues an internationalised company should register as secured entity since the companies deal with international clients and somehow the companies will be reviewed by clients financial institutions and stakeholders as due diligence before dealing with the SMEs.

Table 8.2 presents most of the SMEs in this study registered under the limited liability company which accounted 56% (122 SMEs) of total SMEs, followed by sole proprietor which accounted 28% (61 SMEs). While partnership accounted 14% (31 SMEs), the joint stock company accounted 1.4% (three SMEs) and finally, the least frequent company registration type was public listed 0.5% (one SME).

Surprisingly, the study found some SMEs in this study were registered under the public listed and joint stock company registration. However, the number of this type of company was limited in the analysis.

**Table 8. 2: Company’s Type of Ownership**

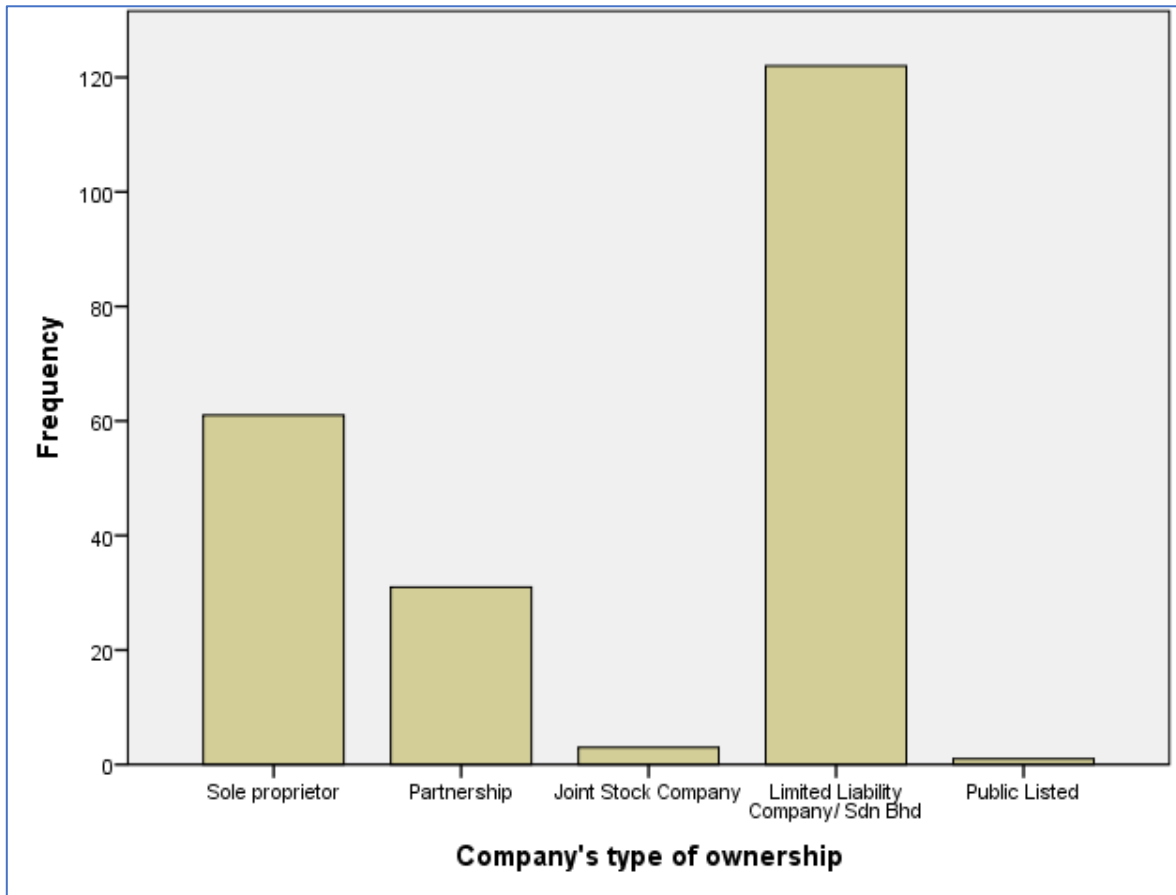
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sole proprietor	61	28.0	<b>28.0</b>	28.0
	Partnership	31	14.2	<b>14.2</b>	42.2
	Joint Stock Company	3	1.4	<b>1.4</b>	43.6
	Limited Liability Company/ Sdn Bhd	122	56.0	<b>56.0</b>	99.5
	Public Listed	1	.5	<b>.5</b>	100.0
	<b>Total</b>	<b>218</b>	<b>100.0</b>	<b>100.0</b>	

Moreover, the cross-tabulation (Table 8.3) depicts most of the company registered under the limited liability company were mostly companies that had involved in business between six to ten years. While sole proprietor was dominant by SMEs that involved in business less than five years. Alternatively, SMEs that registered as public listed were involved in business for more than 20 years.

The result shows that most SMEs were limited liability companies, which has been designed to protect the partners from any debts or obligations. This type of company registration embracing more financial institutions to offer financial supports since it is more secure on the financial institution's side regarding loans contract. Conversely, a sole-proprietor tends not to embrace financial intuitions since this type of business has drawbacks regarding legal bourne (Companies Commission of Malaysia, 2018).

Hence, the finding suggests most of the SMEs were limited liability companies due to perceived benefits of the business registration type, which in turn will lead to the internationalisation of the companies (see Table 8.4). Thus, the samples are somehow reliable due to the relevance of the company’s registration type of the research SMEs, which suit the characteristic of an internationalised company.

**Figure 8. 3: Company's Type of Ownership**



**Table 8. 3: Year of Company Establishment and Company's Type of Ownership**

**Cross tabulation**

		Company's type of ownership		
		Limited Liability Company/ Sdn Bhd	Public Listed	Total
Year of company establishment	Less than 5 years	31	0	85
	6 to 10 years	41	0	74
	11 to 20 years	29	0	34
	More than 20 years	21	1	25
Total		<b>122</b>	<b>1</b>	<b>218</b>

### 8.3.1.3 Number of Employees

The distribution analysis regarding the number of employees is very important as this analysis determines the eligibility of the companies to be included in this study. It is the main criteria to select the research enterprises since this study relates to SME internationalisation. Thus, the study determines the size of the company by the number of employment between five and 200 employees (as had been discussed in chapter 5). Although various efforts had been made to make sure the enterprises involved in this study meet the SMEs criteria, a confirmation in the survey questionnaire was still needed to make sure all the companies meet the research requirement. Consequently, 15 questionnaires out of total 233 questionnaires were excluded because of not meeting the research requirement, which resulting only 218 usable questionnaires.

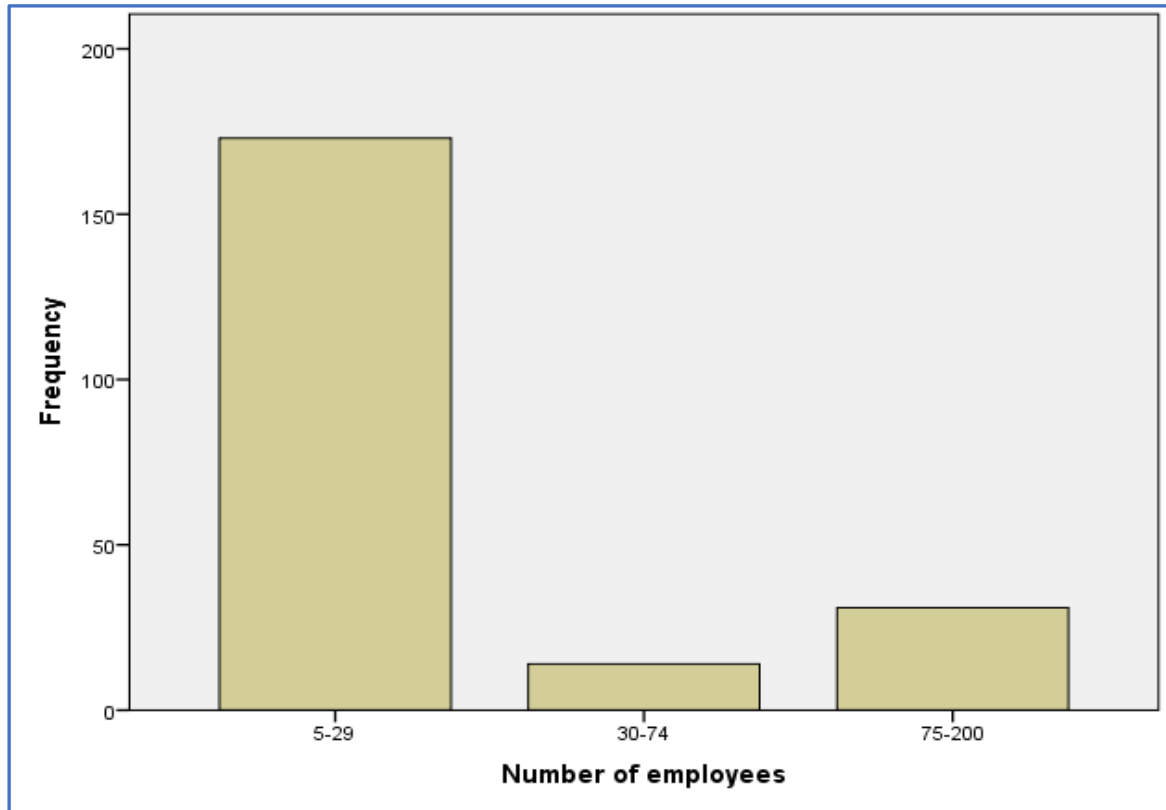
Table 8.4 illustrates that most of the SMEs were having between five to 29 employees which accounted 79.4% (173 SMEs), followed by SMEs that were having between 75 to 200 employees 14.2% (31 SMEs). The least frequency was SMEs that were having between 30 to 74 employees which accounted only 6.4% (14 SMEs).

**Table 8. 4: Number of Employees**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	5-29	173	<b>79.4</b>	79.4	79.4
	30-74	14	<b>6.4</b>	6.4	85.8
	75-200	31	<b>14.2</b>	14.2	100.0
	Total	<b>218</b>	<b>100.0</b>	<b>100.0</b>	

Notably, the largest business group in this study was small enterprises. This business group was classified as firms that have some employees between five to 29. On the other hand, the medium businesses between 75 to 200 employees were the second largest group of SMEs in this study. The result infers that the SMEs operate with a small number of employees to serve the overseas customers (see Figure 8.4).

**Figure 8. 4: Number of Employees**



#### 8.3.1.4 Location of the SMEs

Table 8.5 presents the distribution of research SMEs according to state. Most of the research SMEs located in Selangor which accounted 22.9% (50 SMEs) out of the total research SMEs. The second largest population of the research SMEs was based in Penang which accounted 16.5% (36 SMEs), in Kedah 14.7% (32 SMEs) and in Wilayah Persekutuan Kuala Lumpur 12.4% (27 SMEs).

The location of SMEs in the rest of other states were distributed fairly including in Perlis 5.5% (12 SMEs), Johor 4.6% (10 SMEs), Sabah 2.3% (five SMEs), Pahang 2.3% (five SMEs), Serawak 6% (13 SMEs), Negeri Sembilan 1.8% (four SMEs), Terengganu 0.5% (one SME), Perak 5% (11 SMEs), Melaka 1.4% (three SMEs) and Kelantan 4.1% (nine SMEs).

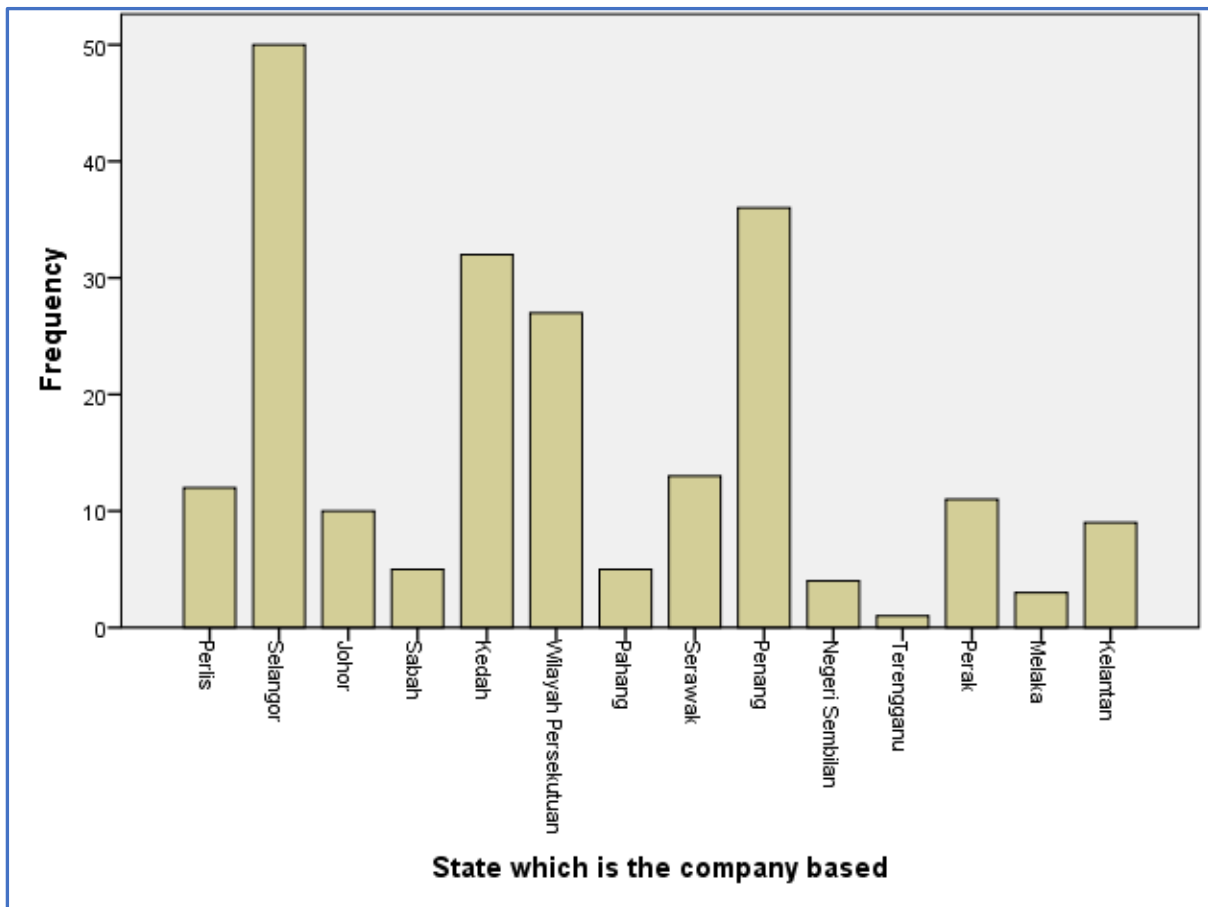
**Table 8. 5: State which is the Company Based**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Perlis	12	5.5	<b>5.5</b>	5.5
	Selangor	50	22.9	<b>22.9</b>	28.4
	Johor	10	4.6	<b>4.6</b>	33.0
	Sabah	5	2.3	<b>2.3</b>	35.3
	Kedah	32	14.7	<b>14.7</b>	50.0
	Wilayah Persekutuan	27	12.4	<b>12.4</b>	62.4
	Pahang	5	2.3	<b>2.3</b>	64.7
	Sarawak	13	6.0	<b>6.0</b>	70.6
	Penang	36	16.5	<b>16.5</b>	87.2
	Negeri Sembilan	4	1.8	<b>1.8</b>	89.0
	Terengganu	1	.5	<b>.5</b>	89.4
	Perak	11	5.0	<b>5.0</b>	94.5
	Melaka	3	1.4	<b>1.4</b>	95.9
	Kelantan	9	4.1	<b>4.1</b>	100.0
	Total	<b>218</b>	<b>100.0</b>	<b>100.0</b>	

Tables 8.5 and Figure 8.5 compare the distribution of different research samples (218 SMEs) and research population (2,226 SMEs) according to state. Notably, most of the research SMEs and research population remain located in the same state namely Selangor. The result is consistent with the reports by the department of statistics Malaysia (discussed in chapter 6) about the location of most internationalised SMEs. Similarly, Penang remains as the second important state which consists the second largest population of internationalised SMEs. Also, three other important states in the research population including Johor, Wilayah Persekutuan and Perak remain as important states regarding the location distribution of research samples.

Overall, the research samples are reliable regarding the distribution of location by state since it is consistent with the distribution of internationalised SMEs in the research population. This in turn, will provide meaningful research findings and permit generalisable research findings.

**Figure 8. 5: Distribution of the Research Samples (SMEs) by State**



#### 8.3.1.5 Economics Sector of the SMEs

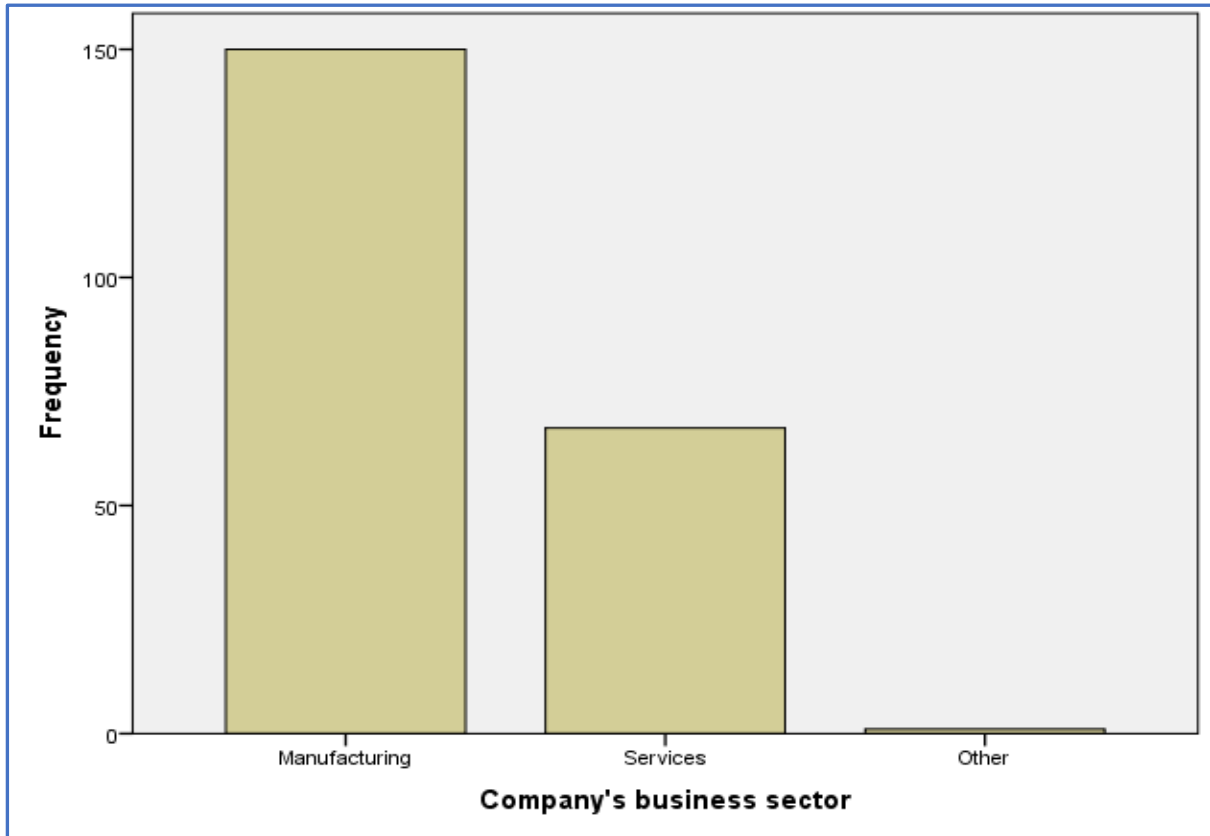
As mentioned in chapter 7, this study aims to investigate SMEs in both manufacturing and services sectors since it envisages to fill the research gaps. The combination of both sectors will improve the reliability and generalizability of the research findings in a Malaysia context. Table 8.6 presents the distribution of SMEs by economics sector. Most of the SMEs were involved in manufacturing sector activities which accounted 68.8% (150 SMEs) of total research SMEs. Conversely, the SMEs involved in services sector accounted for only 30.7% (67 SMEs).

The result is consistent to prior report on the distribution of research population (see Figure 8.6 and 8.7), where most of internationalised Malaysian SMEs were in manufacturing sector instead of services (SME Corporation Malaysia, 2016). Also, this study found one SME was in the agriculture sector. As such, the results contributed to the stronger reliability of the samples and provide quality generalizable research findings.

**Table 8. 6: Company's Business Sector**

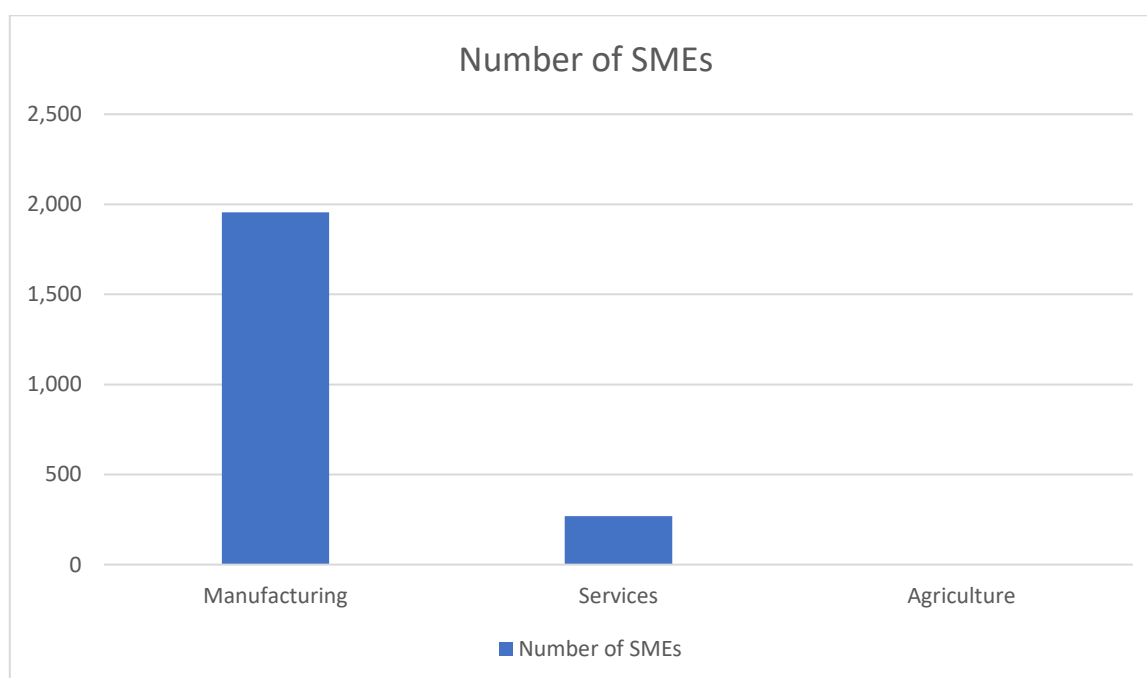
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manufacturing	150	68.8	68.8	68.8
	Services	67	30.7	30.7	99.5
	Other	1	.5	.5	100.0
	Total	218	100.0	100.0	

**Figure 8. 6: Distribution of Research Samples by Economics Sector**





**Figure 8. 7: Distribution of Research Population by Economic Sector**



**Source:** Adapted from SME Corporation (2018)

Furthermore, the cross-tabulation presented in Table 8.7 shows the highest number of internationalised SMEs is from companies in the manufacturing sector, which were in business less than five years (56 SMEs). The least internationalised SMEs were enterprises in the services sector, which were in business for more than 20 years (five SMEs).

**Table 8. 7: Year of Company Establishment and Company's Business Sector Cross tabulation**

		Company's business sector			Total
		Manufacturing	Services	Other	
Year of company establishment	Less than 5 years	56	28	1	85
	6 to 10 years	55	19	0	74
	11 to 20 years	19	15	0	34
	More than 20 years	20	5	0	25
Total		150	67	1	218

### 8.3.1.6 Business Industries of the SMEs

This study designed to acquire information from SMEs across various industries as it allows generalisation of the research findings, particularly in Malaysia context. As such, this study collected data from SMEs in various 14 industries including aerospace, publishing, computers and IT, automotive, engineering, textile, agriculture, tourism, food and beverages, healthcare, chemical and allied products, construction and professional services. Table 8.8 reveals that most SMEs in this study were involved in food and beverages industry which accounted 49.5% (108 SMEs), followed by healthcare industry 14.2% (31 SMEs) and other industries 11.5% (25 SMEs). The accumulation of other industries was fairly distributed across industries ranging from 0.5% (one SME) to 4.1% (nine SMEs) which accumulates a total percentage of 24.8% (54 SMEs). Therefore, the distribution of SMEs by industries in this research covers all industries as required to increase the generalisation of the findings.

**Table 8. 8: Distribution of Research Samples According to Industry**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Aerospace	1	<b>.5</b>	.5	.5
	Publishing	1	<b>.5</b>	.5	.9
	Computers and IT	10	<b>4.6</b>	4.6	5.5
	Automotive	5	<b>2.3</b>	2.3	7.8
	Engineering	5	<b>2.3</b>	2.3	10.1
	Textile	7	<b>3.2</b>	3.2	13.3
	Agriculture	4	<b>1.8</b>	1.8	15.1
	Tourism	6	<b>2.8</b>	2.8	17.9
	Food and Beverages	108	<b>49.5</b>	49.5	67.4
	Healthcare	31	<b>14.2</b>	14.2	81.7
	Chemical and Allied Products	4	<b>1.8</b>	1.8	83.5
	Constructions	2	<b>.9</b>	.9	84.4
	Professional Services	9	<b>4.1</b>	4.1	88.5
	Other	25	<b>11.5</b>	11.5	100.0
	Total	<b>218</b>	<b>100.0</b>	100.0	

### 8.3.2 Respondent Profile

#### 8.3.2.1 Position in the Firm

Since this study aims to investigate factors influencing Malaysian SMEs to internationalise, it is essential to determine an appropriate individual to answer the survey questionnaires. Apart from many efforts made to ensure appropriate individuals answer the questionnaire such as emailing the key persons, this study has designed the questionnaire to confirm the appropriate respondents who were knowledgeable in the internationalisation of the enterprises. Then, the study eliminated the questionnaires which were answered by inappropriate personnel in the SMEs.

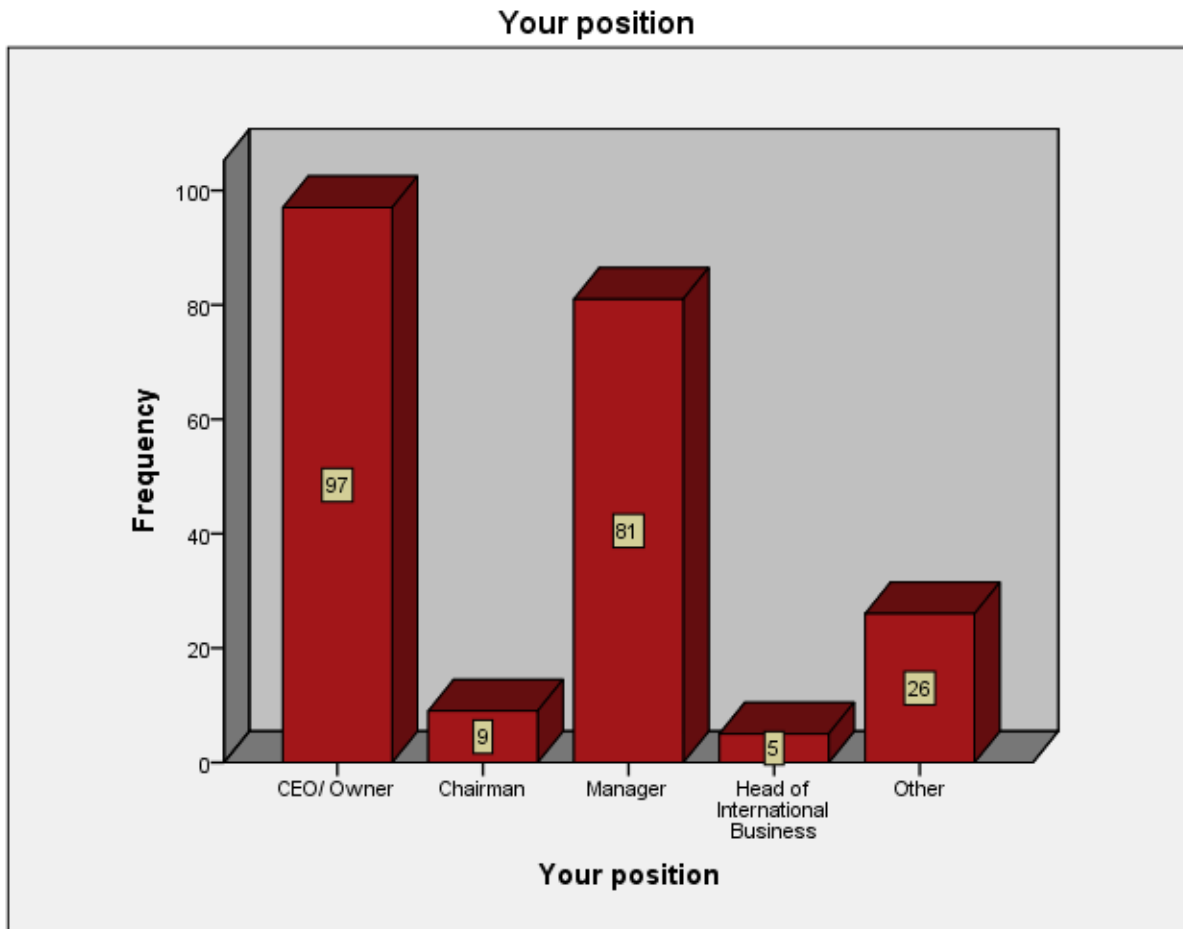
Table 8.9 presents the distribution of the research samples by the position of the participants. The table shows most participants were CEO/ owner of the SMEs which accounted 44.5% (97 participants), followed by manager 37.2% (81 participants). However, there was less chairman found in this study which accounted 4.1% (nine participants) and head of international business 2.3% (five participants). Notably, there were also respondents from other positions such as the head of marketing, sales engineer and share partners which accounted 11.9% (26 participants).

Therefore, the research met the requirement due to the involvement of respondents in the internationalisation of the SMEs. Hence, all the questionnaires answered by the 218 respondents were reliable in this study.

**Table 8. 9: Distribution of Research Samples by Participants' Position**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	CEO/ Owner	97	44.5	44.5	44.5
	Chairman	9	4.1	4.1	48.6
	Manager	81	37.2	37.2	85.8
	Head of International Business	5	2.3	2.3	88.1
	Other	26	11.9	11.9	100.0
	Total	218	100.0	100.0	

**Figure 8. 8: Distribution of Research Samples According to the Position of Participants**



### 8.3.3 Degree of Internationalisation Profile

This study was designed to obtain information from SMEs that have had integrated internationalisation in their business activities. Hence, it was essential to measure the internationalisation level of the research SMEs to confirm the eligibility of the businesses to be included in this study. As such, this study has deployed degree of internationalisation (DOI) measures to investigate the level of internationalisation of the firms (as discussed in chapter 4 and 7). The measures include years of internationalisation; percentage of foreign sales out of total sales; foreign markets scope; mode of internationalisation; and frequency of new products introduced to the markets.

### 8.3.3.1 Years of Internationalisation (International Experience)

Identifying years of internationalisation and/ or international experience is one of the methods to measure the international level of SMEs. This study argues the greater the experience of SMEs in international markets, the more reliable information will be obtained. For example, the information about impacts of internationalisation on business performance will be more meaningful if the SMEs were internationalised more than three years, which the observation of average business growth can be performed easier.

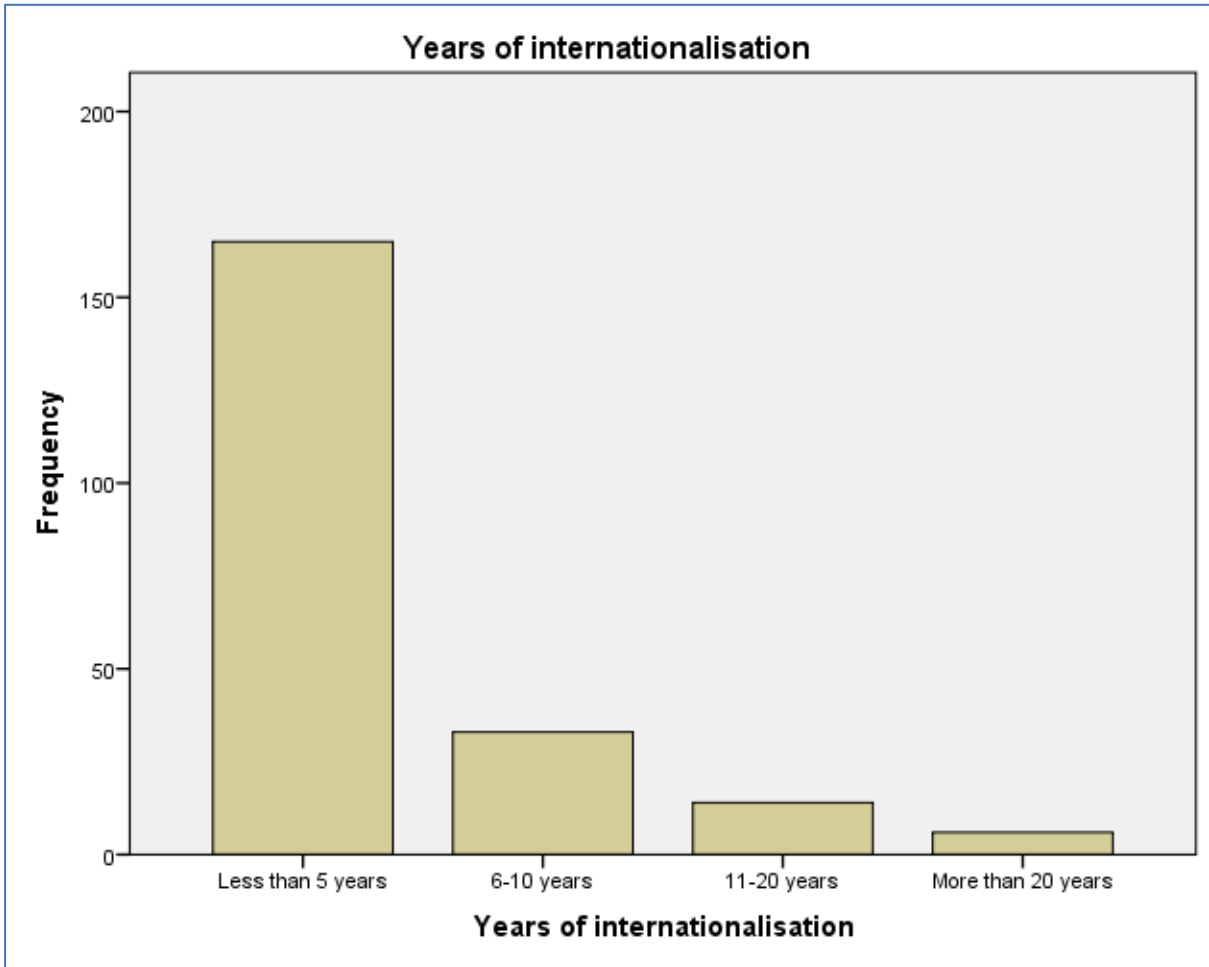
Table 8.17 presents years of internationalisation of the research SMEs. Most of the SMEs in this study were internationalised for less than 5 years which accounted 75.7% (165 SMEs) of the total research SMEs, followed by SMEs that were internationalised between six to ten years which accounted 15.1% (33 SMEs). In contrast, the research found SMEs that were internationalised between 11 to 20 years represented only 6.4% (14 SMEs), and more than 20 years accounted for 2.8% (six SMEs).

In general, the result shows that most of the research SMEs were internationalised between one to ten years which accounted 90.8% (198 SMEs) of the total research SMEs (refer to Table 8.17 and Figure 8.9). Therefore, the information provided by the SMEs is still reliable and usable in this study to meet the research aims.

**Table 8. 10: Distribution of Samples According to Years of Internationalisation**

Years of internationalisation					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 5 years	165	75.7	75.7	75.7
	6-10 years	33	15.1	15.1	90.8
	11-20 years	14	6.4	6.4	97.2
	More than 20 years	6	2.8	2.8	100.0
	Total	218	100.0	100.0	

**Figure 8. 9: Years of Internationalisation**



### 8.3.3.2 Percentage of Foreign Sales Out of Total Sales

Another method to identify the level of internationalisation of SMEs is through measuring international sales percentage. The most frequent ratio used for international sales percentage was 25% out of total sales (e.g. Sullivan, 1994; Knight, 1994; Knight and Cavusgil, 2004; Kuivalainen *et al.*, 2012). However, the cut off ratio is 'somewhat arbitrary' according to some scholars (for example, Knight and Cavusgil, 2004; c.f Kuivalainen *et al.*, 2012). Therefore, the research has designed the answer options into two categories for international sales percentage namely: i) 0% to 25%; ii) 26% to 100%.

Figure 8.11 presents most of the research SMEs were having international sales percentage between 26% to 100% which accounted 71.6% (156 SMEs) out of total research SMEs. SMEs that were having international sales percentage between 1% to 25% only accounted 28.4% (62 SMEs) out of a total of participating SMEs. This

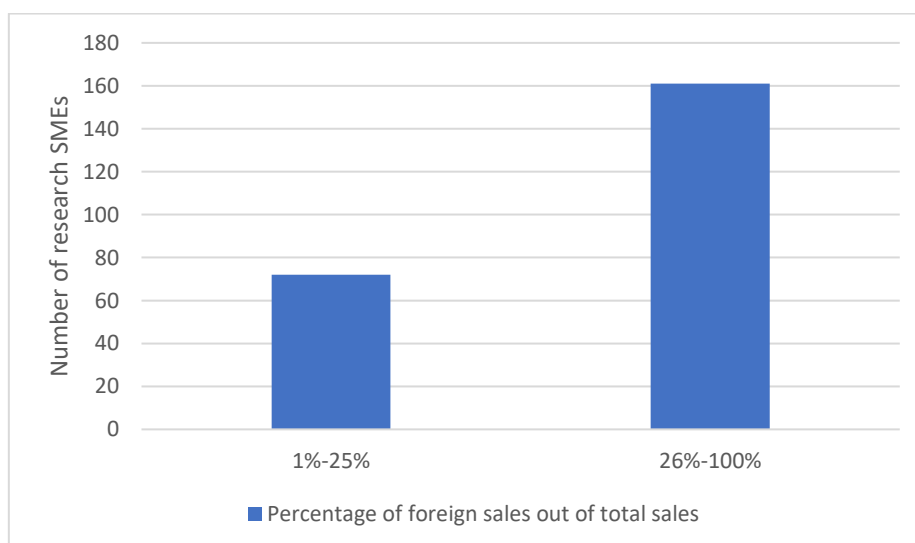
finding is consistent with the notion that internationalised SMEs should achieve 25 percent of their international sales percentage. Therefore, the finding increases the reliability that the research SMEs are suitable to be included in this study.

**Table 8. 11: Distribution of Research Samples According to International Sales Percentage**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1% - 25%	62	28.4	28.4	28.4
	26% - 100%	156	71.6	71.6	100.0
	Total	218	100.0	100.0	

Figure 8.10 illustrates that although most of the research SMEs achieve more than 26 percent of international sales, this study will still include SMEs that were having 0% to 25% percent of international sales. The reason for inclusion is due to the consideration of main objective of this study, which is to identify the factors that influence the internationalisation of these SMEs regardless the number of international sales. Furthermore, the cut off ratio of 25% is still vague and arbitrary.

**Figure 8. 10: Distribution of Research Samples According to the Percentage of Foreign sales**



### 8.3.3.3 Foreign Market Scope

Another method to identify the level of internationalised SMEs is through measuring the scope of foreign markets. The scope of foreign markets was based on the number of foreign countries diversified by the SMEs. This study argues the more foreign markets the SMEs involved, the more internationalised the SMEs are. Therefore, the information provided by the SMEs is more reliable.

Table 8.12 presents most of the participating SMEs were internationalised to two foreign countries which accounted 26.2% (57 SMEs), followed by SMEs that were internationalised to three foreign countries 24.2% (53 SMEs), one foreign country 18.8% (41 SMEs), four foreign countries 13.3% (29 SMEs), seven foreign countries 9.2% (20 SMEs), five foreign countries 4.6% (10 SMEs) and six foreign countries 3.7% (eight SMEs).

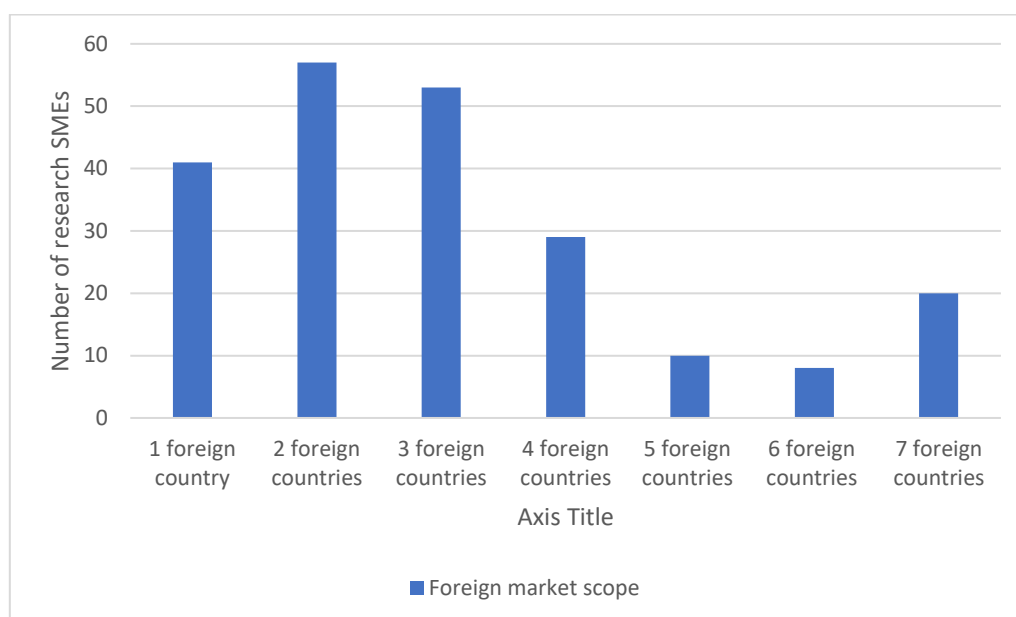
Figure 8.11 presents most of the SMEs in this research diversified to not more than four foreign countries. The result is consistent with the prior result of number employees where most of SMEs in this study is considered small business. Based on the finding, this study suggests the research SMEs have a lesser market scope as compared to larger companies that have more capabilities regarding human resource, production capacity and financial capital. Hence, the information from the research SMEs is still reliable due to the characteristics of SMEs regarding the liability of smallness.

**Table 8. 12: Distribution of Research Samples According to Foreign Markets Scope**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 foreign country	41	<b>18.8</b>	18.8	18.8
	2 foreign countries	57	<b>26.2</b>	26.2	45
	3 foreign countries	53	<b>24.2</b>	24.2	69.2
	4 foreign countries	29	<b>13.3</b>	13.3	82.5
	5 foreign countries	10	<b>4.6</b>	4.6	87.1
	6 foreign countries	8	<b>3.7</b>	3.7	90.8
	7 foreign countries	20	<b>9.2</b>	9.2	100
	Total	<b>218</b>	<b>100.0</b>	100.0	



**Figure 8. 11: Distribution of Research Samples According to Foreign Markets Scope**



#### 8.3.3.4 Frequency of New Products Introduced

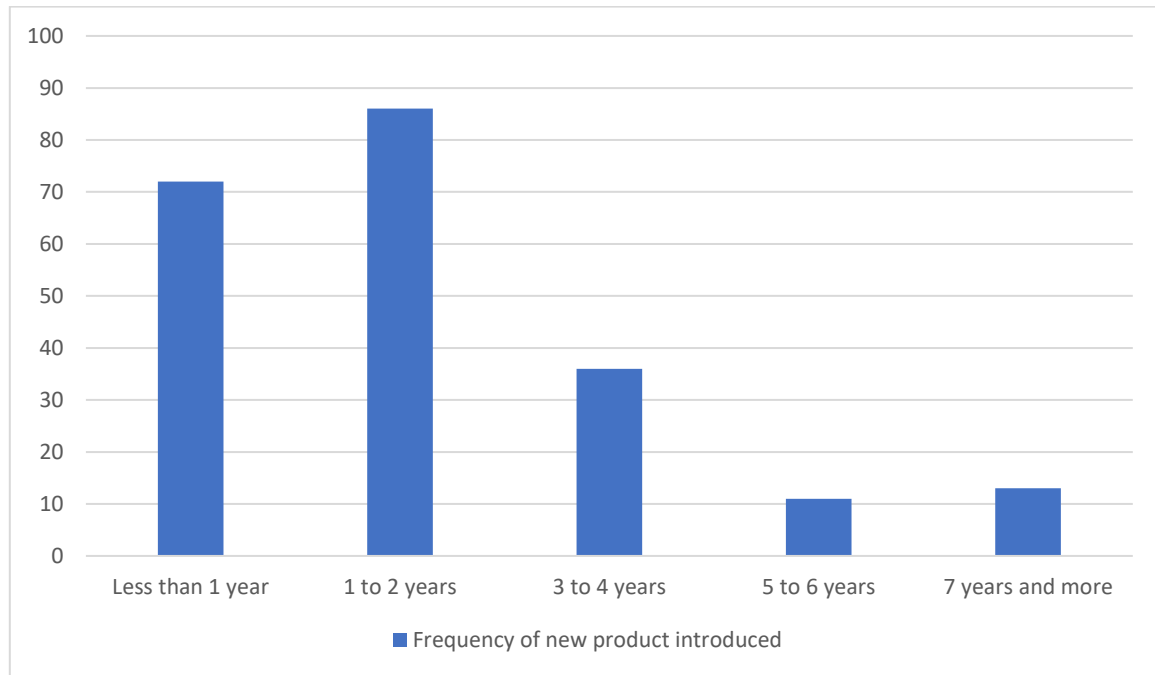
The frequency of new products introduced to foreign customers is one of the measures used to identify the level of internationalisation of a firm. This study argues the more frequent products introduced to foreign markets, the more active of the SMEs in international activities. Table 8.17 presents most research SMEs were introduced new products between one to two years which accounted 39.4% (86 SMEs), followed by less than one year which accounted 33% (72 SMEs), three to four years 16.5% (36 SMEs), five to six years 5.1% (11 SMEs) and finally seven years and above 6% (13 SMEs).

**Table 8. 13: Distribution of Research Samples According to the Frequency of New Products Introduced**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	72	33	33	33
	1 to 2 years	86	39.4	39.4	72.4
	3 to 4 years	36	16.5	16.5	88.9
	5 to 6 years	11	5.1	5.1	94
	7 years and above	13	6	6	100.0
	Total	218	100.0	100.0	

The result shows that the samples in this study were actively involved in international business activities due to the frequent product's introduction in the overseas markets (refer to Figure 8.12). Hence, the result increases the reliability of the samples in this study analysis.

**Figure 8. 12: Distribution of Research Samples According to the Frequency of New Products Introduced**



### 8.3.4 Business Performance Profile

Business performance measures were examined to confirm the reliability of the research samples. This study argues the higher the performance of the SMEs, the more involvement of the SMEs in internationalisation activities. Hence, the study measured internationalisation of research SMEs regarding three facets including profitability growth; average sales growth; and average export growth.

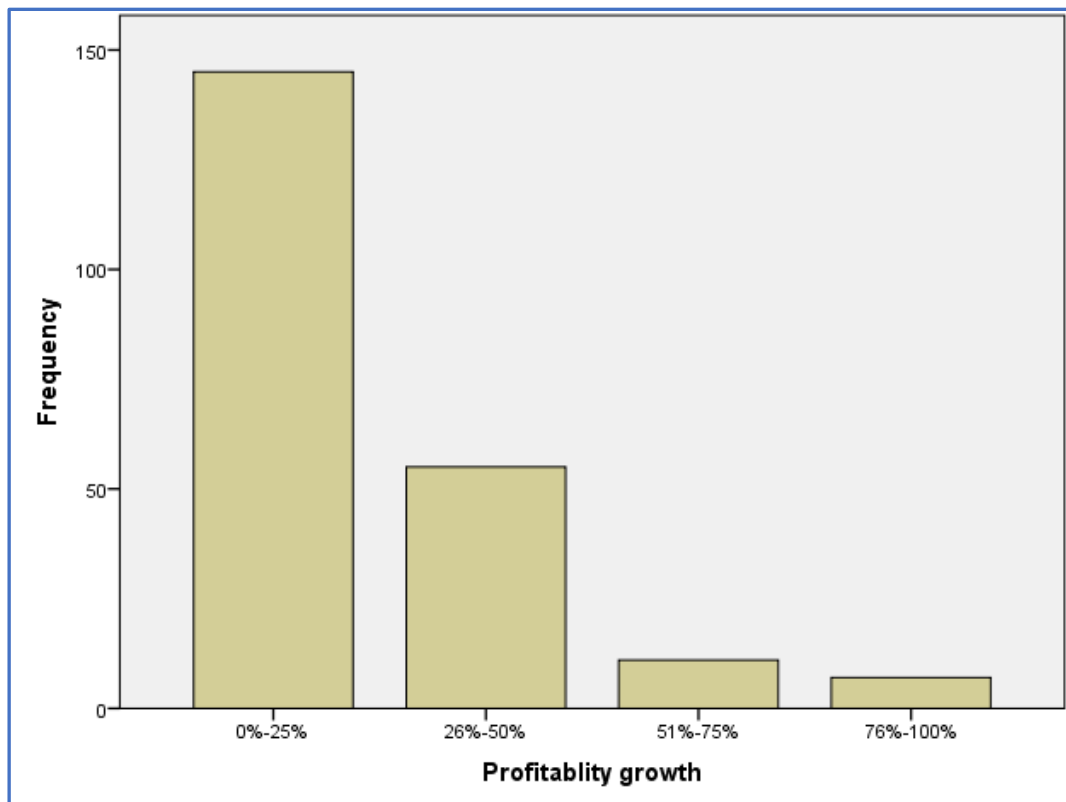
Table 8.14 presents the distribution of research samples by profitability growth. Notably, most of the research SMEs were having between 0% to 25% of profit since involved in internationalisation activities which accounted 66.5% (145 SMEs) out of the total research SMEs. The result followed by SMEs that were having 26% to 50% profit which accounted 25.2% (55 SMEs), 51% to 75% profits accounted 5% (11 SMEs) and 76% to 100% profits accounted 3.2% (seven SMEs).

Overall, SMEs in this study had less than 50% profits since involved in international business activities (refer to Figure 8.18).

**Table 8. 14: Distribution of Research Samples According to Profitability Growth.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 0%-25%	145	66.5	66.5	66.5
26%-50%	55	25.2	25.2	91.7
51%-75%	11	5.0	5.0	96.8
76%-100%	7	3.2	3.2	100.0
Total	218	100.0	100.0	

**Figure 8. 13: Distribution of Research Samples According to Profitability Growth**



### 8.3.4.2 SMEs' Average Sales Growth

Previous studies used various techniques for calculating sales growth. For example, measuring sales growth as the difference between two consecutive years and divided by the one year earlier, and with the quotient multiplied by 100 (Zahra *et al.*, 2000). Therefore, this study selected sales growth as a performance measure to the participating SMEs due ability of this measure to identify their performance.

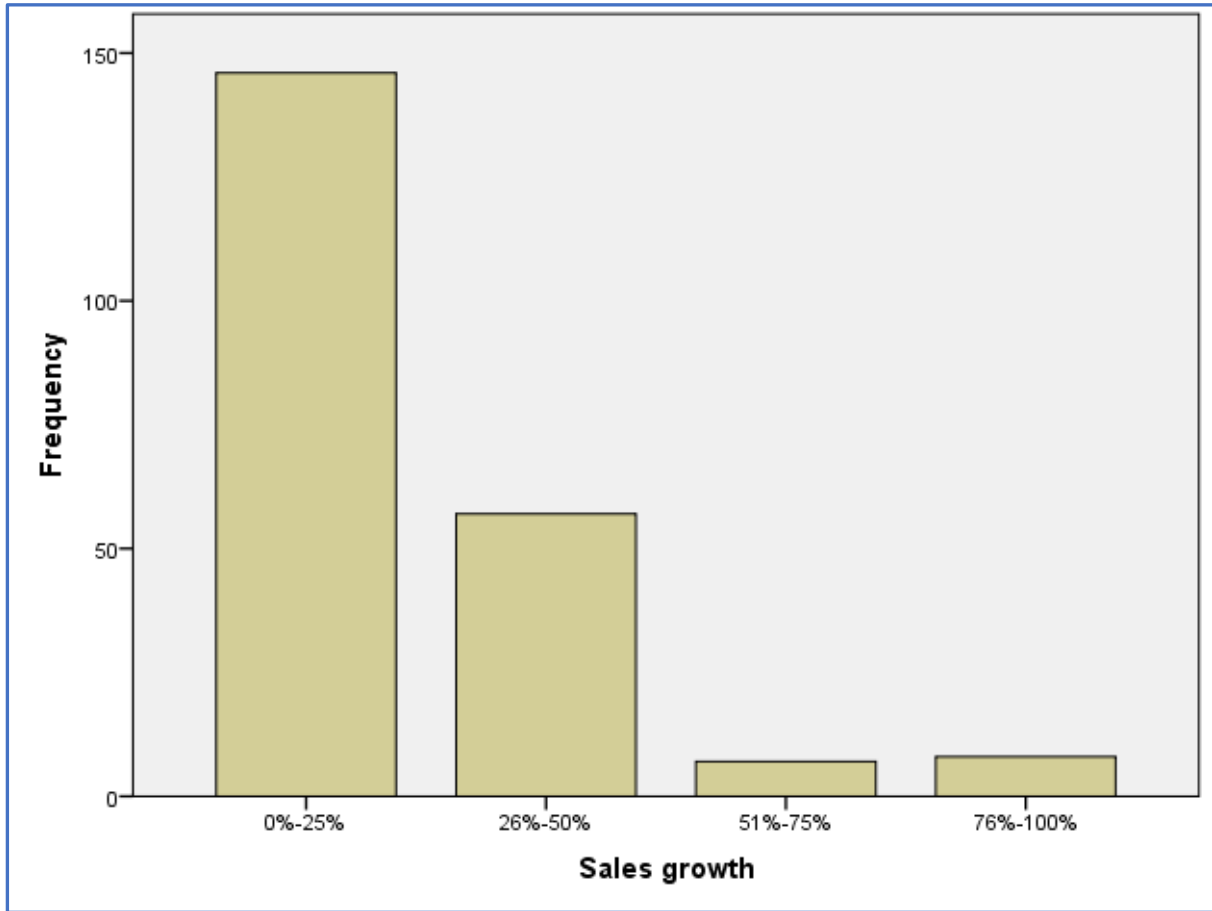
Table 8.15 presents most of research SMEs were having average sales growth between 0% to 25% since involved in international business activities which accounted 67% (146 SMEs) of total research SMEs. The result followed by SMEs that were having sales growth between 26% to 50% which accounted 26.1% (57 SMEs), 51%-75% of sales growth by 3.2% (seven SMEs) and 76% to 100% of sales growth by 3.7% (eight SMEs).

**Table 8. 15: Distribution of Research Samples According to Average Sales Growth**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0%-25%	146	<b>67.0</b>	67.0	67.0
	26%-50%	57	<b>26.1</b>	26.1	93.1
	51%-75%	7	<b>3.2</b>	3.2	96.3
	76%-100%	8	<b>3.7</b>	3.7	100.0
	<b>Total</b>	<b>218</b>	<b>100.0</b>	<b>100.0</b>	

Figure 8.14 shows some of the research SMEs have sales growth up to 76% to 100% since involved in international business activities. Although the figure presents most of the research SMEs achieved average sales growth up to 25%, however, in general, all the research SMEs achieve positive sales growth as a consequent to internationalisation.

**Figure 8. 14: Distribution of Research Samples According to Average Sales Growth**



#### 8.3.4.3 Firm's Average Internationalisation Growth

This study selected internationalisation growth as a measure of business performance. The selection of this measure was because ease of calculating the percentage of internationalisation growth by combining the percentage of three measures including the average percentage of export sales to total sales; profitability growth; and total sales growth (Zhou *et al.*, 2007).

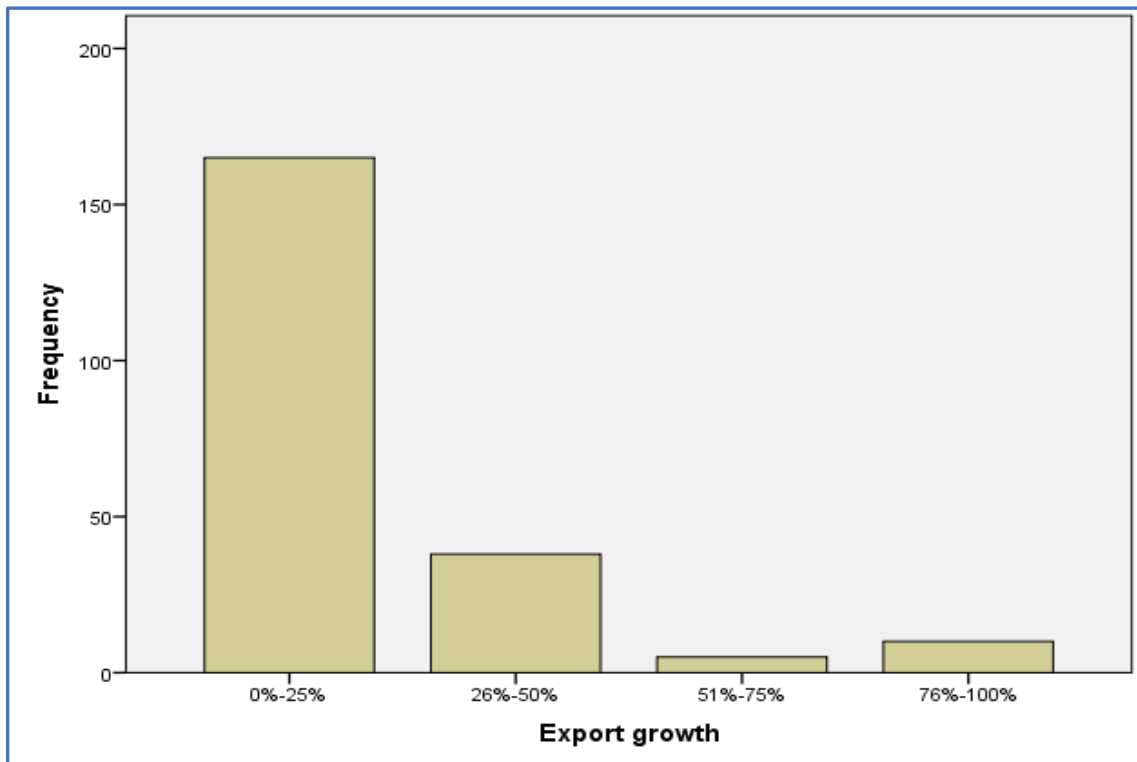
Table 8.16 presents average export growth of the research SMEs. The table shows most of the research SMEs were having export growth between 0% to 25% which accounted 75.7% (165 SMEs), followed by SMEs that were having average export growth between 26% to 50% which accounted 17.4% (38 SMEs). However, SMEs that were having export growth between 51% to 75% accounted 2.3% (five SMEs) and 76% to 100% accounted 4.6% (ten SMEs).

The result shows the reliability of the research samples as all the research SMEs were having a positive export growth since being involved in international business activities.

**Table 8. 16: Distribution of Research Samples According to Export Growth**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0%-25%	165	<b>75.7</b>	75.7	75.7
	26%-50%	38	<b>17.4</b>	17.4	93.1
	51%-75%	5	<b>2.3</b>	2.3	95.4
	76%-100%	10	<b>4.6</b>	4.6	100.0
	<b>Total</b>	<b>218</b>	<b>100.0</b>	<b>100.0</b>	

**Figure 8. 15: Distribution of Research Samples According to Export Growth**



## 8.4 Chapter Summary

This chapter presents descriptive data analysis collected from survey questionnaires of 218 research participants towards identifying valid and reliable research samples. This chapter provides geographical data about respondents and the research SMEs. The chapter also provides descriptive analysis data on the level of internationalisation of SMEs in this research and performance measures by the SMEs. The descriptive analysis was conducted using statistical tools including frequency analysis, graphs and cross-tabulation.

Based on the analysis of the SMEs profile, the study found a mix of the research SMEs between born global companies and gradually internationalised companies. Moreover, most of the SMEs in this study were established as sole proprietors and Sdn Bhd. Interestingly, the result regarding company's registration type is consistent with the prior finding of the size of SMEs, where most SMEs were classified as small enterprises. Also, a consistent distribution of the SMEs by the state was found where most of the SMEs were located in Selangor, Penang and Wilayah Persekutuan, the result aligns to the report in the research population by SME Corporation Malaysia Statistics Department (2016). These findings are important to increase generalisation of the research findings.

Also, this study found a consistent distribution of research SMEs by economic sector, where the manufacturing sector was the main sector contributed to SMEs exports shares, followed by SMEs in the services sector.

Regarding the participant's profile, this study found most of them were CEO/ owner and manager. The result increases reliability as this study requires respondents that are involved in internationalisation activities of the SMEs.

However, regarding the degree of internationalisation, this study found most of the research SMEs were internationalised for less than five years. Also, most of the participating SMEs were achieved international sales percentage between 26% to 100%. Furthermore, this study found most of the SMEs internationalised between two to three foreign countries. Regarding the frequency of new products introduced in

foreign countries, this study found that most SMEs introduce new products every one to two years. The result shows that SMEs were actively involved in international business.

Finally, regarding business performance profile, this study found most of the SMEs were having 0% to 25% of their sales growth, profitability growth and export growth since being involved in international business activities.

All in all, this study found the results were consistent with the criteria of SMEs that were involved in international markets as found in previous studies. Therefore, the 213 samples in this research are reliable and will be used in the inferential analysis to test the research hypothesis.



## Chapter 9: Inferential Data Analysis - Reliability and Hypotheses Testing

### 9.1 Introduction

This chapter discusses inferential data analysis from survey questionnaires of 218 respondents. The study conducted inferential data analysis in two stages. Within the first stage, a preliminary analysis regarding validity and reliability tests of all multi-dimensional research constructs was examined before testing the hypothesis. Within the second part, the study conducted multivariate regression, simple linear regression, structural equation modelling and one T-test for the hypotheses tests, which in turn, answered the research questions to meet the study aims. The study then discussed and interpreted the findings of the hypotheses within chapter 10.

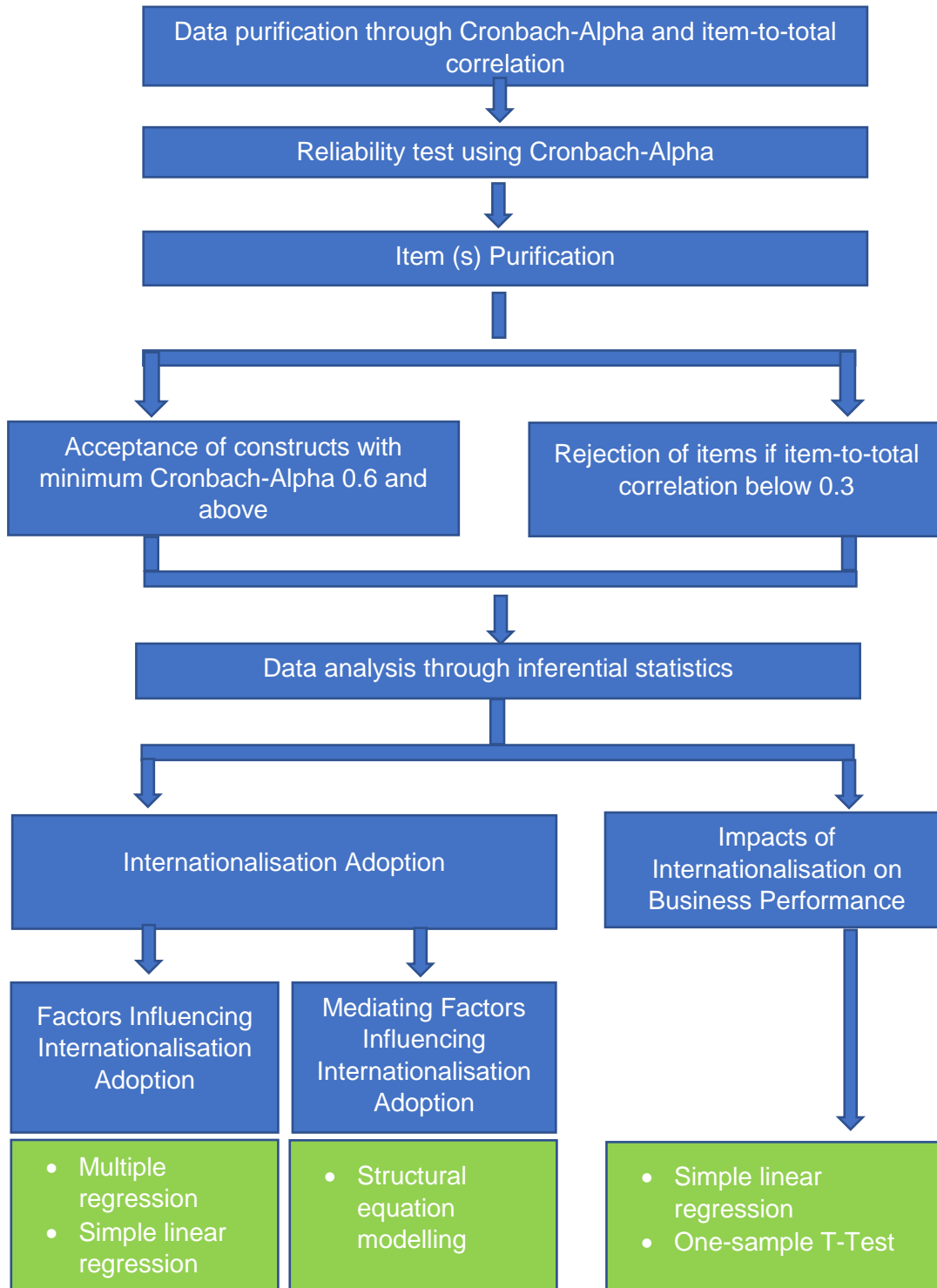
The study divided the process of hypotheses tests into two stages. Table 9.1 illustrates that the stages include the analysis of the potential factors impacting internationalisation adoption by Malaysian SMEs and the impact of internationalisation adoption on business performance of Malaysian SMEs.

The first stage of hypotheses tests concerned with the first and second research questions on investigating the factors that influence the internationalisation of Malaysian SMEs and investigating the mediating factors that influence internationalisation adoption. To answer the first research question, four statistical analyses models were developed to test the impact of factors related to entrepreneur/human capital, firm, environmental and ethical attributes on internationalisation adoption by Malaysian SMEs. These factors were tested differently in each model by using multiple and simple linear regression tests. Subsequently, to answer the second research question, Model 5 was developed to investigate the role of external related factors in mediating the relationship between internal factors and internationalisation adoption. The structural equation modelling was used to analyse Model 5.

The second stage of inferential analyses sought to answer the third question which relates to understanding the impacts of internationalisation adoption on Malaysian SMEs' business performance. Two types of performance measures were investigated

included financial and non-financial performance. The study deployed simple linear regression and one sample T-test to test the hypotheses at this stage. Figure 9.1 demonstrates the flow of inferential analysis processes.

**Figure 9. 1: Inferential Analysis Process**



**Source:** The steps is adopted from El-Gohary (2009)

Table 9.1 presents the items measuring each construct included in this study. The measures are based on the findings of the previous exploratory phase study and a synthesis of the literature review.

**Table 9. 1: The Different Measures Investigated in the Inferential Data Analysis**

Stage	Factors (constructs)
<p style="text-align: center;"><b>Internationalisation adoption stage</b></p>	<p><b><u>Entrepreneur/ human capital attributes:</u></b></p> <ul style="list-style-type: none"> <li>• Network relationship</li> <li>• Foreign market knowledge</li> <li>• International business vision</li> <li>• Entrepreneurial orientation</li> </ul>
	<p><b><u>Firm attributes:</u></b></p> <ul style="list-style-type: none"> <li>• The intensity of research and development (R&amp;D)</li> <li>• Internet and communication technology</li> <li>• Competitive advantage (e.g. products uniqueness, competitive price)</li> <li>• Human capital and management capability</li> <li>• Reputation and trust</li> <li>• Firm networks</li> </ul>
	<p><b><u>Environmental attributes:</u></b></p> <ul style="list-style-type: none"> <li>• Globalisation phenomena (e.g. improved transportation, ICT and FTA)</li> <li>• National export policy</li> <li>• Foreign countries policy</li> <li>• Institutional and financial actors</li> </ul>
	<p><b><u>Ethical attributes:</u></b></p> <ul style="list-style-type: none"> <li>• Perceived level of bribery in foreign markets.</li> <li>• Perceived level of internet fraud in foreign markets.</li> </ul>
<p style="text-align: center;"><b>Impacts of internationalisation on SMEs business performance</b></p>	<p><b><u>Financial measures:</u></b></p> <ul style="list-style-type: none"> <li>• Profitability growth</li> <li>• Sales growth</li> </ul>
	<p><b><u>Non-financial measures:</u></b></p> <ul style="list-style-type: none"> <li>• Efficiency performance</li> <li>• Knowledge performance.</li> <li>• The realisation of goals.</li> </ul>

**Source:** The researcher

## 9.2 The Results of Validity and Reliability Analyses

Four academics who are experts in the study area critically examined the proposed measures and the questionnaire to ensure face validity of the measurements, and to look at whether the instrument has adequately covered all the content that it should regarding the variables and constructs. As a result, the measures were corrected and refined as comments were received regarding the appropriateness of the measures in explaining the research constructs. For example, changes have been made on the measures explaining internationalisation adoption construct, where initially the measures were adopted from items that explain the degree of internationalisation (DOI) such as the scope of internationalisation, mode and percentage of international sales. Consequently, the study has changed the measures by ten appropriate items that explain the internationalisation adoption (refer to Chapter 7- Table 7.2).

The study then deployed a reliability coefficient test, specifically the internal consistency through Cronbach-Alpha and item-to-total correlation by using SPSS version 24 software (refer to Table 9.2). The reliability test was conducted to confirm consistency of measures, where participants were expected to measure all variables and constructs approximately the same responses in each survey questionnaire. A multi-items scale was developed in the questionnaire to measure participants' attitude toward their internationalisation behaviour (the multi items scale was presented in chapter 5). Internal consistency measures the consistency within the instrument, how well do the items or questions measure a variable or behaviour within the test (Pallant, 2010; Hair *et al.*, 2014). Furthermore, the reliability test measures how the various indicators correlate positively in explaining a construct within the study context. The study found Cronbach-Alpha values of all measures were above the general acceptable value 0.7, which ranged from .762 to .971. (e.g. Nunnally and Bernstein, 1994; Gliem and Gliem, 2003; Hair *et al.*, 2009; Hair *et al.*, 2014). Similarly, the study found the item-to-total correlation value of each item was at an acceptable level and ranged from 0.390 to 0.949. However, the study found only one measure regarding reputation and trust factor was in a questionable value 0.694. Nevertheless, the study included reputation and trust based on an argument by previous scholars who consider cut off score 0.6 as acceptable for early stages of hypothesised measure of a construct (e.g. Nunnally, 1967; George and Mallery, 2003; cited in Gliem and Gliem,

2003). Furthermore, Pallant (2010, p. 97) includes the variables that are established and validated scales even though the reliability value is less than 0.7. Removal of the items means this research cannot be compared with other studies (Pallant, 2010). Hence, the study included the reputation and trust variable based on the above justifications.

**Table 9. 2: Reliability Test for the Research Variables and Constructs**

Item code	Item	Item-to-total correlation first analysis	Cronbach's Alpha first analysis	Item-to-total correlation second analysis	Cronbach's Alpha second analysis
<b>A. Entrepreneur/ Human capital attributes</b>					
A1	Management networks.		.774		.774
A11	I have a good relationship with international customers.	.567		.567	
A12	I have a good relationship with suppliers.	.587		.587	
A13	I have a good connection with industrial bureaus.	.598		.598	
A14	I have a good connection with government officials in regulatory and supporting organisations.	.564		.564	
A2	Management foreign market knowledge.		.891		.891
A21	I do have knowledge about the needs of foreign customers.	.635		.635	
A22	I am knowledgeable about my foreign competitors.	.675		.675	
A23	I do have knowledge about channels of distribution in foreign markets.	.746		.746	
A24	I am skilful at determining foreign business opportunities.	.777		.777	
A25	I have a good understanding of the business foreign laws.	.774		.774	
A26	I am good in understanding foreign cultural norms.	.655		.655	
A3	Management international business vision.		.885		.885
A31	I am very interested in developing foreign business.	.739		.739	

A32	I believe internationalisation is essential to achieving business goals.	.805		.805	
A33	I believe the company has to develop foreign business in order to succeed in the future.	.800		.800	
A34	I believe the most attractive business opportunities lie in foreign markets.	.667		.667	
A4	Management entrepreneurial orientation.		.865		.865
A41	I introduce new management techniques to improve efficiency.	.636		.636	
A42	I emphasize the pursuit of long-term goals and strategies to company employees.	.714		.714	
A43	I am ready to undertake high-risk projects.	.663		.663	
A44	I consider taking calculated risks.	.737		.737	
A45	I believe taking bold and wide-ranging decisions based on the nature of the environment is necessary to achieve the firm's objectives.	.689		.689	
<b>B. Firm attributes</b>					
B1	The intensity of research and development (R&D).		.781		.781
B11	R&D is very important as our industry involves fast product life cycle (e.g. ICT products).	.600		.600	
B12	We are concerned with the development of new products to compete in international markets.	.554		.554	
B13	We employ scientists, engineers, consultants and/or researchers to support new product developments.	.654		.654	
B14	We invest in advanced technology/ equipment to develop new products.	.551		.551	
B2	Internet and telecommunication technology.		.841		.841

B21	My firm uses internet applications to acquire foreign market knowledge.	.675		.675	
B22	We use the internet to promote our products/ services to foreign customers.	.709		.709	
B23	We use the internet to communicate and maintain relationship with our international customers (e.g. customer service supports and personal email).	.771		.771	
B24	Our company has a well-maintained website to attract international customers.	.587		.587	
B3	Competitive advantage.		.784		.784
B31	Customers are generally satisfied with our products' quality.	.650		.650	
B32	The price of our products are very competitive.	.709		.709	
B33	We do constant product innovation to meet the market needs.	.664		.664	
B34	Our product is not widely available from international competitors.	.390		.390	
B35	We have a regular flow of unexpected enquiries/ orders from overseas customers.	.444		.444	
B4	Human capital and management capability.		.858		.858
B41	Most of our employees have strong technical skills (e.g. products designer and manufacturing operators).	.636		.636	
B42	We have a good number of experienced employees in international markets.	.669		.669	
B43	We can train our employees in terms of international customers handling skills and culture awareness.	.755		.755	
B44	We have a highly skilled management team.	.752		.752	
B5	Reputation and trust.		.694		.694

B51	My firm establishes its credibility with international clients from the first order.	.490		.490	
B52	We offer free products warranty and return services when there is no satisfaction.	.515		.515	
B53	We take responsibility of our product's safety.	.551		.551	
B54	Our products/ services are certified by international certifications (e.g. ISO, HACCP, and GMP).	.440		.490	
B6	Firm's networks.		.830		.830
B61	Customers.	.558		.558	
B62	Suppliers.	.562		.562	
B63	Competitors.	.473		.473	
B64	Government policy makers.	.636		.636	
B65	Industry-based associations.	.616		.616	
B66	Trade associations/ agencies/ focal supplier.	.656		.656	
B67	Financial institutions (e.g. banks).	.551		.551	
<b>C. Environmental attributes</b>					
C1	Globalisation phenomena.		.787		.787
C11	Relaxed foreign markets regulation accelerates my firm's internationalisation.	.431		.431	
C12	Information, communication technology advancement promotes my firm's internationalisation.	.663		.663	
C13	Improved transportation channels influence my firm's export acceleration.	.662		.662	
C14	We prefer foreign countries with low-cost factors of production.	.532		.532	
C15	We target countries with potential growing markets (e.g. high number of population with strong buying power).	.590		.590	
C2	National export policy.		.853		.853
C21	We use export incentives of Malaysian government for internationalisation (e.g. R&D, branding and packaging grants, seminars	.709		.709	



	for potential exporters, etc.).				
C22	We use financial supports by the Malaysian government to internationalise.	.757		.757	
C23	We use foreign promotion programmes sponsored by the Malaysian government to internationalise.	.795		.795	
C24	Exchange rates stabilisation by Malaysia government encourages us to internationalise.	.531		.531	
C3	Foreign country policy.		.762		.762
C31	We prefer to go to countries that have reduced tariffs.	.545		.545	
C32	We prefer to go to countries with easy product regulations.	.584		.584	
C33	We prefer countries with weak currency (decline in value of currency).	.482		.482	
C34	We prefer to go to Malaysia's free trade agreements (FTA) partner countries.	.645		.645	
C4	Institutional and financial actors.		.784		.784
C41	Malaysian banks (e.g. Exim Bank) provide financial assistance to our company for internationalisation.	.547		.547	
C42	We benefit from government-linked financial institutions (e.g. MARA, TEKUN and SME Corp) to internationalise.	.624		.624	
C43	We seek foreign market knowledge from overseas Malaysian banks (e.g. CIMB Bank).	.631		.631	
C44	We benefit from government institutions (e.g. MATRADE and MIDA) to acquire foreign market knowledge.	.565		.565	
<b>D. Ethical attributes</b>					
D1	Perceived level of bribery in foreign markets.		.971		.971
D11	Firms in my industry pay unofficial payments if it	.533		.533	

	does not affect business performance and profitability.				
D12	...facilitate ease interaction in foreign markets.	.910		.910	
D13	...get licenses or permits to expand or operate a foreign business.	.936		.936	
D14	...deal with the settlement of taxes.	.944		.944	
D15	...gain government contracts.	.935		.935	
D16	...deal with customs services.	.939		.939	
D17	...deal with court or judges.	.949		.949	
D18	...deal with law enforcement agencies.	.940		.940	
D2	Perceived level of internet fraud in foreign markets.		.815		
D21	We always refer to international corruption index before involving in any foreign markets to avoid extra, unofficial payments.	.696		.696	
D22	We avoid going to foreign markets with a high index of counterfeiting.	.804		.804	
D23	We do not go to foreign markets with a high index of internet fraud.	.655		.655	
D24	Paying extra, unofficial payments significantly impacts on firm's entry mode in foreign markets either direct exporting (non-equity based), joint venture (equity-based) or foreign direct investment (equity-based).	.413		.413	
<b>E. Internationalisation Adoption</b>			.921		.921
E1	Internationalisation allows us to diversify our market.	.674		.674	
E2	Diversifying from Malaysian market permits us to spread the risk.	.661		.661	
E3	Internationalisation promotes our company's growth.	.743		.743	
E4	Substitution of production in foreign countries reduces our cost of production.	.551		.551	

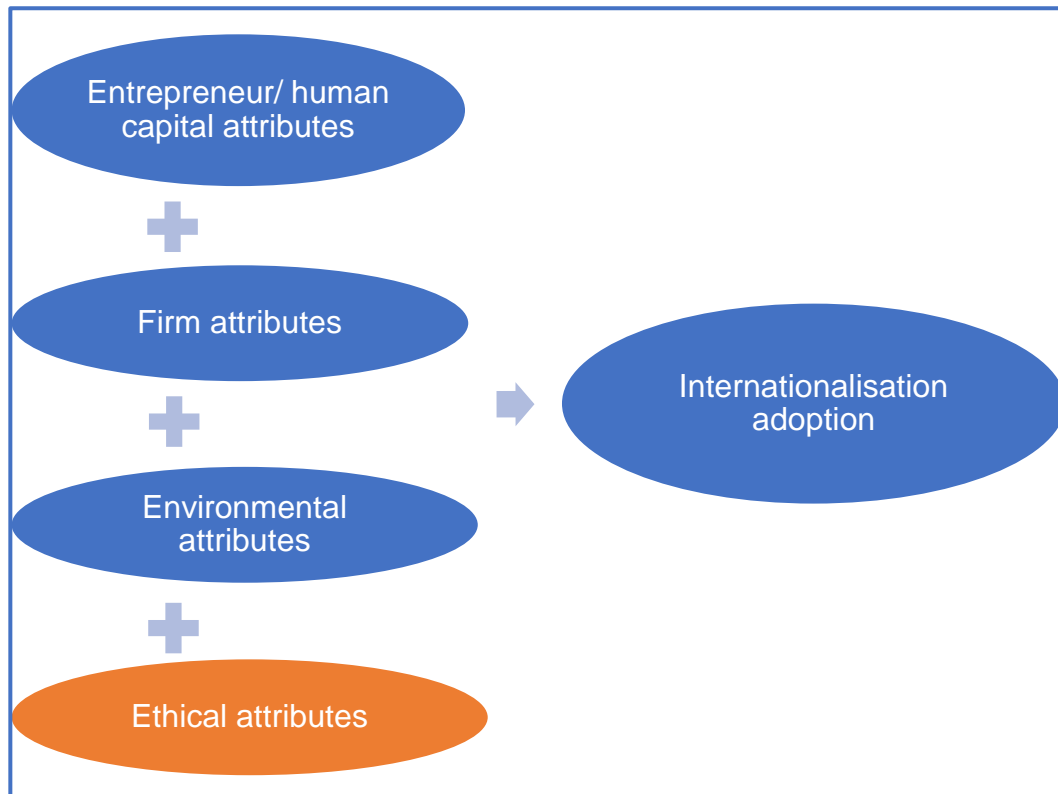
E5	Internationalisation increases our social value and status.	.726		.726	
E6	Internationalisation is a possible solution to problems in the domestic market.	.750		.750	
E7	The more foreign markets we are involved, the more sales revenue we achieve.	.778		.778	
E8	Internationalisation increases our company's goodwill.	.719		.719	
E9	Internationalisation supports us to avoid saturation in the local market.	.767		.767	
E10	Internationalisation enables us to maximise our current production capacity.	.748		.748	
<b>F. Financial Performance Measures</b>					
F1	Profit performance.		.913		.913
F11	Total firm's profitability growth.	.700		.700	
F12	Profit from international operations as a percentage of total profit.	.846		.846	
F13	Gross profit margin.	.864		.864	
F14	Net profits from international operations.	.805		.805	
F2	Sales performance.		.905		.905
F21	Total firm's sales growth relative to industry average.	.762		.762	
F22	International sales as a percentage of total sales.	.805		.805	
F23	Level of market share in our foreign markets.	.802		.802	
F24	Number of our new market entry.	.780		.780	
<b>G. Non-Financial Performance Measures</b>					
G1	Knowledge performance.		.936		.936
G11	Foreign marketing know-how.	.867		.867	
G12	Technical knowledge (e.g. production and transportation).	.858		.858	
G13	International knowledge (e.g. foreign culture, foreign market demands).	.847		.847	

G14	New ideas about products, services, and business methods.	.831		.831	
G15	Enhancement of the company's managerial capabilities as a result of internationalisation.	.743		.743	
G2	Efficiency performance.		.882		.882
G21	Gaining access to lower cost or better value factors of production.	.662		.662	
G22	Enhancement of the company's production as a result of internationalisation.	.780		.780	
G23	Developing economies of scale in production costs.	.821		.821	
G24	Confronting international and local competitors more effectively.	.716		.716	
G3	Realisation of goals.		.855		.855
G31	Enhancement of the company's brand image and reputation both domestically and internationally.	.701		.701	
G32	Longevity and sustainability in foreign market.	.824		.824	
G33	Overall success in international market.	.666		.666	

### 9.3 Internationalisation Adoption

The study aims to extend the integrative model for understanding factors influencing internationalisation of SMEs in Malaysia. Within the internationalisation adoption stage, the statistical analyses for the purified data resulting from the data purification process were conducted in five models. Within these models, the relationship (covariation) between factors influencing internationalisation of SMEs (independent variables) with internationalisation adoption (dependent variable) were tested statistically. The independent variables included entrepreneurial/ human capital related factors, firm, environmental, and the newly extended factor within this study field which relates to ethical attributes. Figure 9.2 depicts the dependent and independent variables in the analysis of internationalisation adoption stage.

**Figure 9. 2: An Extended Integrative Model of Understanding Internationalisation Adoption by Malaysian SMEs**



**Source:** The researcher

The first model analysed the relationship between entrepreneurial/ human capital attributes and internationalisation adoption. The extended variables explaining this factor was the management entrepreneurial orientation factor which has never been tested in a Malaysia study context. Furthermore, this study investigated the items regarding management networks, foreign market knowledge, and international management outlook as these factors were studied in a different research context (mainly related to manufacturing industry research context in previous studies). For example, the research conducted by Andersson *et al.* (2004) and Ismail and Kuivalainen (2015).

The second stage was the analysis of the relationship between firm attributes and internationalisation adoption. The purified variables within this factor include the intensity of R&D; internet and communication technology; competitive advantage; human capital and management capability; reputation and trust; firm's networks. The

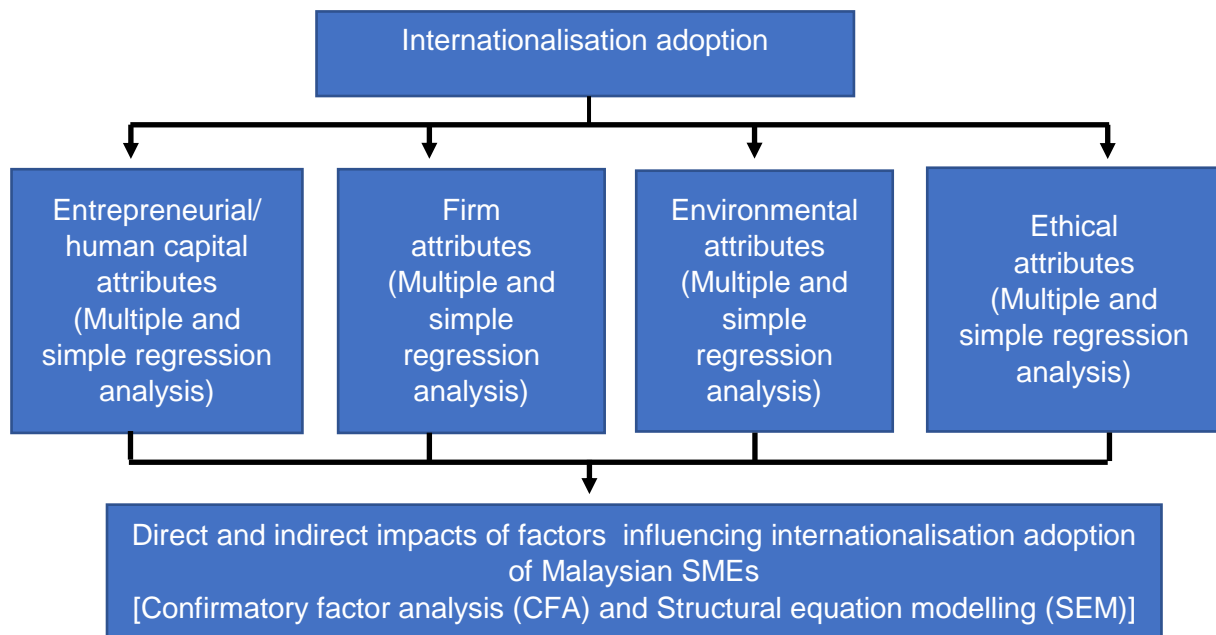
study extended two new variables which are the intensity of R&D; and human capital and management capability.

The third stage was concerned with the analysis of the relationship between environmental attributes and the adoption of internationalisation. The purified variables from the exploratory study within this factor include globalisation phenomena; national export policy; foreign countries policy; and institutional and financial actors. Within these variables above, foreign countries policy is a new variable tested in Malaysia context. Also, other variables within this stage were re-examined due to the different context of study in previous research (Chelliah *et al.*, 2010).

The fourth stage was concerned with the analysis of the relationship between extended factors related to ethical attributes. The variables explaining the factor include perceived the level of bribery in foreign markets and perceived the level of internet fraud in foreign markets. These factors were purified in the exploratory study due to high consensus in the interviews conducted. The analyses were conducted through multiple regression and simple linear regression.

Finally, the study conducted a more comprehensive statistical test by combining all the individual factors in measuring the relationship to internationalisation adoption. The aim is to understand the integration of these variables in influencing internationalisation behaviour of Malaysian SMEs and to understand the role of external variables (including environmental and ethical attributes) in mediating the relationship between internal factors and internationalisation adoption. Hence, the study deployed path analysis in SEM by using AMOS software version 24 to measure the direct and indirect relationship of these variables in influencing Malaysian SMEs' internationalisation adoption. Figure 9.3 presents the statistical analysis stages and tools used within the first stage of inferential analysis.

**Figure 9. 3: Statistical Analysis Stages and Techniques Used in Internationalisation Adoption Analysis**



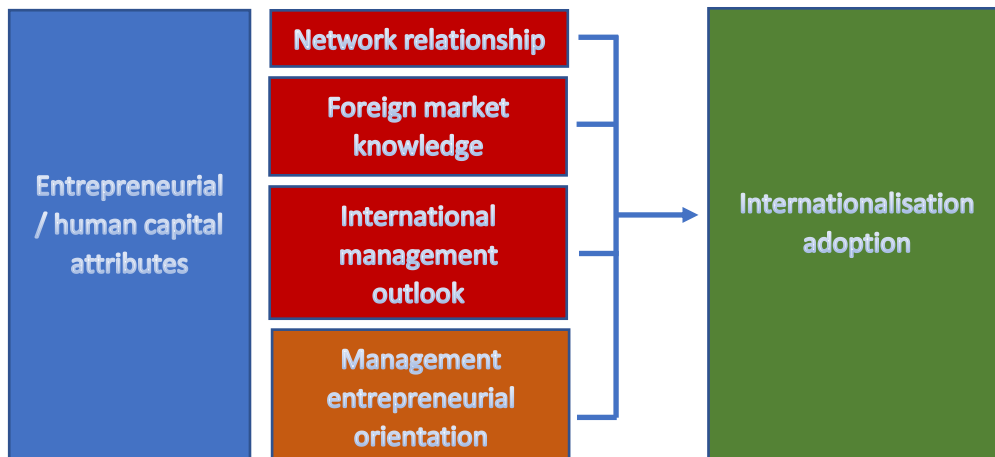
**Source:** The researcher

Each of these analyses stages generated a hypothesis test model which in turn answered the research questions and met the aims and objectives. The hypotheses test within these statistical models is explained in the following sub-topics.

### 9.3.1 Model 1: Entrepreneurial/ Human Capital Attributes Influencing the Internationalisation of Malaysian SMEs

Within the entrepreneur/ human capital related factors, a set of sub-scales including management network relationship; foreign market knowledge; international management outlook; and management entrepreneurial orientation were examined on the impact to internationalisation adoption by Malaysian SMEs. The framework for model 1 is illustrated in Figure 9.4.

**Figure 9. 4: Model 1: Impacts of Entrepreneurial/ Human Capital Attributes on Internationalisation Adoption by Malaysian SMEs.**



**Source:** The researcher

Based on the theoretical framework above, the following Table 9.3 illustrates hypotheses conducted to examine the impact of entrepreneurial/ human capital attributes on internationalisation adoption by Malaysian SMEs.

**Table 9. 3: Hypotheses Related to Impacts of Entrepreneur/ Human Capital on International Adoption by Malaysian SMEs.**

	Hypotheses
H1A	Internationalisation by Malaysian SMEs is dependent on the entrepreneurs/ human capital network relationship.
H1B	Internationalisation of Malaysian SMEs is dependent on the entrepreneur/ human capital foreign market knowledge.
H1C	Internationalisation of Malaysian SMEs is dependent on the international business vision of the entrepreneur/ human capital.
H1D	Internationalisation of Malaysian SMEs is dependent on the management entrepreneurial orientation.

The hypotheses were tested using multiple regression techniques to explore the relationship of internationalisation adoption (dependent variable) and independent variables related to entrepreneur/ human capital attributes.



### 9.3.1.1 Hypotheses Testing Procedures

Hypotheses play a major role in answering the research questions and meeting aims and objectives. To test hypotheses, the research followed five steps, namely: i) identifying the appropriate statistical techniques to be used; ii) determining and identifying the rejection region by looking up the critical value in the appropriate table; iii) calculating the statistical test; iv) drawing conclusion whether rejecting or accepting the null hypothesis; and v) interpreting the result (El-Gohary, 2009).

Regarding statistical techniques used to test the hypotheses, this research determined linear regression and multiple regression techniques appropriate to examine the relationship (covariation) between one dependent variable (international adoption) and sets of independent variables related to factors influencing internationalisation of SMEs. Furthermore, the research determined SEM is the most appropriate technique to explore the direct and indirect impact of the independent variables in impacting on the dependent variable (internationalisation adoption).

### 9.3.1.2 Multiple Regression Analysis

Multiple regression is one of the statistical techniques used to explore the relationship between a dependent variable and some independent variables or predictors. Within the analysis of internationalisation adoption stage in this research, the study attempted to predict how well a set of subscales on entrepreneur, firm, environmental, and ethical attributes can predict internationalisation adoption of Malaysian SMEs. According to Pallant (2010. P, 148), *“multiple regression will provide information about the model as a whole (all subscales) and the relative contribution of each of the variables that make up the model (individual subscales).”*

Multiple regression was calculated according to the following equation:

$$y = b_0 + b_1x_1 + b_2x_2 \dots + b_kx_k + \epsilon$$

Where:

- Y = the predicted value of the dependent variable
- $b_0$  = the y-intercept, the value of y when all  $X_s = 0$
- x = the various independent variables
- $\beta_{1 \dots k}$  = various independent variables to prediction of the dependent variable
- $\epsilon$  = Standard error of the estimates

Based on the equation above, the realistic value of Y can be calculated by obtaining the value of independent variables or Beta coefficient ( $\beta_{1\dots k}$ ). Beta is the average amount the dependent variable increases when the independent variable increases by one standard deviation while the other independent variables are held constant. For evaluation through SPSS, the Beta value is always referred to unstandardized coefficient value. Where 'Standardised' means that these values for each of the different variables have been converted to the same scale so that the contributions of every variable can be compared. Hence, Pallant (2010) proposed to refer to the standardised Beta coefficient to know which of the independent variables included in the model contributed to the prediction of the dependent variable.

Previous researchers within the research area used analysis of variance (ANOVA) to assess the statistical significance of the model as a whole by evaluating the contribution of independent variables on the dependent variable (Chelliah *et al.*, 2010; Pallant, 2010; El-Gohary 2009). Furthermore, the F-test is used to examine the null hypothesis. Similar to other social science statistical tests, the usual cut-off point is the model should be significant at the minimum 0.05 (Pallant, 2010).

Moreover, to avoid redundancy of variables included in the study, multicollinearity test was examined. Multicollinearity happens when independent variables are highly correlated of each other at the level of 0.9 and above, while singularity exists when the independent variables are perfectly correlated. Hence, the study tested multicollinearity through tolerance and Variance Inflation Factor (VIF) tool. VIF is an index which measures how much the variance of a coefficient (square of the standard variation) is increased.

According to Hair *et al.* (2009) and Hair *et al.* (2014), to obtain a good generalizable research result, sample size or number of cases in the research should be appropriate. For multiple regression, Stevens (1996, p. 72; c.f. Pallant, 2010, p. 150) proposes in social sciences study, about 15 participants per independent variable is needed for a reliable equation. Conversely, Tabachnick and Fidell (2007, p. 201) proposed a formula for calculating appropriate sample size in research so that the results can be generalised. The formula is  $N > 50 + 8m$ , where m is the number of independent variables (Pallant, 2010). Based on the formula by Tabanick and Fidell (2007), this

research should acquire a minimum 170 cases since the number of independent variables is 15 (as shown on the research framework in Chapter 7). Hence, this requirement has been met since the final usable data in this research was 218 cases.

### 9.3.1.3 Result of Hypotheses Testing

The research conducted multiple regression to evaluate the relationship between factors related to entrepreneur/ human capital attributes and internationalisation adoption of Malaysian SMEs. The following equation describes Model 1:

$$\text{Internationalisation adoption} = \text{Constant} + \beta_1 \text{ Management network relationship (H1A)} + \beta_2 \text{ Management foreign market knowledge (H1B)} + \beta_3 \text{ Management international business vision (H1C)} + \beta_4 \text{ Management entrepreneurial orientation (H1D)} + \varepsilon$$

The independent variables related to entrepreneur/ human capital attributes and dependent variable were entered simultaneously in a single block. The model was found statistically fit, which showed a percentage of 36% of the independent variables explaining the internationalisation adoption of Malaysian SMEs. Table 9.4 illustrates that while R-value was 60%, R<sup>2</sup> was 37% and followed by adjusted R<sup>2</sup> 36%. Thus, management network relationship, management foreign market knowledge, management international business vision and management entrepreneur orientation explain internationalisation adoption by Malaysian SMEs in a good way.

**Table 9. 4: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the estimate
1	.606 <sup>a</sup>	.367	.355	4.31004

a. **Predictors (Constant):** Management network relationship, management foreign market knowledge, management international business vision, management entrepreneur orientation.

b. **Independent variable:** Internationalisation adoption.

The study then tested the corresponding null hypothesis that there is no linear relationship between the dependent variable (internationalisation adoption) and independent variables (management network relationship, management foreign

market knowledge, management international business vision, management entrepreneur orientation) through analysis of variance (ANOVA). Table 9.5 demonstrates that the model shows a significant level (F value = 30.886, P < 0.001) of independent variables influence internationalisation of Malaysian SMEs.

**Table 9. 5: Summary of ANOVA Results**

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	2295.034	4	573.758	30.886	.000 <sup>b</sup>
	Residual	3956.780	213	18.576		
	Total	6251.814	217			

- a. **Predictors (Constant):** Management network relationship, management foreign market knowledge, management international business vision, management entrepreneur orientation.  
 b. **Independent variable:** Internationalisation adoption.

The study then evaluated null hypothesis through partial coefficient analysis to understand which of the variables included in the Model 1 contributed to the prediction of the dependent variable. T statistic and the observed significant level (P value) were used in the statistical technique (refer to Table 9.6).

**Table 9. 6: Result of Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tol	VIF
1	(Constant)	14.429	2.427		5.945	.000		
	Management network relationship.	-.040	.200	-.014	-.200	.842	.618	1.618
	Management foreign market knowledge.	.075	.107	.049	.706	.481	.624	1.602
	Management international business vision.	1.072	.173	.432	6.197	.000	.612	1.634
	Management entrepreneur orientation.	.469	.154	.227	3.051	.003	.538	1.858

- a. **Dependent variable:** Internationalisation adoption

Table 9.6 reveals that the study safely rejected the null hypothesis that the coefficient related for management international business vision ( $B= 0.432$ ,  $t= 6.197$ ,  $p< 0.001$ ) and management entrepreneur orientation ( $B= 0.227$ ,  $t= 3.051$ ,  $p< 0.05$ ) were equal to zero. However, the study accepted the null hypothesis of management network relationship ( $B= -0.14$ ,  $t= -0.200$ ,  $p> 0.05$ ) and management foreign market knowledge ( $B= 0.049$ ,  $t= 0.706$ ,  $p> 0.05$ ) since these factors do not contribute significantly to internationalisation adoption of Malaysian SMEs. The Beta weights show that the most influential factor within entrepreneur/ human capital attributes is management international business vision ( $B= 0.432$ ), followed by management entrepreneurial orientation ( $B= 0.227$ ), management foreign market knowledge ( $B= 0.049$ ) and management network relationship ( $B= -0.014$ ). Moreover, the result satisfies multicollinearity results with each variable accounting for a VIF of between 1.602 and 1.858 (refer to Table 9.5).

In response to the result of the non-significant contribution of management network relationship and management market knowledge on the independent variable (internationalisation adoption), this study conducted linear regression on each of the independent variables to confirm the individual relationship findings. Furthermore, the test is appropriate to be conducted since the study data were collected through a five-point Likert scale (e.g. Javalgi *et al.*, 2003; Fink and Kraus, 2007). Table 9.7 shows the results of simple regression on the independent variables.

**Table 9. 7: Result of Simple Regression Analysis on Management Network, Management Foreign Market Knowledge and Internationalisation Adoption**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R square</b>	<b>Std. Error of the estimates</b>
Management network relationship	.332	.110	.106	5.07467
Management foreign market knowledge	.309	.096	.091	5.11621

Table 9.7 presents the R-value for management network relationship is 0.332, followed by  $R^2= 0.110$  and adjusted  $R^2= 0.106$ . The result infers that management network relationship explains 10% of the total observed variation in internationalisation

adoption. Similarly, the R-value for management foreign market knowledge is 0.309, followed by  $R^2= 0.96$ , and adjusted  $R^2= 0.091$ , given the fact that 9% of the total observed variation in internationalisation adoption is explained by management foreign market knowledge.

Table 9.8 shows the significant statistical contribution of the variables through ANOVA test. The F value for management network relationship is 26.768 and the ‘Sig.’ column shows a unique statistically contribution of network relationship on internationalisation since the observed significance level (P-value) is less than 0.001 and 0.05. Similarly, the F value for foreign market knowledge is 22.841 and ‘Sig.’ column depicts that foreign market knowledge contributes significantly to Malaysian SMEs internationalisation  $P < 0.001$ .

**Table 9. 8: Result of Testing the Equivalent Null Hypothesis (ANOVA) on Management Network Relationship and Management Market Knowledge**

Model		Sum of squares	df	Mean square	F	Sig.
Management network relationship	Regression	689.330	1	689.330	26.768	.000 <sup>b</sup>
	Residual	5562.483	216	25.752		
	Total	6251.814	217	689.330		
Management foreign market knowledge	Regression	597.878	1	597.878	22.841	.000 <sup>b</sup>
	Residual	5653.935	216	26.176		
	Total	6251.814	217			

**Dependent variable:** Internationalisation adoption

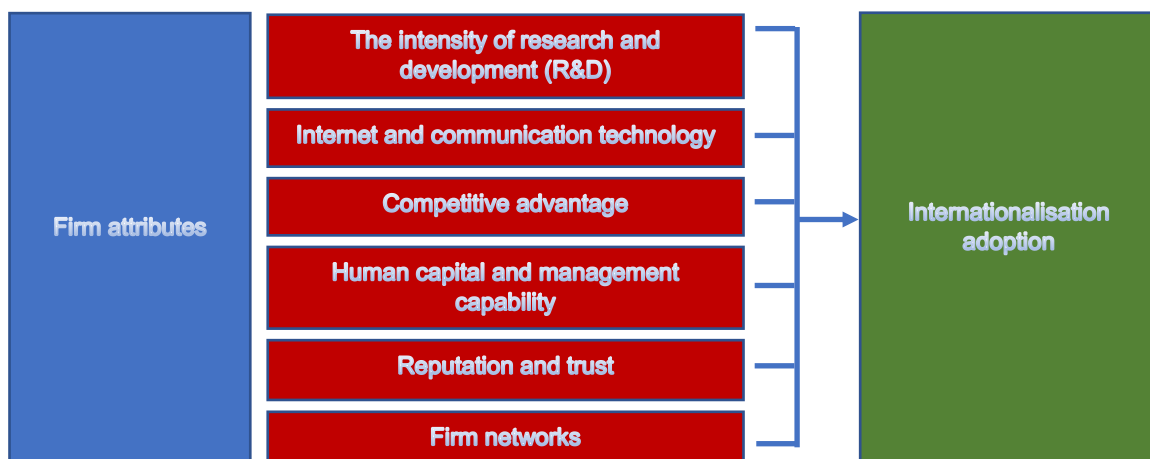
Based on the linear regression test result on management network relationship and management foreign market knowledge, this study concludes that there is an overshadowed among variables in the previous multiple regression analysis. Hence, the final results of hypotheses tested in Model 1 are summarised in Table 9.9.

**Table 9. 9: Outcomes of the Hypotheses Test in Model 1**

Hypotheses		Results
H1A	Internationalisation by Malaysian SMEs is dependent on the entrepreneurs/ human capital network relationship.	<b><i>Accepted</i></b>
H1B	Internationalisation of Malaysian SMEs is dependent on the entrepreneur/ human capital foreign market knowledge.	<b><i>Accepted</i></b>
H1C	Internationalisation of Malaysian SMEs is dependent on the management international vision.	<b><i>Accepted</i></b>
H1D	Internationalisation of Malaysian SMEs is dependent on the management entrepreneurial orientation.	<b><i>Accepted</i></b>

9.3.2 Model 2: Firm Attributes Influencing the Internationalisation of Malaysian SMEs  
 Within Model 2, the study investigated the impacts of firm attributes on internationalisation of Malaysian SMEs. The subscales measured include the intensity of research and development (R&D), internet and communication technology, competitive advantage, human capital and management capability, reputation and trust, and firm networks. The framework of statistical analysis for Model 2 is illustrated in the following Figure 9.5

**Figure 9. 5: Model 2: Analyses on Impacts of Firm Attributes on Internationalisation of Malaysian SMEs**



Based on the above framework model in Figure 9.5, this study constructed hypotheses to understand the roles of factors related to firm attributes on internationalisation adoption of Malaysian SMEs. The hypotheses are delineated in Table 9.10

**Table 9. 10: Hypotheses Related to Impacts of Firm Attributes on International Adoption by Malaysian SMEs**

Hypotheses	
H2A	Internationalisation of Malaysian SMEs is dependent on the firm intensity of research and development (R&D) capability.
H2B	Internationalisation of Malaysian SMEs is dependent on the internet and communication technology.
H2C	Internationalisation of Malaysian SMEs is dependent on the firm competitive advantage.
H2D	Internationalisation of Malaysian SMEs is dependent on the firm human capital and management capability.
H2E	Internationalisation of Malaysian SMEs is dependent on the firm reputation and trust.
H2F	Internationalisation of Malaysian SMEs is dependent on the firm's network.

The hypotheses in Model 2 had been examined by multiple regression in SPSS software version 24.

### 9.3.2.1 Result of Hypotheses Testing

In response to the study's aim to conduct the variable relationship test through multiple regression, the statistical test for Model 2 can be illustrated using the following equation:

$$\text{Internationalisation adoption} = \text{Constant} + \beta_1 \text{ the intensity of research and development (R\&D) (H2A)} + \beta_2 \text{ internet and communication technology (H2B)} + \beta_3 \text{ competitive advantage (H2C)} + \beta_4 \text{ human capital and management capability (H2D)} + \beta_5 \text{ reputation and trust (H2E)} + \beta_6 \text{ firm networks (H2F)} + \varepsilon$$

The study entered all the variables in a single block to test the hypotheses. It was found that the combination of all variables explained the model in an acceptable way. Table 9.11 reveals that 19% of the observed variation in internationalisation adoption is explained by the six variables related to firm attributes ( $R = 0.464$ ,  $R^2 = 0.215$ , Adjusted  $R^2 = 0.193$ ).



**Table 9. 11: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the estimate
1	.464 <sup>a</sup>	.215	.193	4.82185

- a. **Predictors (Constant):** the intensity R&D, internet and communication technology, competitive advantage, human capital and management capability, reputation and trust, firm networks.
- b. **Independent variable:** Internationalisation adoption.

To assess the statistical significance of the result, the study examined the null hypothesis that there is no linear relationship between dependent variable (internationalisation adoption) and independent variables related to firm attributes. This process was conducted using analysis of variance ANOVA. Table 9.12 reproduces the result of ANOVA analysis and shows a statistical significance contribution of the firm attributes on internationalisation adoption by Malaysian SMEs (F= 9.649, P< 0.001).

**Table 9. 12: Summary of ANOVA Results**

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	1346.014	6	224.336	9.649	.000 <sup>b</sup>
	Residual	4905.800	211	23.250		
	Total	6251.814	217			

- a. **Predictors (Constant):** the intensity of research and development (R&D), internet and communication technology, competitive advantage, human capital and management capability, reputation and trust, firm networks.
- b. **Independent variable:** Internationalisation adoption.

The research conducted null hypotheses test of partial regression coefficient to understand which of the variables included in the model contributed to the prediction of the dependent variable (internationalisation adoption). T-statistics and its observed significance level were observed in the regression coefficients table. The results are shown in the Table 9.13.

**Table 9. 13: Result of Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tol	VIF
2	(Constant)	17.803	2.971		5.992	.000		
	The intensity of research and development (R&D).	.110	.180	.046	.614	.540	.653	1.530
	Internet and communication technology.	.232	.200	.090	1.161	.247	.618	1.617
	Competitive advantage.	.656	.188	.318	3.494	.001	.450	2.222
	Human capital and management capability.	-.185	.191	-.081	-.966	.335	.534	1.872
	Reputation and trust.	.104	.223	.042	.469	.640	.464	2.155
	Firm networks.	.226	.113	.141	2.010	.046	.759	1.318

- a. **Predictors (Constant):** the intensity of research and development (R&D), internet and communication technology, competitive advantage, human capital and management capability, reputation and trust, firm networks.
- b. **Independent variable:** Internationalisation adoption.

Table 9.13 reveals that the researcher can safely reject the null hypotheses that the coefficient for competitive advantage ( $B= 0.318$ ,  $t= 3.494$ ,  $p < 0.05$ ) and firm networks ( $B= 0.141$ ,  $t= 2.010$ ,  $p < 0.05$ ) are equal to zero. Hence, the result shows that there is a significant contribution of the variables on internationalisation adoption of Malaysian SMEs. Furthermore, multicollinearity for all variables was observed at an acceptable level. Table 9.13 illustrates that the column tolerance shows average value is between 0.450 and 0.759, while VIF value ranging from 1.318 to 2.222. The minimal result shows that there is no multicollinearity in the model, which in turn produces a good regression model (Pallant, 2010, p. 151).

However, the null hypotheses on other variables in Model 2 was accepted including the intensity of research and development ( $B= 0.046$ ,  $t= 0.614$ ,  $p > 0.05$ ), internet and communication technology ( $B= 0.090$ ,  $t= 1.161$ ,  $p > 0.05$ ), human capital and management capability ( $B= -0.081$ ,  $t= -0.966$ ,  $p > 0.335$ ), and reputation and trust ( $B= 0.042$ ,  $t= 0.469$ ,  $p > 0.640$ ). Thus, these variables do not contribute significantly to

internationalisation of Malaysian SMEs. The result presents the strongest predictor to internationalisation of Malaysian SMEs is competitive advantage (B= 0.318), followed by firm networks (B= 0.141). Table 9.14 depicts the result of hypotheses regarding the relationship of factors related to firm attributes and internationalisation adoption.

**Table 9. 14: Outcomes of the Hypotheses Test in Model 2**

<b>Hypotheses</b>		<b>Results</b>
H2A	Internationalisation of Malaysian SMEs is dependent on the firm intensity of research and development (R&D) capability.	<b><i>Rejected</i></b>
H2B	Internationalisation of Malaysian SMEs is dependent on the internet and communication technology.	<b><i>Rejected</i></b>
H2C	Internationalisation of Malaysian SMEs is dependent on the firm competitive advantage.	<b><i>Accepted</i></b>
H2D	Internationalisation of Malaysian SMEs is dependent on the firm human capital and management capability.	<b><i>Rejected</i></b>
H2E	Internationalisation of Malaysian SMEs is dependent on the firm reputation and trust.	<b><i>Rejected</i></b>
H2F	Internationalisation of Malaysian SMEs is dependent on the firm's network.	<b><i>Accepted</i></b>

Although the hypotheses for intensity of research and development (R&D), internet and communication technology, human capital and management capability, and reputation and trust are rejected, this study conducted a linear regression analysis on each factor to support this finding (refer to Table 9.15). Moreover, the linear regression test was conducted to determine the importance of each independent variables to the dependent variable (internationalisation adoption).

**Table 9. 15: Result of Simple Regression Analysis on the Intensity of Research and Development (R&D), Internet and Communication Technology, Human Capital and Management Capacity, Reputation and Trust**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R square</b>	<b>Std. Error of the estimates</b>
The intensity of research and development (R&D)	.281 <sup>a</sup>	.079	.075	5.16286
Internet and communication technology	.310 <sup>a</sup>	.096	.092	5.11433
Human capital and management capability	.238 <sup>a</sup>	.057	.052	5.22487
Reputation and trust	.315 <sup>a</sup>	.099	.095	5.10647

a. **Independent variable:** Internationalisation adoption.

Table 9.15 reveals that the adjusted R<sup>2</sup> value (ranged from 5.2% to 9.5%) for all variables shows some explanation to the observed variance on dependent variables (internationalisation adoption). To confirm the statistical significance of the variables relationship, ANOVA analysis was used (refer to Table 9.16). Surprisingly, the linear regression analysis shows all the independent variables have a significant contribution to the internationalisation adoption by Malaysian SMEs. The study suggests that the independent variables were overshadowed by other variables when all variables were entered in a single block.

**Table 9. 16: Result of Testing the Equivalent Null Hypothesis (ANOVA)**

Model		Sum of squares	df	Mean square	F	Sig.
The intensity of research and development (R&D).	Regression	494.303	1	494.303	18.544	.000 <sup>b</sup>
	Residual	5757.511	216	26.655		
	Total	6251.814	217			
Internet and communication technology.	Regression	602.028	1	602.028	23.016	.000 <sup>b</sup>
	Residual	5649.785	216	26.156		
	Total	6251.814	217			
Human capital and management capability.	Regression	355.163	1	355.163	13.010	.000 <sup>b</sup>
	Residual	5896.650	216	27.299		
	Total	6251.814	217			
Reputation and trust.	Regression	619.392	1	619.392	23.753	.000 <sup>b</sup>
	Residual	5632.422	216	26.076		
	Total	6251.814	217			

**Dependent variable:** Internationalisation adoption

Table 9.16 reproduces the result of linear regression confirms that all variables related to firm attributes have a significant relationship to the internationalisation adoption by Malaysian SMEs. Thus, the study suggests that there is an overshadow among the variables when entered in a single block in multiple regression analysis.

### 9.3.3 Model 3: Environmental Attributes Influencing the Internationalisation of Malaysian SMEs

Within Model 3, the study investigated the impacts of environmental attributes on internationalisation of Malaysian SMEs. The variables included in this stage are globalisation phenomena, national export policy, foreign countries policy, and institutional and financial actors. The framework of statistical analysis within Model 3 is illustrated in the following Figure 9.6.

**Figure 9. 6: Model 3: Analyses on Impacts of Environmental Attributes on Internationalisation Adoption of Malaysian SMEs**



Based on the framework constructed in Model 3, this study designed hypotheses to test the impacts of environmental attributes related factors on the internationalisation of Malaysian SMEs. Table 9.17 presents the hypotheses within Model 3.

**Table 9. 17: Hypotheses Related to Impacts of Environmental Attributes on International Adoption by Malaysian SMEs**

H3A	Internationalisation of Malaysian SMEs is dependent on the globalisation phenomena.
H3B	Internationalisation of Malaysian SMEs is dependent on national export policy.
H3C	Internationalisation of Malaysian SMEs is dependent on the foreign countries policy.
H3D	Internationalisation of Malaysian SMEs is dependent on institutional and financial actors.

These hypotheses were tested by multiple regression analysis as outlined in the following section.

### 9.3.3.1 Result of Hypotheses Testing

To execute the hypotheses test in Model 3, this study determined an appropriate model for the multiple regression. The following equation illustrates Model 3:

$$\text{Internationalisation adoption} = \text{Constant} + \beta_1 \text{ globalization phenomena (H3A)} + \beta_2 \text{ national export policy (H3B)} + \beta_3 \text{ foreign countries policy (H3C)} + \beta_4 \text{ institutional and financial actors (H3D)} + \varepsilon$$

The study found the variance of the dependent variable (internationalisation adoption) is explained by the model (globalisation phenomena, national export policy, foreign countries policy, institutional and financial actors) by 27% ( $R= 0.530$ ,  $R^2= 0.281$ , Adjusted  $R^2= 0.267$ ). Table 9.18 presents the result of model summary regarding the hypotheses test related to the impacts of environmental attributes on internationalisation adoption.

**Table 9. 18: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the estimate
1	.530 <sup>a</sup>	.281	.267	4.59533

- a. **Predictors (Constant):** globalisation phenomena, national export policy, foreign countries policy, institutional and financial actors.
- b. **Independent variable:** Internationalisation adoption.

To assess the statistical significance of the result, the study examined the null hypothesis that there is no linear relationship between dependent variable (internationalisation adoption) and independent variables related to environmental attributes. This process was conducted by using analysis of variance ANOVA. As can be seen in Table 9.19, the result of ANOVA analysis shows a statistical significance contribution of the environmental attributes related variables on internationalisation adoption by Malaysian SMEs ( $F= 20.764$ ,  $P< 0.001$ ).

**Table 9. 19: Summary of ANOVA Results**

Model	Sum of squares	df	Mean square	F	Sig.	
1	Regression	1753.871	4	438.468	20.764	.000 <sup>b</sup>
	Residual	4497.942	213	21.117		
	Total	6251.814	217			

- a. **Predictors (Constant):** globalisation phenomena, national export policy, foreign countries policy, institutional and financial actors.
- b. **Independent variable:** Internationalisation adoption.

The study subsequently conducted null hypotheses test of partial regression coefficient to understand which of the variables included in the model (variables

related to environmental attributes) contributed to the prediction of the dependent variable (internationalisation adoption). T-statistics and its observed significance level were observed in the regression coefficients table. The results are shown in the Table 9.20.

**Table 9. 20: Result of Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tol	VIF
1	(Constant)	19.618	2.187		8.970	.000		
	Globalization phenomena	.747	.147	.368	5.075	.000	.642	1.558
	National export policy	.443	.133	.232	3.332	.001	.697	1.435
	Foreign countries policy	.330	.183	.142	1.799	.073	.545	1.835
	Institutional and financial actors	-.270	.146	-.132	-1.852	.065	.668	1.497

- a. **Predictors (Constant):** globalisation phenomena, national export policy, foreign countries policy, institutional and financial actors.
- b. **Independent variable:** Internationalisation adoption.

Table 9.20 reveals that the researcher can safely reject the null hypotheses that the coefficient for globalisation phenomena ( $B= 0.368$ ,  $t= 5.075$ ,  $p< 0.001$ ) and national export policy ( $B= 0.232$ ,  $t= 3.332$ ,  $p< 0.05$ ) are equal to zero. Hence, the result shows that there is a significant contribution of the variables on internationalisation adoption of Malaysian SMEs. Furthermore, multicollinearity for all variables was observed at an acceptable level. As can be seen in Table 9.20, the column tolerance shows average value is between 0.545 and 0.697, while VIF value ranging from 1.435 to 1.835. The minimal result of VIF value shows that there is no multicollinearity in the Model 3, which in turn resulting a good regression model (Pallant, 2010, p. 151).



However, the researcher accepted the null hypotheses on the other two variables including foreign countries policy (B= 0.142, t= 1.799, p> 0.05), and institutional and financial actors (B= -0.132, t= -1.852, p> 0.05). Consequently, these variables do not contribute significantly to the internationalisation adoption by Malaysian SMEs. The result presents the strongest predictor of internationalisation of Malaysian SMEs related to environmental attributes is globalisation phenomena (B= 0.368), followed by national export policy (B= 0.232). Table 9.21 shows the result of hypotheses regarding the relationship of factors related to environmental attributes and internationalisation adoption.

**Table 9. 21: Outcomes of the Hypotheses Test in Model 3**

<b>Hypotheses</b>		<b>Results</b>
H3A	Internationalisation of Malaysian SMEs is dependent on the globalisation phenomena.	<b><i>Accepted</i></b>
H3B	Internationalisation of Malaysian SMEs is dependent on national export policy.	<b><i>Accepted</i></b>
H3C	Internationalisation of Malaysian SMEs is dependent on the foreign countries policy.	<b><i>Rejected</i></b>
H3D	Internationalisation of Malaysian SMEs is dependent on institutional and financial actors.	<b><i>Rejected</i></b>

Although the hypotheses for foreign countries policy, as well as, institutional and financial actors are rejected, this study conducted a linear regression analysis on each factor to support these findings. Moreover, the linear regression test was conducted to determine the importance of each independent variables to the dependent variable (internationalisation adoption). Surprisingly, the linear regression result shows all the independent variables (foreign countries policy, institutional and financial actors) have a significant contribution to internationalisation of Malaysian SMEs. The result of linear regression shows that foreign countries policy has a significant contribution at the level of P< 0.001 (B= 0.395, t= 6.321), while institutional and financial actors significant at the level of P< 0.05 (B= 0.148, 2.193). The result suggests that the independent variables (foreign countries policy; institutional and financial actors) were overshadowed when entered with other two independent variables (globalisation phenomena; national export policy) in a single block in multiple regression.

### 9.3.4 Model 4: Ethical Attributes Influencing the Internationalisation of Malaysian SMEs

Within Model 4, the study investigated the impacts of ethical attributes on internationalisation of Malaysian SMEs. The variable included in this stage were perceived the level of bribery in foreign markets and perceived level of internet fraud in foreign markets. The framework of statistical analysis within Model 4 is illustrated in Figure 9.7

**Figure 9. 7: Model 4: Analyses on Impacts of Ethical Attributes on Internationalisation Adoption by Malaysian SMEs**



Based on the framework constructed in Model 4, this study constructed hypotheses to test the impacts of ethical attributes related factors on internationalisation adoption by Malaysian SMEs (refer to Table 9.22).

**Table 9. 22: Hypotheses Related to Impacts of Ethical Attributes on International Adoption by Malaysian SMEs**

H4A	Internationalisation of Malaysian SMEs is dependent on the perceived level of bribery in foreign markets.
H4B	Internationalisation of Malaysian SMEs is dependent on the perceived level of internet fraud in foreign markets.

These hypotheses were tested by multiple regression analysis as outlined in the following section.

#### 9.3.4.1 Result of Hypotheses Testing

To conduct the hypothesis test in Model 4, this study developed an appropriate model for the multiple regression test. Consequently, the following equation illustrates Model 4:

**Internationalisation adoption** = Constant +  $\beta_1$  perceived level of bribery in foreign markets (H4A) +  $\beta_2$  perceived level of internet fraud in foreign markets (H4B) +  $\epsilon$

The study found the observed variance for dependent variable (internationalisation adoption) is explained by the model (the intensity of corruption) by 1.1% (R= 0.142, R<sup>2</sup>= 0.020, Adjusted R<sup>2</sup>= 0.011). Table 9.23 presents the model summary regarding the hypotheses test related to the impacts of ethical attributes on internationalisation by Malaysian SMEs.

**Table 9. 23: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the estimate
1	.142 <sup>a</sup>	.020	.011	5.33814

- a. **Predictors (Constant):** Perceived level of bribery in foreign markets, perceived level of internet fraud in foreign markets.
- b. **Dependent variable:** Internationalisation adoption.

To assess the statistical significance of the result, the study then examined the null hypothesis that there is no linear relationship between dependent variable (internationalisation adoption) and independent variable (perceived level of bribery; the perceived level of internet fraud in foreign markets). This process was conducted through the analysis of variance (ANOVA). Table 9.24 illustrates that the result of ANOVA analysis shows neither perceived level of bribery in foreign markets nor perceived level of internet fraud contribute significantly to internationalisation adoption by Malaysian SMEs (F= 2.198, P> 0.05).

**Table 9. 24: Summary of ANOVA Results**

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	125.241	2	62.620	2.198	.114 <sup>b</sup>
	Residual	6126.573	215	28.496		
	Total	6251.814	217			

- a. **Predictors (Constant):** Perceived level of bribery in foreign markets, perceived level of internet fraud in foreign markets.
- b. **Dependent variable:** Internationalisation adoption.

The study subsequently conducted null hypotheses test of partial regression coefficient to understand which of the variables included in the model (factors related to ethical attributes) contributed to the prediction of the dependent variable (internationalisation adoption). T-statistics and its observed significance level were observed in the regression coefficients table. The results are shown in the Table 9.25.

**Table 9. 25: Result of Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tol	VIF
1	(Constant)	36.225	1.811		19.997	.000		
	Perceived level of bribery in foreign markets.	-.055	.044	-.086	-1.261	.209	.984	1.016
	Perceived level of internet fraud in foreign markets.	.271	.149	.124	1.821	.070	.984	1.016

- a. **Predictors (Constant):** Perceived level of bribery in foreign markets, perceived level of internet fraud in foreign markets.
- b. **Dependent variable:** Internationalisation adoption.

Table 9.25 reveals that the researcher can accept the null hypotheses of the two variables including perceived level of bribery in foreign markets ( $B = -0.055$ ,  $t = -1.261$ ,  $p > 0.05$ ), perceived level of internet fraud ( $B = 0.271$ ,  $t = 1.821$ ,  $p > 0.05$ ). Consequently, these variables do not contribute significantly to the internationalisation adoption by Malaysian SMEs. The result is supported by multicollinearity for all variables at an acceptable level. Table 9.25 illustrates that the column tolerance shows both values are at 0.984, and VIF value for both at 1.016. The minimal result of VIF value shows that there is no multicollinearity in the Model 4, which in turn resulting a good regression model (Pallant, 2010, p. 151).

Table 9.26 shows the result of hypotheses regarding the relationship of factors related to ethical attributes and internationalisation adoption.

**Table 9. 26: Outcomes of the Hypotheses Test in Model 4**

Hypotheses		Results
H4A	Internationalisation of Malaysian SMEs is dependent on the perceived level of bribery in foreign markets.	Rejected
H4B	Internationalisation of Malaysian SMEs is dependent on the perceived level of internet fraud in foreign markets.	Rejected

Although the hypotheses for the perceived level of bribery in foreign markets and perceived level of internet fraud are rejected, this study conducted a linear regression analysis on each factor to support this finding. Moreover, the linear regression test was conducted to determine the importance of each independent variables in relation to the dependent variable (internationalisation adoption). Nevertheless, the linear regression result shows all the independent variables (perceived level of bribery; perceived level of internet fraud) have no significant contribution to the internationalisation adoption by Malaysian SMEs. The result of linear regression shows that perceived level of bribery in foreign markets has no significant contribution at the level of  $P > 0.005$  ( $B = -0.070$ ,  $t = -1.033$ ), while the perceived level of internet fraud has no significance at the level of  $P > 0.05$  ( $B = 0.113$ ,  $t = 1.673$ ). The result supports that there is no relationship between factors related to ethical attributes on international adoption by Malaysian SMEs.

#### 9.3.5 Model 5: Examining the Direct and Indirect Relationships amongst the Entrepreneur, Firm, Environmental, and Ethical Related Factors and Internationalisation Adoption

The previous four models of analysis produced different results. The first model examined the relationship between entrepreneur/ human capital attributes and internationalisation adoption by Malaysian SMEs. The results explained that all the four predictors related to entrepreneur/ human capital attributes contributed significantly to the internationalisation of Malaysian SMEs. Similarly, within the second model of analysis, all the six predictors related to firm attributes contributed significantly to internationalisation adoption of Malaysian SMEs. Also, within the third model, the four predictors related to environmental attributes contributed significantly to the internationalisation adoption. Conversely, within Model 4, the extended

predictors of SMEs' internationalisation related to ethical attributes do not show significant relationships. Consequently, the study infers that the perceived level of bribery and internet fraud in host countries do not influence the internationalisation adoption by Malaysian SMEs. This finding is not consistent with previous researchers that proposed businesses should avoid doing business in countries with low ethical gauges (e.g. Davids, 1999; Asgary *et al.*, 2002).

The four frameworks show different analyses results regarding the explanation of observed variation on internationalisation adoption by Malaysian SMEs. Table 9.27 highlights that the first framework (entrepreneur/ human capital attributes) is the highest in explanation with an adjusted  $R^2= 0.355$  and the smallest standard error of the estimate (4.31004), followed by the third framework (environmental attributes) with an adjusted  $R^2= 0.267$  and standard error of the estimate (4.59533), subsequently the second framework (firm attributes) with an adjusted  $R^2= 0.193$  and standard error of estimate (4.82185). The fourth framework (ethical attributes) was the lowest in explanation with adjusted  $R^2= 0.011$  with the standard error of estimate (5.33814).

**Table 9. 27: Adjusted R Square for the First Four Frameworks**

<b>Model</b>	<b>R</b>	<b>R square</b>	<b>Adjusted R square</b>	<b>Std. Error of the estimate</b>
1	0.606	0.367	0.355	4.31004
2	0.464	0.215	0.193	4.82185
3	0.530	0.281	0.267	4.59533
4	0.142	0.020	0.011	5.33814

These findings support the research's argument that the internationalisation of Malaysian SMEs can be understood by integrating various perspectives of SMEs including entrepreneur, firm, environmental and ethical attributes. Furthermore, the four frameworks generated different factors from various perspectives internal (entrepreneur/ human capital attributes and firm attributes) and external factors (environmental attributes and ethical attributes) influencing internationalisation of Malaysian SMEs. This finding is in line with a suggestion by Kuivalainen *et al.* (2012) who proffer that a more comprehensive framework needs to be undertaken by future

researchers to understand SME internationalisation behaviour. Table 9.28 shows the factors impacting upon the internationalisation of Malaysian SMEs resulted from the first four stages.

**Table 9. 28: Factors Influencing Malaysian SMEs' Internationalisation in the First Four Stages**

	<b>Framework</b>	<b>Factors</b>	<b>Standardised Coefficients Beta</b>	
Internal	<b>Management/ human capital attributes</b>	Management international business vision.	0.432	
		Management network relationship.	0.332	
		Management foreign market knowledge.	0.309	
		Management entrepreneurial orientation.	0.227	
	<b>Firm attributes</b>	Competitive advantage.	0.318	
		Reputation and trust.	0.315	
		Internet and communication technology.	0.310	
		The intensity of research and development (R&D).	0.281	
		Human capital and management capability.	0.238	
		Firm networks.	0.141	
	External	<b>Environmental attributes</b>	Foreign countries policy.	0.395
			Globalization phenomena.	0.368
National export policy.			0.232	
Institutional and financial actors.			0.148	
<b>Ethical attributes</b>		Perceived level of bribery in foreign markets.	-0.070	
		Perceived level of internet fraud in foreign markets.	0.113	

Although the previous four statistical analyses show that most of the factors investigated in this study play important roles in the internationalisation adoption by

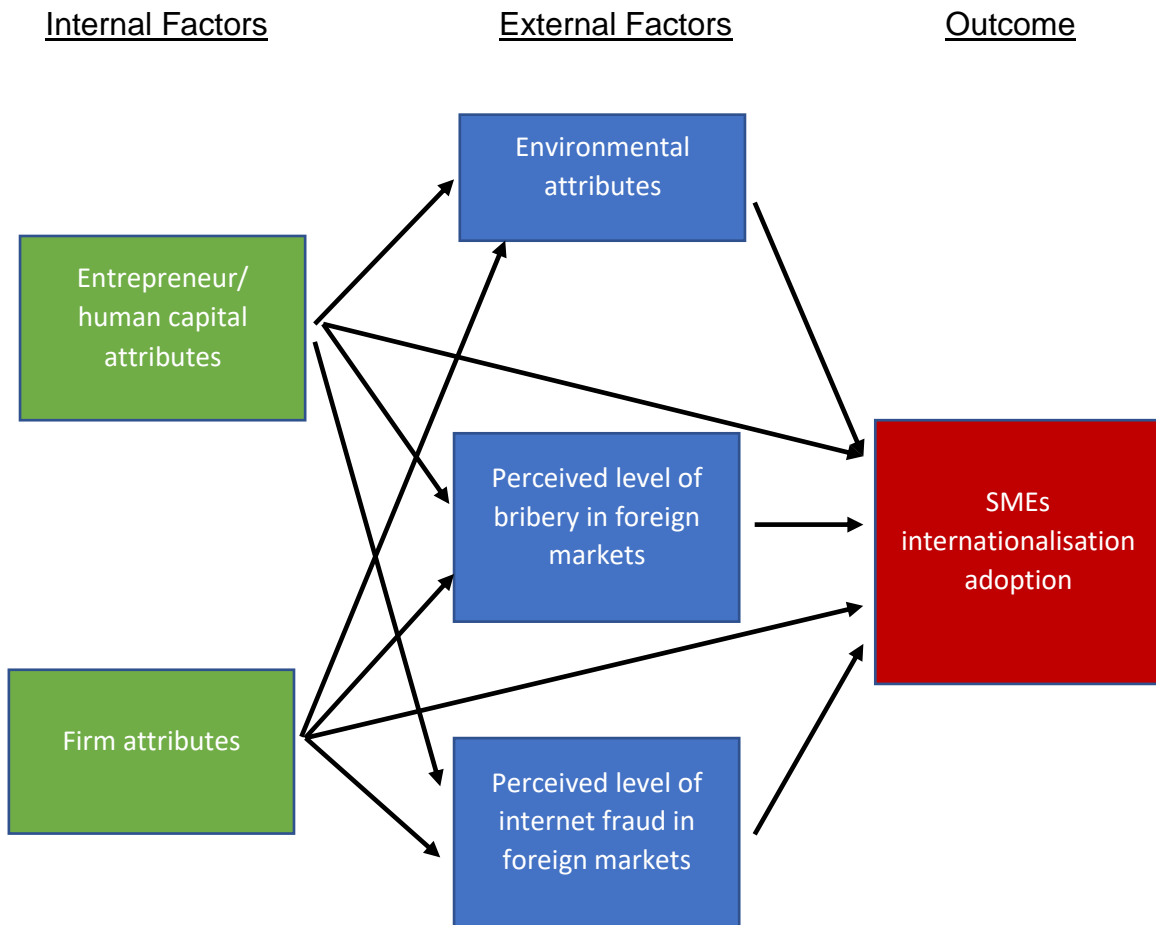
Malaysian SMEs, there is still a need to understand how these factors integrate with each other in impacting the internationalisation of Malaysian SMEs. Since the previous four statistical tests were conducted separately in different stages; this study argues that understanding how these factors integrate with each other will lead to a deeper understanding of the phenomenon of investigation within this study. This study also argues that internal factors can only give good impacts to internationalisation adoption if facilitated by good external factors circumstances.

Moreover, although most factors proved to have a significant contribution to the internationalisation of Malaysian SMEs, the proposed new dimension of ethical attributes is found not significant. Since the heightened focus in this research is to investigate the impact of the extended dimension (ethical attributes) on internationalisation adoption by Malaysian SMEs, it is suggested further investigation be undertaken on the integration of the ethical attributes with other factors in impacting Malaysian SMEs' internationalisation. Moreover, previous researchers suggested that there is a need on multinational businesses to consider the level of corruption in host countries before expanding the operation into overseas markets (e.g. Chan and Armstrong, 1999; Davids, 1999; Enderle, 2015). Hence, the study conducted further investigation of the factors, which in turn, expand the theory of the OLI paradigm (e.g. Dunning, 1988; Buckley and Casson, 1998).

Based on the above justification, this study has a good reason to undertake an examination of direct and indirect relationships of all concerned factors influencing Malaysian SMEs internationalisation adoption. Consequently, Model 5 was concerned with understanding the relationships of internal and external factors influencing the internationalisation of Malaysian SMEs. This model will provide a holistic understanding of the internationalisation adoption decision-making process. The framework of statistical investigation in Model 5 is illustrated in Figure 9.7.



**Figure 9. 8: Model 5: Relationships among Entrepreneur/ Human Capital Attributes, Firm Attributes, Environmental Attributes, Perceived Level of Bribery and Internet Fraud with SMEs Internationalisation Adoption**



Based on the framework of analysis in Model 5 above, this study developed hypotheses to investigate the direct and indirect relationships of factors within the study and the role of external factors (environmental attributes; perceived level of bribery; perceived level of internet fraud in foreign markets) as mediating factors to the relationship between internal factors and internationalisation adoption by Malaysian SMEs. The hypotheses are illustrated in the following Table 9.26.

**Table 9. 29: Hypotheses Related to Direct and Indirect Relationships of Entrepreneur/ Human Capital Attributes, Environmental Attributes, Ethical Attributes and SMEs Internationalisation Adoption**

<b>Hypotheses</b>	
H5A	Management network relationship, management foreign market knowledge, management international business vision and management entrepreneur orientation have a positive impact on internationalisation adoption by Malaysian SMEs.
H5B	Management network relationship, management foreign market knowledge, management international business vision and management entrepreneur orientation have a positive impact on environmental attributes by Malaysian SMEs.
H5C	Management network relationship, management foreign market knowledge, management international business vision and management entrepreneur orientation have a positive impact on perceived level of bribery in foreign markets by Malaysian SMEs.
H5D	Management network relationship, management foreign market knowledge, management international business vision and management entrepreneur orientation have a positive impact on perceived level of internet fraud in foreign markets by Malaysian SMEs.
H5E	Adopting internationalisation by Malaysian SMEs is dependent on environmental attributes.
H5F	Adopting internationalisation by Malaysian SMEs is dependent on perceived level of bribery in foreign markets.
H5G	Adopting internationalisation by Malaysian SMEs is dependent on perceived level of internet fraud in foreign markets.
H5H	The intensity of research and development (R&D), internet and communication technology, competitive advantage, human capital and management capability, reputation and trust and firm networks have a positive impact on internationalisation adoption by Malaysian SMEs.
H5I	The intensity of research and development (R&D), internet and communication technology, competitive advantage, human capital and management capability, reputation and trust and firm networks have a positive impact on environmental attributes.
H5J	The intensity of research and development (R&D), internet and communication technology, competitive advantage, human capital and

	management capability, reputation and trust and firm networks have a positive impact on perceived level of bribery in foreign markets.
H5K	The intensity of research and development (R&D), internet and communication technology, competitive advantage, human capital and management capability, reputation and trust and firm networks have a positive impact on perceived level of internet fraud in foreign markets.
H5L	Environmental attribute mediates the relationship between firm attributes and internationalisation adoption
H5M	Perceived level of bribery in foreign markets mediate the relationship between firm attributes and internationalisation adoption
H5N	Perceived level of internet fraud in foreign markets mediates the relationship between firm attributes and internationalisation adoption
H5O	Environmental attribute mediates the relationship between entrepreneur/ human capital attributes and internationalisation adoption
H5P	Perceived level of bribery in foreign markets mediate the relationship between entrepreneur/ human capital attributes and internationalisation adoption
H5Q	Perceived level of internet fraud in foreign markets mediates the relationship between entrepreneur/ human capital attributes and internationalisation adoption

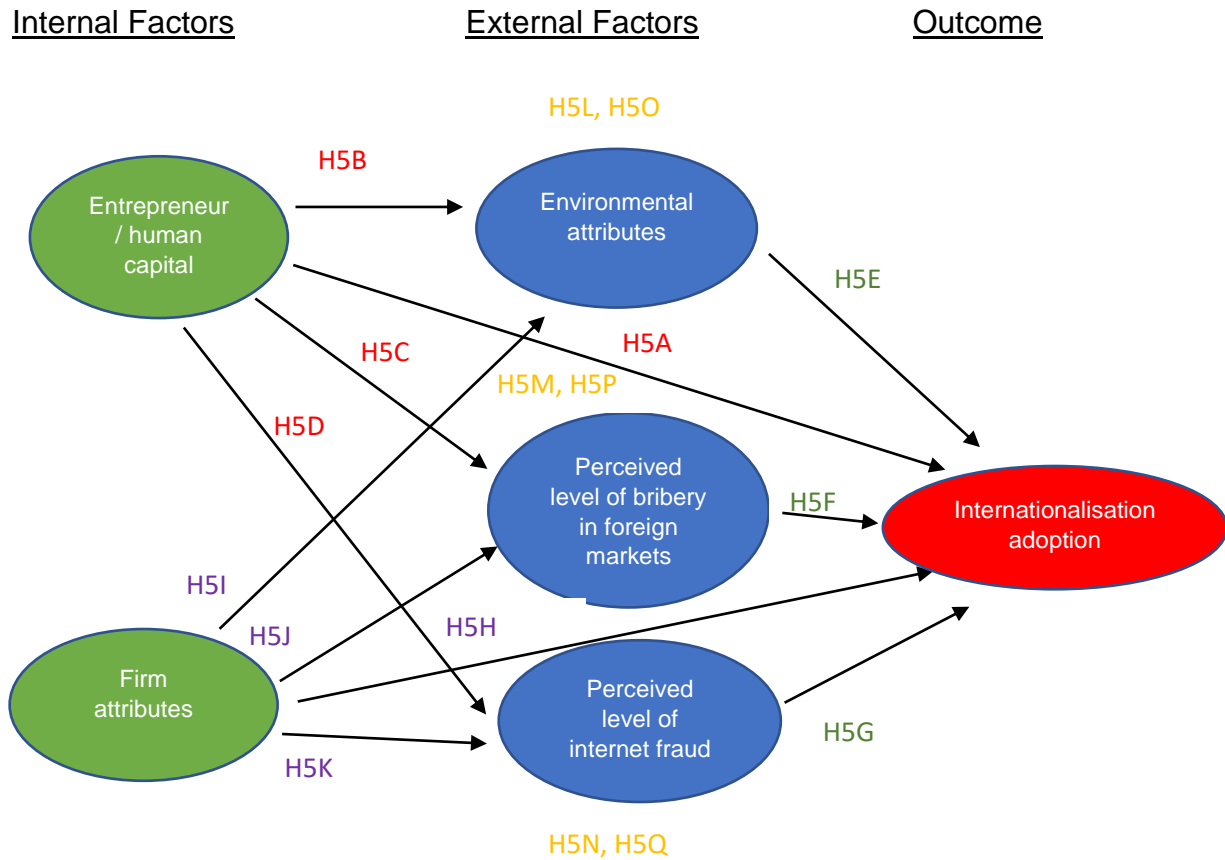
To test the hypotheses in this Model 5, path analysis in structural equation modelling (SEM) was used to investigate the direct, indirect relationships and mediator between the factors influencing Malaysian SMEs internationalisation adoption. SEM is a second-generation multivariate analysis technique used as an advanced technique to the traditional Ordinary Least Square (OLS) which has some limitations, especially when dealing with latent variables (Awang, 2014, p. 4; Hair *et al.*, 2014). Latent variables are unobserved variables, which are measured by using multiple items in the questionnaire. For example, in this study, the latent variables are entrepreneur/ human capital, firm, environmental, and ethical attributes. These latent variables are measured by sub-scales such as management network relationship, management foreign market knowledge, management's international business vision and management entrepreneur orientation.

SEM is an advanced technique to the traditional OLS. Hence, SEM can perform some of the following statistical techniques which are not available in OLS: i) establishing the confirmatory factor analysis (CFA); ii) performing multiple regression tests simultaneously; iii) performing regressions with multicollinearity problems; iv) analysing the path analysis with multiple dependents; v) performing correlation and covariance simultaneously in a model; and vi) modelling the inter-relationships among variables in a model. Also, SEM enables the researcher to test the role of mediators and moderators in a model (Awang, 2014, p. 17).

Within this Model 5, SEM is used for the following reasons: i) to obtain benefits from an advanced statistical analysis technique; ii) to run a test of inter-relationship among factors influencing internationalisation adoption by Malaysian SMEs simultaneously in a model; iii) SEM is a confirmatory analysis technique rather than exploratory, hence it consistent with this research's aim to confirm the hypothesised factors; iv) SEM can perform the analysis of multiple dependent variables and independent variables simultaneously in a model (refer to Figure 9.8).

The data were analysed by using path analysis technique on sets of variables by observing the relationships through linear causal simultaneously in a model (Awang, 2014, p. 22; El-Gohary, 2009). The aim of performing path analysis is to investigate the direct and indirect relationship between the variables on the basis of knowledge and theoretical constructs (El-Gohary, 2009). Figure 9.9 presents the hypothesised variables tested in the Model 5 through SEM.

**Figure 9. 9: The Hypothesised Relationship between the Internationalisation Adoption Variables**



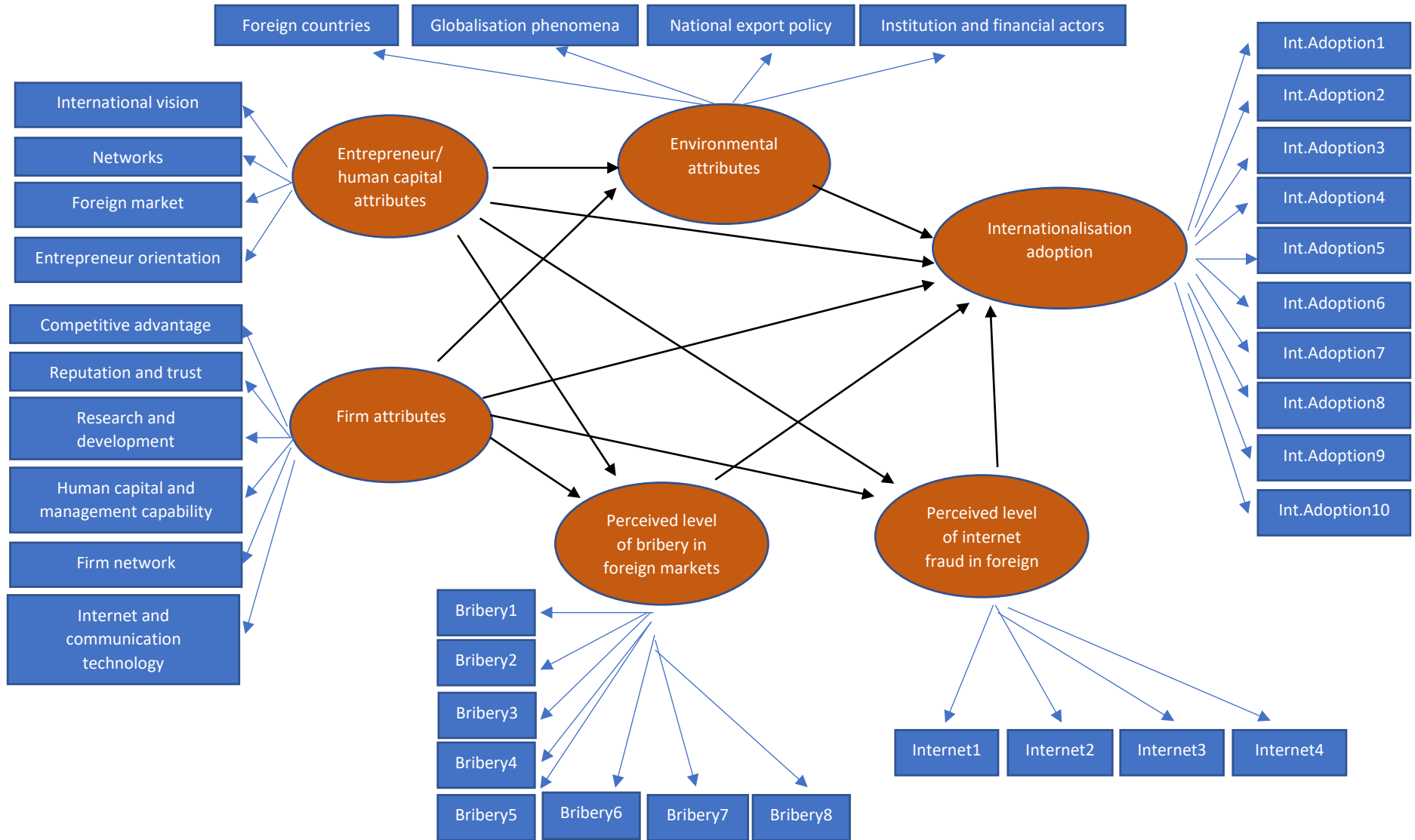
To run the hypotheses tests, this study used Analysis of Moments Structures (AMOS) software version 24. The researcher employed AMOS Graphic to model and analyse the relationships among factors (latent constructs) effectively. The advantage of using AMOS software rather than other software is because the software can create path diagrams using drawing tools, rather than writing equations or by typing commands. Furthermore, the analysis was completed in a fast, efficient and user-friendly manner. After performed the CFA, the researcher tested the inter-relationships of variables through SEM.

The minimum samples requirement in SEM has no consensus among scholars. The rules of thumb for samples requirement suggested by Hair *et al.* (2010; c.f. Awang, 2014, p. 24) is explained as the following requirements: i) five latent constructs, where each latent construct has more than three items (>100 sample); ii) seven or less latent constructs, where each construct has more than three items (>150 sample); iii) seven latent constructs, where some constructs have less than three items (>300 sample);

and iv) more than seven latent constructs, where some constructs have less than three items (>500 sample). Based on the guideline of samples requirements above, this model investigates five latent constructs with each latent construct has more than three items. Hence, the sample size used in the study (218 sample) has met the requirement.

Six formative latent constructs were used to test the hypotheses in Model 5. The latent constructs include entrepreneur/ human capital attributes, firm attributes, environmental attributes, perceived level of bribery in foreign markets, perceived level of internet fraud in foreign markets, and internationalisation adoption. The latent constructs and items used in this model are illustrated in Figure 9.10. In Figure 9.10, Entrepreneur/ human capital attributes is an independent latent construct (measured using four variables), followed by another latent constructs namely firm attributes (measured using six variables), environmental attributes (measured using four variables, perceived level of bribery in foreign markets (measured using eight items) and perceived level of internet fraud in foreign countries (four items).

**Figure 9. 10: The Latent Constructs and Items Used in Model 5 Illustrated in SEM Graphic**



To test hypotheses through SEM, the AMOS software version 24 was used to estimate path coefficient value of every linear regression among the variables in Model 5. This study performed SEM test based on previous studies by scholars in marketing (e.g. Westhead *et al.*, 2004). The process of conducting structural equation test in Model 5 is explained in the next section.

#### 9.3.5.1 Result of Hypotheses Testing

In running SEM analysis, there were two models involved in the analysis namely the measurement model and the structural model. First, the study conducted a measurement model to demonstrate the relationships between response items and their underlying latent constructs. Here the researcher assessed the model for unidimensionality, validity and reliability prior testing the hypotheses in SEM. The analysis of measurement model was carried out using Confirmatory Factor Analysis (CFA). The researcher examined the factor loading for each item and the fitness indexes for the construct. The items with a low factor that cause poor fitness indexes were deleted from measurement model. Second, the researcher used the structural model to demonstrate the inter-relationships among constructs in the model. Within this study, all theorised variables were positions to relate each other to meet the designed hypotheses. The analysis and its corresponding output are presented in the graphic diagram.

#### 9.3.5.2 The Measurement Model: Testing the Goodness of Fit of the Model Using Confirmatory Factor Analysis (CFA)

This study validated the fitness of the Model 5 through CFA prior analysing the hypotheses through SEM Structural Model in AMOS Graphic. The aim of validating the goodness fit of the model is to confirm the unidimensionality, validity and reliability for all latent constructs included in the study before modelling their inter-relationships in a structural model (SEM). However, unidimensionality needs to be assessed first before assessing validity and reliability, and subsequently goodness of fit of the model is evaluated.



### *Unidimensionality*

An acceptable unidimensionality level is achieved when items included show acceptable factor loadings for the respective latent constructs. Within the process of unidimensionality test, items that did not fit the measurement model due to low factor loading were removed from the model. As a result of the unidimensionality test, factor loading was found ranged from 0.63 to 0.98 among the variables that explain latent variables. Hence, all the items used in Model 5 explained the latent variables very well as suggested by Awang (2014) that factor loading should not less than 0.6.

### *Validity*

Validity test is a test of how the instrument is able to measure the corresponding variables and latent constructs in the model. The convergent validity is achieved when the Average Variance Extracted (AVE) value is 0.5 or higher for every construct (Awang, 2014). The AVE is calculated using the following formula:

$$AVE = \frac{\sum K^2}{n}$$

Where: K= Factor loading of every item.

n= Number of items in a model.

Based on the result of convergent validity test, this study achieved an acceptable AVE value (refer to Table 9.30). Based on the result of convergent validity, only entrepreneur/ human capital attributes achieved AVE value less than 0.5. However, Malhotra and Birks (2004) argue that AVE is often too strict, and reliability can be established on CR alone (cited in El- Gohary, 2009). Hence, the entrepreneur/ human capital attributes met the requirement as the CR value is 0.79, which resulted more than required level >0.6 (Awang, 2014).

**Table 9. 30: Result of Composite Reliability and Average Variance Extracted**

<b>Latent constructs</b>	<b>CR</b>	<b>AVE</b>
Internationalisation adoption	0.928	0.589
Entrepreneur/human capital attributes	0.790	0.487
Firm attributes	0.845	0.524
Environmental attributes	0.899	0.754
Level of bribery	0.984	0.899
Level of internet fraud	0.871	0.694

### *Reliability*

Reliability test of variables and constructs in the model can be made from the following requirement: i) internal reliability when the Cronbach Alpha coefficient greater than 0.7 (calculated in SPSS); ii) CR which is regarding internal consistency can be achieved if the value of CR > 0.6; and iii) AVE > 0.5 is required to achieve degree of acceptance. Based on the reliability test conducted for this study, the reliability value met the requirement as the value of Cronbach Alpha values show above than acceptable level ranging 0.762 to 0.971 (refer to Table 9.2, calculated in SPSS), followed by CR ranging from 0.790 to 0.984, and AVE ranging from 0.487 to 0.899 (refer to Table 9.30).

### *The goodness of fit of the model*

In SEM, several Fitness Indexes have been used by researchers to measure how fit a model is. Unfortunately, no consensus among scholars has been found in using which Fitness Indexes to use. The Fitness Indexes that have been used include root mean square of error approximation (RMSEA), the goodness of fit index (GFI), comparative fit index (CFI), and incremental fit index (IFI). The requirement of using the four-model fit is illustrated in Table 9.31.

**Table 9. 31: Model Fit Index Category and the Level of Acceptance**

<b>Name of index</b>	<b>Level of acceptance</b>	<b>Comments</b>	<b>Literature</b>
RMSEA	RMSEA less than 0.08	Range from 0.05 to 0.1 is acceptable	Browne and Cudeck (1993)
Goodness of Fit Index (GFI)	GFI more than 0.90	GFI 0.95 is a good fit	Joreskog and Sorbom (1984)
Comparative Fit Index (CFI)	CFI more than 0.90	CFI 0.95 is a good fit	Bentler (1990)
Incremental fit index (IFI)	IFI more than 0.90	IFI 0.95 is a good fit	Bollen (1989a and 1989b)

Based on requirement of Model fit index in table 9.31, this study achieved a good model fit as the study found RMSEA value was 0.082 (an acceptable degree of acceptance 0.05 to 0.1), followed by CFI value 0.905 (more than general acceptable

value 0.90), and IFI value 0.960 (more than general acceptable value 0.90). The result of reliability test for this study is illustrated in Table 9.32.

**Table 9. 32: Result of Reliability Test of the Study**

RMSEA	GFI	CFI	IFI
0.082	0.767	0.905	0.960

### 9.3.5.3 Testing the Hypothesised Causal Relationships

Figure 9.11 depicts the AMOS Graphic result of the Model 5 presented a standardised estimate of the beta coefficient, level of significance, and the square of multiple correlations for every construct (where: \*\*\* significant at 0.001; \*\*significant at 0.01; and \* significant at 0.05).

**Figure 9. 11: Results of Regression Weights and the Probability Value Which Indicates Its Significance for Every Path in Model 5**

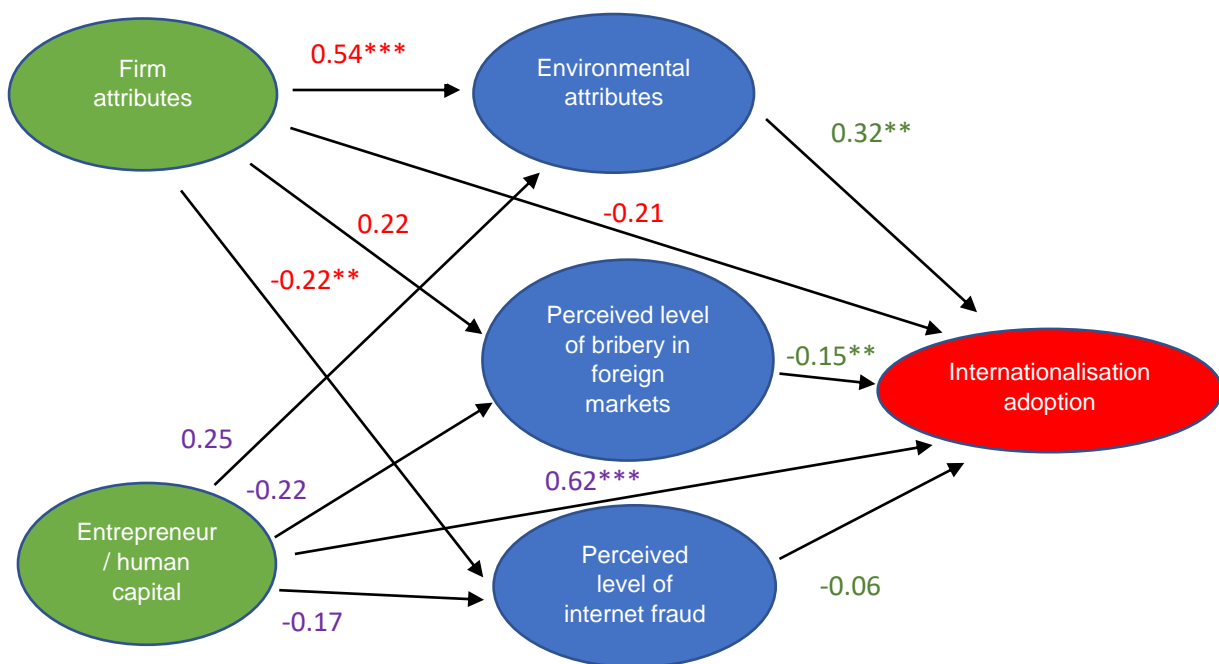


Figure 9.11 and Table 9.33 reveals that the study found various results for each path relationship in Model 5. While several paths show a significant relationship between dependent and independent variables (also called as exogenous and endogenous construct relationship in SEM). The relationship between variables that have positive

significant relationship include: i) firm attribute to perceived level of internet fraud (P= 0.006); firm attributes to environmental attributes (P= 0.000\*\*\*); internationalisation adoption to perceived level of bribery (P=0.010\*\*); internationalisation adoption to environmental attributes (P= 0.008\*\*); and internationalisation adoption to entrepreneur/ human capital attributes (P= 0.000\*\*).

Six other relationships of variables tests were not significant. The relationships of path analysis include firm attributes to perceived level of bribery (P= 0.174); entrepreneur/ human capital attributes to perceived level of internet fraud (P= 0.315); entrepreneur/ human capital attributes to perceived level of bribery (P= 0.185); entrepreneur/ human capital attributes to environmental attributes (P= 0.087); internationalisation adoption to perceived level of internet fraud (P= 0.399); internationalisation adoption to firm attributes (P= 0.218). The result shows the independent variable entrepreneur/ human capital has a positive direct relationship dependent variable internationalisation adoption while another independent variable related to firm attributes shows insignificant direct relationship when mediation factor (environmental attributes) was applied. Hence it is more fruitful to investigate the roles of external factors in mediating the internal factors contributing Malaysian SMEs internationalisation.

**Table 9. 33: The Regression Weights of All the Causal Paths and Significance Results**

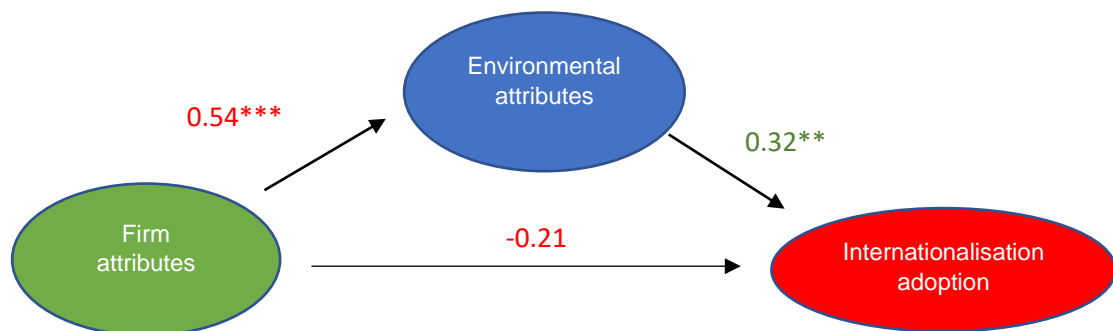
<b>Hypothesised relationships</b>		<b>Standardised Beta estimates</b>	<b>P-Value</b>	<b>Result</b>
<b>From</b>	<b>To</b>			
Firm attributes	Perceived level of internet fraud	0.48	0.006***	<b>Significant</b>
Firm attributes	Perceived level of bribery	0.22	0.174	<b>Not significant</b>
Firm attributes	Environmental attributes	0.54	0.000***	<b>Significant</b>
Entrepreneur/human capital attributes	Perceived level of internet fraud	-0.17	0.315	<b>Not significant</b>
Entrepreneur/human capital attributes	Perceived level of bribery	-0.22	0.185	<b>Not significant</b>
Entrepreneur/human capital attributes	Environmental attributes	0.25	0.087	<b>Not significant</b>
Internationalisation adoption	Perceived level of internet fraud	-0.06	0.399	<b>Not significant</b>
Internationalisation adoption	Perceived level of bribery	-0.15	0.010**	<b>Significant</b>
Internationalisation adoption	Environmental attributes	0.32	0.008**	<b>Significant</b>
Internationalisation adoption	Firm attributes	-0.21	0.218	<b>Not significant</b>
Internationalisation adoption	Entrepreneur/human capital attributes	0.62	0.000**	<b>Significant</b>

#### 9.3.5.4 Testing Direct and Indirect Effects of Variables in Model 5

First, the study investigated the mediation effect of environmental attributes in the relationship between firm attributes and internationalisation adoption (refer to Figure

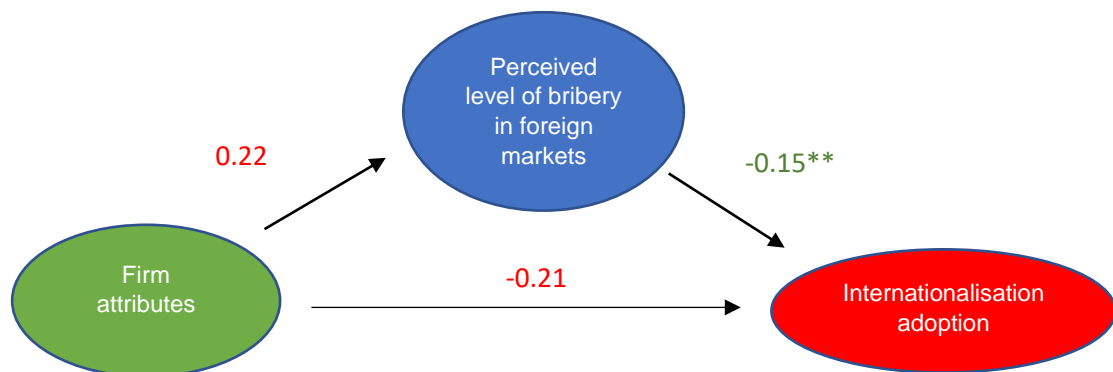
9.12). The direct effect was calculated by multiplying the path from firm attributes to environmental attributes and environmental attributes to internationalisation adoption (the indirect effect =  $0.54 \times 0.32 = 0.1728$ ). The result of indirect effect is compared to the direct effect of the relationship between firm attributes and internationalisation adoption (-0.21). Consequently, since the indirect effect value (0.1728) is bigger than the value of direct effect (-0.21), the study found environmental attributes mediates the relationship between firm attributes and internationalisation adoption. Type of the mediation here is full mediation since the direct effect is not significant after the mediator enters the model.

**Figure 9. 12: Mediation Effect of Environmental Attributes in the Relationship between Firm Attributes and Internationalisation Adoption**



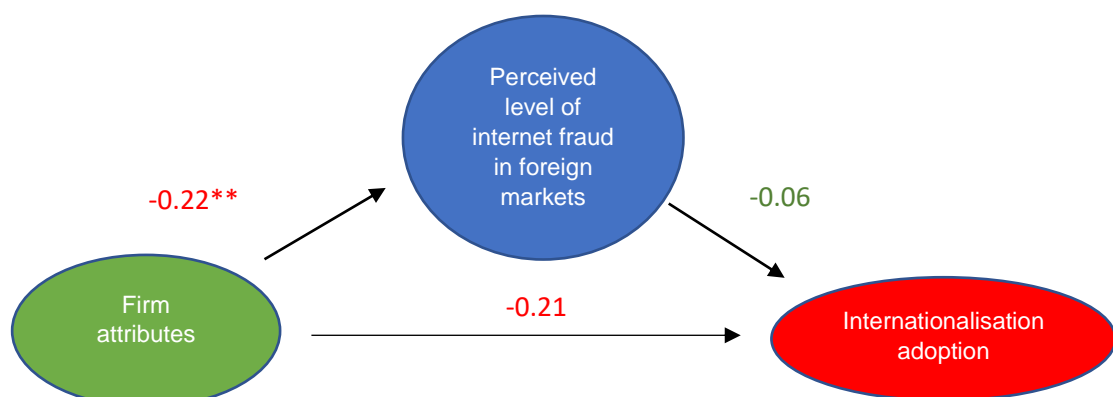
Second, the study investigated the mediation effect of perceived level of bribery in foreign markets in the relationship between firm attributes and internationalisation adoption (refer to Figure 9.13). The direct effect was calculated by multiplying the path from firm attributes to the perceived level of bribery in foreign markets, and perceived level of bribery in foreign markets to internationalisation adoption (the indirect effect =  $0.22 \times -0.15 = -0.033$ ). The result of indirect effect is compared to the direct effect of the relationship between firm attributes and internationalisation adoption (-0.21). Consequently, since the indirect effect value (-0.033) is smaller than the value of direct effect (-0.21). Also, the relationship of the indirect effect is not significant. Hence, the study found the perceived level of bribery in foreign markets does not mediate the relationship between firm attributes and internationalisation adoption.

**Figure 9. 13: Mediation Effect of Perceived Level of Bribery in Foreign Markets in the Relationship between Firm Attributes and Internationalisation Adoption**



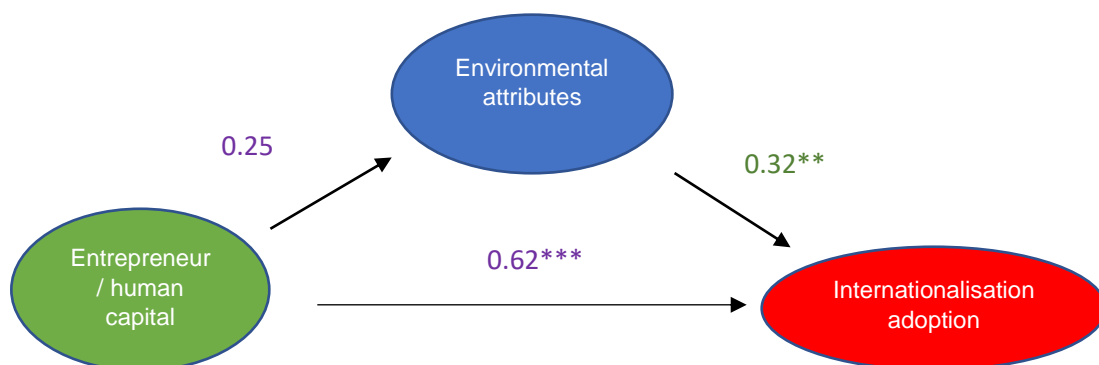
Third, the study investigated the mediation effect of perceived level of internet fraud in foreign markets in the relationship between firm attributes and internationalisation adoption (refer to Figure 9.14). The direct effect was calculated by multiplying the path from firm attributes to perceived level of internet fraud in foreign markets, and perceived level of internet fraud in foreign markets to internationalisation adoption (the indirect effect =  $-0.22 \times -0.06 = 0.0132$ ). The result of indirect effect is compared to the direct effect of the relationship between firm attributes and internationalisation adoption (-0.21). Consequently, since the indirect effect value (0.0132) is bigger than the value of direct effect (-0.21), the study found the perceived level of internet fraud in foreign markets plays a mediation role between the relationship of firm attributes and internationalisation adoption. Type of mediation here is full mediation since the direct effect is not significant after the mediator enters the model.

**Figure 9. 14: Mediation Effect of Perceived Level of Internet Fraud in Foreign Markets in the Relationship between Firm Attributes and Internationalisation Adoption**



Fourth, the study investigated the mediation effect of environmental attributes in the relationship between entrepreneur/ human capital attributes and internationalisation adoption (refer to Figure 9.15). The direct effect was calculated by multiplying the path from entrepreneur/ human capital attributes to environmental attributes, and environmental attributes to internationalisation adoption (the indirect effect =  $0.25 \times 0.32 = 0.08$ ). The result of indirect effect is compared to the direct effect of the relationship between entrepreneur/ human capital attributes and internationalisation adoption (0.62). Consequently, since the indirect effect value (0.08) is smaller than the value of direct effect (0.62) and the relationship of the indirect effect is not significant, the study found environmental attributes does not mediate the relationship of entrepreneur/ human capital attributes and internationalisation adoption.

**Figure 9. 15: Mediation Effect of Environmental Attributes in the Relationship between Entrepreneur/ Human Capital Attributes and Internationalisation Adoption**

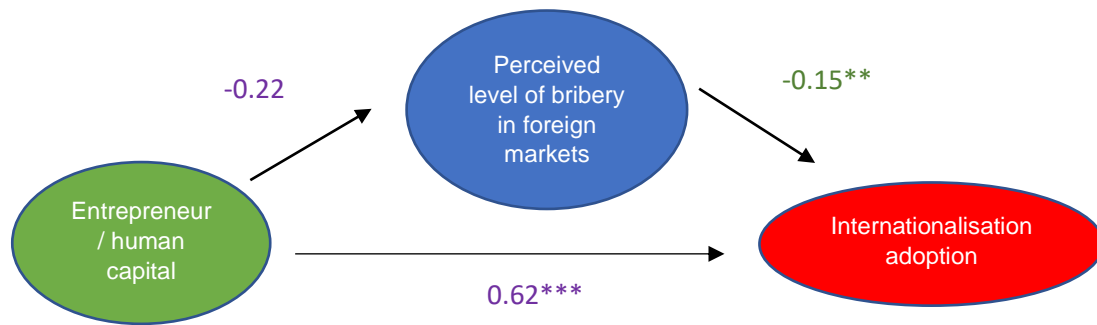


Fifth, the study investigated the mediation effect of perceived level of bribery in foreign markets in the relationship between entrepreneur/ human capital attributes and internationalisation adoption (refer to Figure 9.16). The indirect effect was calculated by multiplying the path from entrepreneur/ human capital attributes to the perceived level of bribery in foreign markets, and from the perceived level of bribery in foreign markets to internationalisation adoption (the indirect effect =  $-0.22 \times -0.15 = 0.033$ ). The result of indirect effect is compared to the direct effect of the relationship between entrepreneur/ human capital attributes and internationalisation adoption (0.62). Consequently, since the indirect effect value (0.033) is smaller than the value of direct effect (0.62) and the relationship of the indirect effect is significant, the study found the



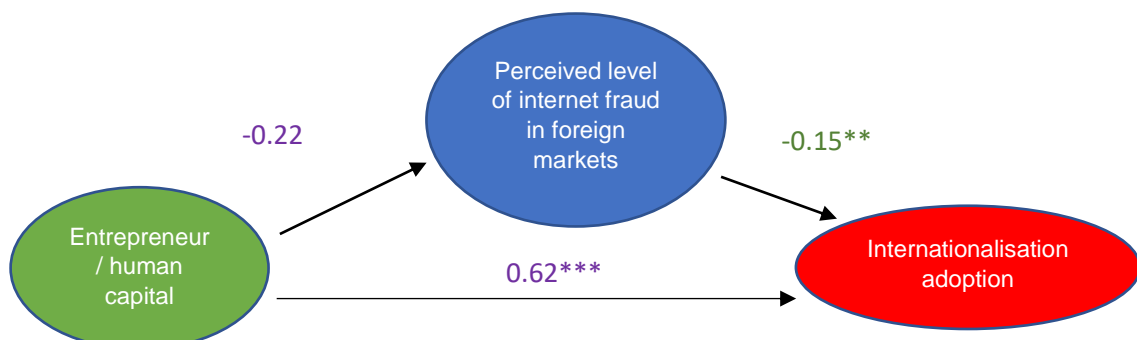
perceived level of bribery in foreign markets does not mediate the relationship of entrepreneur/ human capital attributes and internationalisation adoption.

**Figure 9. 16: Mediation Effect of Perceived Level of Bribery in the Relationship between Entrepreneur/ Human Capital Attributes and Internationalisation**



Sixth, the study investigated the mediation effect of perceived level of internet fraud in foreign markets in the relationship between entrepreneur/ human capital attributes and internationalisation adoption (refer to Figure 9.17). The indirect effect was calculated by multiplying the path from entrepreneur/ human capital attributes to the perceived level of internet fraud in foreign markets, and from the perceived level of internet fraud in foreign markets to internationalisation adoption (the indirect effect =  $-0.17 \times -0.06 = 0.0102$ ). The result of indirect effect is compared to the direct effect of the relationship between entrepreneur/ human capital attributes and internationalisation adoption (0.62). Consequently, since the indirect effect value (0.0102) is smaller than the value of direct effect (0.62), the study found perceived level of internet fraud in foreign markets does not mediate the relationship of entrepreneur/ human capital attributes and internationalisation adoption.

**Figure 9. 17: Mediation Effect of Perceived Level of Internet Fraud in the Relationship between Entrepreneur/ Human Capital Attributes and Internationalisation Adoption**



Based on the findings in structural equation modelling (SEM) analysis for Model 5, the study illustrates the result of hypotheses test in Model 5 in the following Table 9.34

**Table 9. 34: Outcomes of the Hypotheses Test in Model 5**

<b>Hypotheses</b>		<b>Results</b>
H5A	Management network relationship, management foreign market knowledge, management international business vision and management entrepreneur orientation have a positive impact on internationalisation adoption by Malaysian SMEs.	<b><i>Accepted</i></b>
H5B	Management network relationship, management foreign market knowledge, management international business vision and management entrepreneur orientation have a positive impact on environmental attributes by Malaysian SMEs.	<b><i>Rejected</i></b>
H5C	Management network relationship, management foreign market knowledge, management international business vision and management entrepreneur orientation have a positive impact on perceived level of bribery in foreign markets by Malaysian SMEs.	<b><i>Rejected</i></b>
H5D	Management network relationship, management foreign market knowledge, management international business vision and management entrepreneur orientation have a positive impact on perceived level of internet fraud in foreign markets by Malaysian SMEs.	<b><i>Rejected</i></b>
H5E	Adopting internationalisation by Malaysian SMEs is dependent on environmental attributes.	<b><i>Accepted</i></b>
H5F	Adopting internationalisation by Malaysian SMEs is dependent on perceived level of bribery in foreign markets.	<b><i>Accepted</i></b>
H5G	Adopting internationalisation by Malaysian SMEs is dependent on perceived level of internet fraud in foreign markets.	<b><i>Rejected</i></b>
H5H	The intensity of research and development (R&D), internet and communication technology, competitive advantage, human capital and management capability, reputation and trust and firm networks have a positive impact on internationalisation adoption by Malaysian SMEs.	<b><i>Rejected</i></b>
H5I	The intensity of research and development (R&D), internet and communication technology, competitive advantage, human capital and management capability, reputation and trust and firm networks have a positive impact on environmental attributes.	<b><i>Accepted</i></b>

H5J	The intensity of research and development (R&D), internet and communication technology, competitive advantage, human capital and management capability, reputation and trust and firm networks have a positive impact on perceived level of bribery in foreign markets.	<b>Rejected</b>
H5K	The intensity of research and development (R&D), internet and communication technology, competitive advantage, human capital and management capability, reputation and trust and firm networks have a positive impact on perceived level of internet fraud in foreign markets.	<b>Accepted</b>
H5L	Environmental attribute mediates the relationship between firm attributes and internationalisation adoption.	<b>Accepted</b>
H5M	Perceived level of bribery in foreign markets mediate the relationship between firm attributes and internationalisation adoption.	<b>Rejected</b>
H5N	Perceived level of internet fraud in foreign markets mediates the relationship between firm attributes and internationalisation adoption.	<b>Accepted</b>
H5O	Environmental attribute mediates the relationship between entrepreneur/ human capital attributes and internationalisation adoption.	<b>Rejected</b>
H5P	Perceived level of bribery in foreign markets mediate the relationship between entrepreneur/ human capital attributes and internationalisation adoption.	<b>Rejected</b>
H5Q	Perceived level of internet fraud in foreign markets mediates the relationship between entrepreneur/ human capital attributes and internationalisation adoption.	<b>Rejected</b>

#### 9.4 Internationalisation Adoption Impacts on Malaysian SMEs' Business Performance

The study argues Malaysian SMEs achieve a positive business performance as a consequence of the involvement in the internationalisation of their business activities. Hence, a set of hypotheses was developed to examine the impacts of internationalisation adoption on Malaysian SMEs. The hypotheses tests in this part are based on the discussions in chapter 4, 6 and 7. The study tests the impact on business performance in twofold included financial measures and nonfinancial

measures. Therefore, two hypotheses were developed to examine the impacts of internationalisation on Malaysian SMEs (hypothesis 6A and hypothesis B). Regression analysis and t-test were deployed to test these hypotheses. Table 9.35 presents the hypotheses in the second stage of inferential analysis.

**Table 9. 35: Hypotheses Used to Examine the Impacts of Internationalisation on Malaysian SMEs Business Performance**

Hypotheses	
H6A	Internationalisation adoption has a positive impact on the financial performance of Malaysian SMEs.
H6B	Internationalisation adoption has a positive impact on the non-financial performance of Malaysian SMEs.

#### 9.4.1 Internationalisation Adoption Impacts on Malaysian SMEs Financial Performance

The study used simple linear regression and t-test to examine the impact of the independent variable (internationalisation adoption) on the dependent variable (financial performance). The following equation can explain the simple linear regression:

$$\text{Financial performance} = \text{Constant} + \beta_1 \text{ internationalisation adoption (H6A)} + \epsilon$$

To test the above simple linear regression, the variables explaining the internationalisation adoption were entered in a block. The study found all the observed variance were statistically significant in explaining the relationship between internationalisation adoption and financial performance by Malaysian SMEs. Table 9.36 reveals that 27% of the variability in the dependent variable (financial performance) is explained by the independent variable (internationalisation adoption) with the  $R^2 = 0.273$ , and Adjusted  $R^2 = 0.269$ . Hence, the study suggests that internationalisation adoption explains the variation in financial performance of Malaysian SMEs in a good way.

**Table 9. 36: Model Summary for Internationalisation-Financial Performance**  
**Linear Regression Analysis**

Model	R	R square	Adjusted R square	Std. error of the estimate	Change statistics		Df1	Df2	Sig. F Change
					R square change	F change			
6	.522 <sup>a</sup>	.273	.269	2.80826	.273	81.000	1	216	.000

a. **Predictors:** (Constant), Internationalisation Adoption

b. **Dependent Variable:** Financial Performance

The analysis of variance (ANOVA) was used to test the null hypothesis that there is no relationship between independent variable (internationalisation adoption) and the dependent variable (financial performance). As can be seen in Table 9.37, the ANOVA result shows that there is a significant contribution of internationalisation adoption on Malaysian SMEs' financial performance. The result can be seen from the column of Sig., where the significant level is less than 0.001 (F= 81.000). Based on the ANOVA result, the study rejects the null hypotheses that there is no relationship of internationalisation adoption- financial performance.

**Table 9. 37: Summary of ANOVA Result**

Model		Sum of Squares	df	Mean Square	F	Sig.
6	Regression	638.787	1	638.787	81.000	.000 <sup>b</sup>
	Residual	1703.440	216	7.886		
	Total	2342.228	217			

a. **Predictors:** (Constant), Internationalisation Adoption

b. **Dependent Variable:** Financial Performance

The t-statistics test was observed to test the null hypothesis that the population partial regression coefficient for the variables is equal to zero (refer to Table 9.38).

**Table 9. 38: Result of Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
6	(Constant)	6.620	1.363		4.858	.000
	Internationalisation adoption	.320	.036	.522	9.000	.000

a. **Dependent variable:** Financial performance

Table 9.38 illustrates that the researcher can safely reject the null hypothesis that the coefficient for internationalisation adoption and financial performance ( $B= 0.522$ ,  $t= 9.000$ ,  $Sig < 0.001$ ) is equal to 0. Hence, the hypothesis 6A is accepted.

Furthermore, a one-sample t-test was conducted to compare whether the sample of this study means is significantly different to mid-point of the scale (3.00). The one sample T-test of financial performance (refer to Table 9.39) and subsequently, the result of one sample T-test (refer to Table 9.40).

**Table 9. 39: One-sample T-Test for Financial Performance Indicators**

	N	Mean	Std. Deviation	Std. Error Mean
Total firm's profitability growth.	218	4.0000	.73741	.04994
Profit from international operations as a percentage of total profit.	218	3.8257	.76615	.05189
Gross profit margin.	218	3.8578	.78168	.05294
Net profits from international operations.	218	3.7706	.80474	.05450
Total firm's sales growth relative to industry average.	218	3.8578	.75773	.05132
International sales as a percentage of total sales.	218	3.7477	.85632	.05800
Level of market share in our foreign markets.	218	3.7156	.82128	.05562
Number of our new market entry.	218	3.8119	.78373	.05308

**Table 9. 40: One Sample T-Test Result of Statistical Significance on Financial Performance Indicators**

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Total firm's profitability growth.	20.022	217	.000	1.00000	.9016	1.0984
Profit from international operations as a percentage of total profit.	15.912	217	.000	.82569	.7234	.9280
Gross profit margin.	16.203	217	.000	.85780	.7535	.9621
Net profits from international operations.	14.139	217	.000	.77064	.6632	.8781
Total firm's sales growth relative to industry average.	16.715	217	.000	.85780	.7566	.9589
International sales as a percentage of total sales.	12.892	217	.000	.74771	.6334	.8620
Level of market share in our foreign markets.	12.865	217	.000	.71560	.6060	.8252
Number of our new market entry.	15.296	217	.000	.81193	.7073	.9165

In Table 9.40, the result shows the samples mean are very significantly different from the mid-point scale 3.00 ( $P < 0.001$ ) for all the financial performance indicators. The result confirms that all the indicators for SME financial performance are on the positive side. Hence, the researcher can safely accept the hypothesis 6A that financial performance is dependent on the internationalisation adoption by Malaysian SMEs.

#### 9.4.2 Internationalisation adoption impacts on Malaysian SMEs non-financial performance

The study used simple linear regression and t-test to examine the impacts of internationalisation on Malaysian SMEs' non-financial performance. The following equation explains the simple linear regression:

$$\text{Non-financial performance} = \text{Constant} + \beta_1 \text{ internationalisation adoption (H6B)} + \epsilon$$

To test the above simple linear regression, the variables explaining the internationalisation adoption were entered in a block. The study found all the observed variance were statistically significant in explaining the relationship between internationalisation adoption and non-financial performance by Malaysian SMEs. In Table 9.41, 26% of the variability in the dependent variable (non-financial performance) is explained by the independent variable (internationalisation adoption) with the  $R^2 = 0.267$  and Adjusted  $R^2 = 0.263$ . Hence, the study suggests that internationalisation adoption explains the variation in financial performance of Malaysian SMEs in an acceptable way.

**Table 9. 41: Model Summary for Internationalisation-Financial Performance**  
**Linear Regression Analysis**

Model	R	R square	Adjusted R square	Std. error of the estimate	Change statistics		Df1	Df2	Sig. F Change
					R square change	F change			
1	.517 <sup>a</sup>	.267	.263	4.29516	.267	78.632	1	216	.000

a. Predictors: (Constant), Internationalisation adoption

b. b. Dependent variable: Non-financial performance

The analysis of variance (ANOVA) was used to test the null hypothesis that there is no relationship between independent variable (internationalisation adoption) and the dependent variable (non-financial performance). In Table 9.42, the ANOVA result shows that there is a significant contribution of internationalisation adoption on Malaysian SMEs' non-financial performance. The result can be seen from the column of Sig., where the significant level is less than 0.001 ( $F = 78.632$ ). Based on the ANOVA



result, the study rejects the null hypotheses that there is no relationship of internationalisation adoption and non-financial performance.

**Table 9. 42: Summary of ANOVA Result**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1450.635	1	1450.635	78.632	.000 <sup>b</sup>
	Residual	3984.852	216	18.448		
	Total	5435.487	217			

a. **Dependent Variable:** Non-financial performance

b. **Predictors:** (Constant), Internationalisation Adoption

The t-statistics test was observed to test the null hypothesis that the population partial regression coefficient for the variables is equal to zero. The result is illustrated in Table 9.43.

**Table 9. 43: Result of Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant).	14.685	2.084		7.046	.000
	Internationalisation adoption.	.482	.054	.517	8.867	.000

a. **Dependent variable:** Non-financial performance

Table 9.43 illustrates that the researcher can safely reject the null hypothesis that the coefficient for internationalisation adoption and non-financial performance ( $B = 0.517$ ,  $t = 8.867$ ,  $\text{Sig} < 0.001$ ) is equal to 0. Hence, the hypothesis 6B is accepted.

Furthermore, a one-sample t-test was conducted to compare whether the sample of this study means is significantly different to mid-point of the scale (3.00). The one sample T-test of non-financial performance is illustrated in Table 9.44, and subsequently, the result of one-sample t-test is presented in Table 9.45.

**Table 9. 44: One Sample T-Test for Non-Financial Performance Indicators**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Std. Error Mean</b>
Foreign marketing know-how.	218	4.0367	.76714	.05196
Technical knowledge (e.g. production and transportation).	218	4.0734	.72743	.04927
International knowledge (e.g. foreign culture, foreign market demands).	218	4.0550	.70984	.04808
New ideas about products, services, and business methods.	218	4.1835	.70109	.04748
Enhancement of the company's managerial capabilities as a result of internationalisation.	218	4.0459	.72969	.04942
Gaining access to lower cost or better value factors of production.	218	3.8440	.78199	.05296
Enhancement of the company's production as a result of internationalisation.	218	3.9174	.72644	.04920
Developing economies of scale in production costs.	218	3.9174	.74523	.05047
Confronting international and local competitors more effectively.	218	3.9174	.76355	.05171
Enhancement of the company's brand image and reputation both domestically and internationally.	218	4.1468	.74766	.05064
Longevity and sustainability in foreign market.	218	4.0275	.75543	.05116
Overall success in international market.	218	3.9908	.80317	.05440

**Table 9. 45: One-sample T-Test Result of Statistical Significance on Non-Financial Performance Indicators**

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Foreign marketing know-how.	19.953	217	.000	1.03670	.9343	1.1391
Technical knowledge (e.g. production and transportation).	21.787	217	.000	1.07339	.9763	1.1705
International knowledge (e.g. foreign culture, foreign market demands).	21.945	217	.000	1.05505	.9603	1.1498
New ideas about products, services, and business methods.	24.924	217	.000	1.18349	1.0899	1.2771
Enhancement of the company's managerial capabilities as a result of internationalisation.	21.163	217	.000	1.04587	.9485	1.1433
Gaining access to lower cost or better value factors of production.	15.936	217	.000	.84404	.7396	.9484
Enhancement of the company's production as a result of internationalisation.	18.647	217	.000	.91743	.8205	1.0144
Developing economies of scale in production costs.	18.177	217	.000	.91743	.8180	1.0169
Confronting international and local competitors more effectively.	17.740	217	.000	.91743	.8155	1.0194
Enhancement of the company's brand image and reputation both domestically and internationally.	22.647	217	.000	1.14679	1.0470	1.2466
Longevity and sustainability in foreign market.	20.083	217	.000	1.02752	.9267	1.1284
Overall success in international market.	18.215	217	.000	.99083	.8836	1.0980

In Table 9.45, the result shows the samples mean are very significantly different from the mid-point scale 3.00 ( $P < 0.001$ ) for all the non-financial performance indicators. The result confirms that all the indicators for SME non-financial performance are on the positive side. Hence, the researcher can safely accept the hypothesis 6B that non-

financial performance is dependent on the internationalisation adoption by Malaysian SMEs. The result of hypotheses tests in this section can be seen in the following Table 9.46

**Table 9. 46: Outcomes of the Hypotheses Test on the Relationship between Internationalisation Adoption and Malaysian SMEs’ Business Performance**

Hypotheses		Result
H6A	Internationalisation adoption has a positive impact on the financial performance of Malaysian SMEs.	Accepted
H6B	Internationalisation adoption has a positive impact on the non-financial performance of Malaysian SMEs.	Accepted

### 9.5 Chapter Summary

This chapter focuses on the inferential data analysis within the quantitative phase study. The main aim of conducting inferential data analysis is to validate the research framework and hypotheses developed from the literature review and exploratory phase study. The data was collected from a sample size of 218 research participants (Internationalised Malaysian SMEs owners/ managers) through survey questionnaires. Within the inferential data analysis, two statistical analysis tools were used including the Statistical Package for Social Science (SPSS – Version 24) and the Analysis of Moment Structure (AMOS – Version 24). Various analysis techniques were deployed to test the hypotheses in this chapter such as Cronbach-Alpha, item-to-total correlation, multiple regression analysis, simple linear regression analysis and one sample t-test. The findings of the hypotheses analysis were discussed in detail.

The study started by investigating the reliability and validity of the instrument used for the hypotheses tests. To test the reliability and validity of the instrument, the study deployed Cronbach-Alpha and item-to-total correlation to observe the acceptable scale measurements. The study found an acceptable value of item-to-total correlation of all items used in the inferential analysis ranged from 0.390 to 0.949, and highly acceptable reliability coefficient of the items in explaining the investigated factors (Cronbach-Alpha) ranged from 0.762 to 0.971. The results show that the value of item-to-total correlation and Cronbach-Alpha are higher than the generally accepted value

in the research area. Hence, the reliability of the instruments is highly satisfied for testing the research hypotheses.

The inferential statistical tests were structured in two different stages. Each stage was devoted to answering the research questions (discussed in section 7.2 of Chapter 7). The first stage was concerned with investigating the different factors affecting the internationalisation adoption by Malaysian SMEs. Within this stage, factors related to entrepreneur/ human capital attributes, firm attributes, environmental attributes and ethical attributes were investigated on its relationship to the internationalisation adoption by Malaysian SMEs. The study conducted multiple regression analysis and simple linear regression to understand the contribution of each factor on the internationalisation of Malaysian SMEs. Within this stage, the second part was devoted to answer the second research question regarding the role of external factors including environmental and ethical attributes (perceived level of bribery and internet fraud in foreign markets) in mediating the relationship between internal factors (entrepreneur/ human capital and firm attributes) and internationalisation adoption by Malaysian SMEs. Within this part, SEM was deployed to investigate the three factors that mediate the relationship. The second stage was concerned with the impact of internationalisation adoption on business performance (included financial and non-financial performance) of Malaysian SMEs. Within this part, the hypotheses were tested by using simple linear regression analysis and one sample t-test.

Within the first part of investigating the factors influencing the internationalisation adoption by Malaysian SMEs, four different models were conducted to investigate the factors. The first model was concerned with investigating the impacts of factors related to entrepreneur/ human capital. Here the multiple regression analysis and simple linear regression were deployed to test the contribution of four variables related to entrepreneur/ human to internationalisation adoption by Malaysian SMEs. The second model was concerned with investigating the impact of factors related to firm attributes. The study deployed multiple regression and simple linear regression to test the contribution of six variables related to firm attributes to internationalisation adoption. The third model was concerned with investigating factors related to environmental attributes. Here four variables were tested on the contribution to internationalisation by using multiple regression and simple linear regression. The final model in stage

one inferential analysis was concerned with investigating factors related to ethical attributes. Two variables related to ethical attributes were tested by using multiple regression and simple linear regression on the relationship to internationalisation adoption by Malaysian SMEs.

The second part of the first stage inferential analysis test was concerned with understanding direct and indirect relationships of the factors in influencing internationalisation adoption by Malaysian SMEs. This analysis part was conducted due to the different result in the first part. Particularly, the result on ethical attributes was found insignificant to internationalisation adoption by Malaysian SMEs. Also, there is a need to understand the role of external factors (including ethical attributes related factors) in mediating the relationship between internal factors and internationalisation adoption based on the literature review. Thus, there is a good reason for conducting the analysis part by deploying an advanced statistical technique through path analysis in SEM.

The findings indicated that the first three factors related to entrepreneur/ human capital attributes, firm attributes and environmental attributes contribute to internationalisation adoption by Malaysian SMEs in this study. Moreover, the study found all the 14 variables related to these three factors explain the internationalisation in a good way. On the other hand, the findings indicated that the fourth factor related to ethical attributes do not contribute to internationalisation adoption by Malaysian SMEs. This result includes the variables of perceived level of bribery in foreign markets and perceived level of internet fraud in foreign markets.

However, the path analysis findings indicated that perceived level of internet fraud and environmental attributes occur as mediators in the relationship between firm and internationalisation adoption, while environmental attributes, perceived level of bribery and perceived level of internet fraud in foreign markets do not mediate the relationship between entrepreneur/ human capital and the internationalisation adoption of Malaysian SMEs. The findings show a great role of environmental circumstances and the level of internet fraud in internationalisation adoption by Malaysian.

Finally, regarding the impacts of internationalisation adoption on the business performance of Malaysian SMEs, the study found the internationalisation adoption gives a great impact on Malaysian SMEs' financial and non-financial performance. Table 9.47 presents a summary of the result of the hypotheses tests within this inferential data analysis chapter.

**Table 9. 47: Overall Outcomes of the Hypotheses Tests within this Study**

Hypotheses		Results
H1A	Internationalisation by Malaysian SMEs is dependent on the entrepreneurs/ human capital network relationship.	<b>Accepted</b>
H1B	Internationalisation of Malaysian SMEs is dependent on the entrepreneur/ human capital foreign market knowledge.	<b>Accepted</b>
H1C	Internationalisation of Malaysian SMEs is dependent on the management international vision.	<b>Accepted</b>
H1D	Internationalisation of Malaysian SMEs is dependent on the management entrepreneurial orientation.	<b>Accepted</b>
H2A	Internationalisation of Malaysian SMEs is dependent on the firm intensity of research and development (R&D) capability.	<b>Rejected</b>
H2B	Internationalisation of Malaysian SMEs is dependent on the internet and communication technology.	<b>Rejected</b>
H2C	Internationalisation of Malaysian SMEs is dependent on the firm competitive advantage.	<b>Accepted</b>
H2D	Internationalisation of Malaysian SMEs is dependent on the firm human capital and management capability.	<b>Rejected</b>
H2E	Internationalisation of Malaysian SMEs is dependent on the firm reputation and trust.	<b>Rejected</b>
H2F	Internationalisation of Malaysian SMEs is dependent on the firm's network.	<b>Accepted</b>
H3A	Internationalisation of Malaysian SMEs is dependent on the globalisation phenomena.	<b>Accepted</b>
H3B	Internationalisation of Malaysian SMEs is dependent on national export policy.	<b>Accepted</b>
H3C	Internationalisation of Malaysian SMEs is dependent on the foreign countries policy.	<b>Rejected</b>
H3D	Internationalisation of Malaysian SMEs is dependent on institutional and financial actors.	<b>Rejected</b>
H4A	Internationalisation of Malaysian SMEs is dependent on the perceived level of bribery in foreign markets.	<b>Rejected</b>

H4B	Internationalisation of Malaysian SMEs is dependent on the perceived level of internet fraud in foreign markets.	<b>Rejected</b>
H5A	Management network relationship, management foreign market knowledge, management international business vision and management entrepreneur orientation have a positive impact on internationalisation adoption by Malaysian SMEs.	<b>Accepted</b>
H5B	Management network relationship, management foreign market knowledge, management international business vision and management entrepreneur orientation have a positive impact on environmental attributes by Malaysian SMEs.	<b>Rejected</b>
H5C	Management network relationship, management foreign market knowledge, management international business vision and management entrepreneur orientation have a positive impact on the perceived level of bribery in foreign markets by Malaysian SMEs.	<b>Rejected</b>
H5D	Management network relationship, management foreign market knowledge, management international business vision and management entrepreneur orientation have a positive impact on the perceived level of internet fraud in foreign markets by Malaysian SMEs.	<b>Rejected</b>
H5E	Adopting internationalisation by Malaysian SMEs is dependent on environmental attributes.	<b>Accepted</b>
H5F	Adopting internationalisation by Malaysian SMEs is dependent on the perceived level of bribery in foreign markets.	<b>Accepted</b>
H5G	Adopting internationalisation by Malaysian SMEs is dependent on the perceived level of internet fraud in foreign markets.	<b>Rejected</b>
H5H	The intensity of research and development (R&D), internet and communication technology, competitive advantage, human capital and management capability, reputation and trust and firm networks have a positive impact on internationalisation adoption by Malaysian SMEs.	<b>Rejected</b>
H5I	The intensity of research and development (R&D), internet and communication technology, competitive advantage, human capital and management capability, reputation and trust and firm networks have a positive impact on environmental attributes.	<b>Accepted</b>
H5J	The intensity of research and development (R&D), internet and communication technology, competitive advantage, human capital and management capability, reputation and trust and firm networks have a positive impact on the perceived level of bribery in foreign markets.	<b>Rejected</b>
H5K	The intensity of research and development (R&D), internet and communication technology, competitive advantage, human capital and management capability, reputation and trust and firm networks have a positive impact on the perceived level of internet fraud in foreign markets.	<b>Accepted</b>
H5L	Environmental attribute mediates the relationship between firm attributes and internationalisation adoption.	<b>Accepted</b>



H5M	Perceived level of bribery in foreign markets mediate the relationship between firm attributes and internationalisation adoption.	<b><i>Rejected</i></b>
H5N	Perceived level of internet fraud in foreign markets mediates the relationship between firm attributes and internationalisation adoption.	<b><i>Accepted</i></b>
H5O	Environmental attribute mediates the relationship between entrepreneur/ human capital attributes and internationalisation adoption.	<b><i>Rejected</i></b>
H5P	Perceived level of bribery in foreign markets mediate the relationship between entrepreneur/ human capital attributes and internationalisation adoption.	<b><i>Rejected</i></b>
H5Q	Perceived level of internet fraud in foreign markets mediates the relationship between entrepreneur/ human capital attributes and internationalisation adoption.	<b><i>Rejected</i></b>
H6A	Internationalisation adoption has a positive impact on the financial performance of Malaysian SMEs.	<b><i>Accepted</i></b>
H6B	Internationalisation adoption has a positive impact on the non-financial performance of Malaysian SMEs.	<b><i>Accepted</i></b>

# Chapter 10: Interpretation and Discussion of the Findings

## 10.1 Introduction

This chapter discusses the findings based on the interval data analysis presented in the previous Chapter 9. Subsequently, the findings were compared to previous works in the research area. The discussion of findings is presented in two different stages included: i) key findings of internationalisation adoption stage; and ii) key findings of the impacts of internationalisation adoption on Malaysian SMEs' business performance.

## 10.2 Key Findings on Internationalisation Adoption: -

One of the aims of this research is to identify factors contributing to the internationalisation adoption of Malaysian SMEs. Hence, a survey questionnaire was conducted on 218 Malaysian SMEs' owners/ managers that have diversified their business operations to overseas markets. Based on the analyses of data collected, this research presented the findings regarding the investigation of factors influencing internationalisation adoption by Malaysian SMEs in the first part of Chapter 9.

Within the stage of internationalisation adoption, the investigation was divided into two parts which are an investigation on factors influencing Malaysian SMEs internationalisation adoption; an investigation on the role of external factors in mediating the relationship between internal factors and internationalisation adoption by Malaysian SMEs. Within the first part, the role of factors influencing internationalisation adoption were tested in four regression models. The models include the: i) impact of entrepreneur/ human capital attributes on internationalisation adoption by Malaysian SMEs; ii) impact of firm attributes on internationalisation adoption by Malaysian SMEs; iii) impact of environmental attributes on internationalisation adoption; and iv) impact of ethical attributes on internationalisation adoption by Malaysian SMEs. Within the second part, this research investigated the inter-relationships between the factors above influencing internationalisation adoption by Malaysian SMEs. Also, the research investigated the role of external factors in mediating the relationship of internal factors-internationalisation adoption. The findings of each analysis will be discussed in the next subsection.

### 10.2.1 Findings 1: Entrepreneur/ Human Capital Attributes

The study investigated the impact of entrepreneur/ human capital attributes on internationalisation adoption by using multiple and linear regression techniques. The factor was included based on the ability to predict the internationalisation behaviour of born global companies and large multinational companies in previous studies (e.g. Covin and Slevin, 1989; Zahra and Garvis, 2000; Ibeh and Young, 2001; Hutchinson *et al.*, 2006; Zhang *et al.*, 2016). The factor is mainly studied by scholars who try to understand the theory of international entrepreneurship and international new venture theory in facilitating firms to internationalise (e.g. Zahra and Garvis, 2000). The factor is tested in the current study within the context of Malaysian SMEs who succeed in diversifying their businesses abroad by various outward internationalisation activities such as direct exporting, joint venture, licensing and foreign direct investment (FDI).

Based on the findings presented in chapter nine section 9.3.1, the study found all four factors related to entrepreneur/ human capital attributes tested in this study contribute to the internationalisation adoption by Malaysian SMEs. The variables tested within this factor included: i) management network relationship; ii) foreign market knowledge; iii) international business vision; and iv) management entrepreneurial orientation.

The significant positive result of management entrepreneur orientation in affecting Malaysian SMEs internationalisation adoption is consistent with the previous studies conducted by Yamakawa *et al.* (2008), Amal and Filho (2009), De Clercq *et al.* (2005), Hutchinson *et al.* (2006), Ibeh and Young (2001) and Javalgi and Todd (2011). For example, Javalgi and Todd (2011) found entrepreneurial orientation such as the ability of the management to relate innovative, proactive and adverse of international business risk can influence SMEs in the early stage of adopting internationalisation strategy and in the stage of diversifying businesses to new foreign markets. The result is also consistent with Yamakawa *et al.* (2008) who found that there is a significant role of entrepreneurial orientation on new ventures entries from emerging countries to developed countries. Moreover, this current research confirmed the result of De Clercq *et al.* (2005) who found management with entrepreneurial mindset might be more likely to develop a long-term substantial international business compared to firms that are more reactive and conservative.

Similarly, the significant contribution of network relationships of the entrepreneur on internationalisation adoption by Malaysian SMEs is consistent with previous works undertaken by Amal and Filho (2009), Hutchinson *et al.* (2006), Ciravegna *et al.* (2014), Jin and Jung (2016), Zhang *et al.* (2016) and Kontinen and Ojala (2011). For example, Kontinen and Ojala (2011) found network relationships built through client-supplier relationships, personal and informal contacts, networks through expos attendance, serendipity contacts during vacation can influence the internationalisation adoption by SMEs. Furthermore, this study also confirmed the findings by Musteen *et al.* (2013) who found Czech Republic SMEs with chief executive officers who had developed strong international networks exhibited greater knowledge of foreign market before internationalisation.

Also, the positive relationship between foreign market knowledge and the internationalisation adoption by Malaysian SMEs is consistent with the previous works conducted by Hutchinson *et al.* (2006), Fletcher and Prashantham (2011), Johanson and Vahlne (1977), Zahra *et al.* (2000), and Morgan and Katsikeas (1997). For example, Fletcher and Prashantham (2011) found international market knowledge sharing is essential for rapid internationalisation of SMEs, and the acquisition through prospective customers, acquaintances made through industry forums, embassies and trade bodies can lead to awareness of SMEs on international markets, which in turn lead to internationalisation adoption by SMEs. Furthermore, De Clercq *et al.* (2005) found that intensive knowledge renewal and exploitation by top management team regarding foreign markets and internationalisation processes itself may increase internationalisation intent. Therefore, this study has challenged the result of Chelliah *et al.* (2010) who found there was no significant relationship between international knowledge and experience with a manager's decision to internationalise in the northern region of Malaysia.

Furthermore, a significant positive relationship was found on international business vision affects the internationalisation adoption by Malaysian SMEs is consistent with the previous works such as Hutchinson *et al.* (2006), Meneses *et al.* (2014), Javalgi and Todd (2011), Leonidou *et al.* (2007) and Andersson and Victor (2003). For example, Meneses *et al.* (2014) found global vision facilitates the process of internationalisation of 6 mature family firms operating in different sectors. Similarly,

Hutchinson *et al.* (2006) found an international vision of the firm's owner/ managers was a key reason why the six companies in their study decided to expand into overseas markets. The result also supported the study conducted by Nitu and Feder (2010) who found a positive relationship between management's attitudes and perceptions regarding internationalisation (such as perceptions of the competitiveness of the products to be exported) and the manager's decision to internationalise in Romanian SMEs.

### 10.2.2 Findings 2: Firm Attributes

Taking into consideration suggestion by Coviello and McAuley (1999) and Coviello and Martin (1999) that future researches should focus on more holistic approach in investigating factors influencing SMEs' internationalisation, the study extended the investigation into another dimension which relates to firm attributes related factor. Here, the study examined six variables related to firm attributes which can predict the internationalisation adoption by Malaysian SMEs. The variables include: i) the intensity of research and development (R&D); ii) internet and communication technology; iii) competitive advantage; iv) human capital and management capability; v) reputation and trust; and vi) firm networks.

Based on the multiple and simple linear regression analysis on the Model 2 (firm attributes impact on internationalisation adoption), the findings show there is a significant positive relationship between the internationalisation and the factors related to firm attributes. The model fit is in an acceptable level with adjusted  $R^2$  is 0.163 showing that the observed variation of internationalisation adoption is 17% explained by variables related to firm attributes. The Beta weights presented the strongest variable explaining internationalisation adoption by Malaysian SMEs is competitive advantage (B= 0.435), followed by reputation and trust (B= 0.315), internet and communication technology (B= 0.310), firm networks (B= 0.300), the intensity of research and development (R&D) (B= 0.281) and human capital and management capability (B= 0.238).

The most critical factor affecting the internationalisation adoption by Malaysian SMEs was competitive advantage. This finding is consistent with the previous work undertaken by Albaum and Tse (2001) who measured competitive advantage

regarding four conventional mix-marketing components (product, positioning, pricing, and distribution). They (*ibid*) found that there was a significant relationship between competitive advantage and internationalisation performance of Hong Kong exporters. Furthermore, Roth and Morrison (1992) found there was a significant positive relationship between competitive advantage with the internationalisation of companies in pulp and paper industry. Conversely, this finding is not consistent with research conducted by Chelliah (2010) who found competitive advantage did not support the internationalisation of Malaysian SMEs in the manufacturing sector from the Northern part of Malaysia. However, based on the samples of internationalised SMEs from all states in Malaysia, and from various industrial sectors, this current research suggests Malaysian SMEs' internationalisation associated to their product' quality and differentiation, competitive price and low cost of productions. This is consistent by the yearly report in Ministry of International Trade and Industry of Malaysia (MITI) (2016) who reported that various incentives such as product development incentives have been provided by the Malaysian government to develop competitive Malaysian SMEs in global markets (Ministry of International Trade and Industry, 2016, p. 53).

Reputation and trust are the second most crucial factor predicting the internationalisation adoption by Malaysian SMEs in a perfect way. This finding is consistent with previous works conducted by Gerbasi and Latusek (2015) who found reputation and trust facilitated collaboration between businesses from the United States and Poland. The research conducted by (*ibid*) was aimed to examine low-trust and high-trust cultures within one business venture. Similarly, the research conducted by Fink and Kraus (2007) found that there was a positive relationship between trust-based cooperation and foreign business partners affecting the success of the internationalisation collaborations. Based on the findings, this current research suggests that Malaysian SMEs diversified into international markets based on the reputation and trust that they have in domestic and international markets.

Advanced internet and communication technology is the third most crucial factor predicting the internationalisation adoption by Malaysian SMEs in an excellent way. This finding is consistent with previous works conducted by Ahmed *et al.* (2006), Amarasena (2013), Bennett (1997), Bianchi and Mathews (2016), Clarke (2008), Quelch and Klein (1996), Prasad *et al.* (2001), Samiee (1998), Sinkovics *et al.* (2013),

and Williamson (1999) who found there is a positive relationship between internet and communication technology and the internationalisation adoption by businesses. For example, Ahmad *et al.* (2006) found the establishment of firm's website can attract client from outside of the local market. Similarly, Bennet (1997) found the use of the internet as a marketing tool can remove all the geographical limitations, permit the instant establishment of virtual companies' branches in overseas markets and allow instant foreign market entry by SMEs.

The fourth most important factor within the firm attributes is secure networks. This study found firms' formal business networks to customers, suppliers, competitors, government/ policy makers, industry associations, trade agencies and financial institutions have a positive link to the internationalisation adoption of Malaysian SMEs. This finding is consistent with the study conducted by Jansson and Sandberg (2008) who found that network relationship with customers, suppliers and agents are critical for SMEs from Southern Sweden to penetrate foreign markets in the Baltic States, Poland and Russia. Similarly, Fernández and Nieto (2005) confirmed that family SMEs that cooperate and perform stable relationship with other companies in obtaining resources are more involved in international markets. Furthermore, Fuller-Love and Thomas (2004) found small manufacturing businesses in Mid-Wales used networks with the industry-based organisation and public sectors to gain knowledge and information through seminars and training sessions, exhibitions, which in turn improved their international companies' performance. Similarly, based on their expert interviews, Senik *et al.* (2010) found Malaysian SMEs use networks to internationalise. Hence, this current research extends and deepens the understanding of findings by Senik *et al.* (2010) that Malaysian SMEs are cooperating with other foreign businesses to diversify to overseas markets.

The fifth most important factor within the firm attributes is the intensity of research and development (R&D) impacts the internationalisation adoption of Malaysian SMEs. This research found R&D impacts the internationalisation adoption by Malaysian SMEs in a right way at the significance level of  $P < 0.001$ . The finding is consistent with the previous work by Gerke and Benson-Rea (2011) who found small firms in New Zealand mainly in the yachting sector rely on R&D to develop product uniqueness and differentiation to enable them selling unique sports base products from New Zealand

to overseas markets. Similarly, Karadeniz and Göçer (2007) found the intensity of R&D increased the ability to be exporter among SMEs in Turkey. Also, Bilkey and Tesar (1977) found internationalised firms with more than 10 per cent export value concentrate on product development and more technologically advanced.

Finally, the least important factor within firm attributes is the ability to manage human capital and management. This study found the ability to manage human capital impacts on internationalisation adoption by Malaysian SMEs in a right way. This finding is supported by the previous research conducted by Javalgi and Todd (2011) who found that the ability to leverage human capital influenced the international success of Indian SMEs. Similarly, Kumar and Yakhlef (2014) confirm that human capital management capability influenced an Indian born global company operating in a high-tech industry in diversifying their business operations in the United States. Based on the findings, the current research suggests that the ability to manage human capital effectively contributed to the internationalisation adoption by Malaysian SMEs.

### 10.2.3 Findings 3: Environmental Attributes

Based on the multiple and simple linear regression conducted on Model 3 (environmental attributes impact on internationalisation adoption of Malaysian SMEs), there is a significant positive relationship between the internationalisation and the factors related to environmental attributes. The model fit is in an acceptable level with adjusted  $R^2$  is 0.267 showing that the observed variation of internationalisation adoption is 27% explained by variables related to environmental attributes. The Beta weights presented the strongest variable explaining internationalisation adoption by Malaysian SMEs is globalisation phenomena (B= 0.472), followed by foreign country policy (B= 0.395), national export policy (B= 0.303), institutional and financial actors (B= 0.148).

The globalisation phenomena is the most essential factor predicts internationalisation adoption by Malaysian SMEs in Model 3. This finding is consistent with previous works such as Senik *et al.* (2010) who found through expert interviews that globalisation phenomena such as better transportation, advanced communication and internet facilities, as well as, reduction of trade barriers have promoted Malaysian SMEs to



internationalise their businesses. Similarly, the result supports the findings by Graham (1999) who identified globalisation phenomena is the primary motivator for internationalisation adoption by businesses. Within the globalisation phenomena factor, they (*ibid*) found three main motivators influenced firms to internationalise, including: i) technological improvements (relates to the effectiveness of transportation and communications; the reduction of cost of moving goods; improvements in internet and computing facilities; and innovations of financial services); ii) a greater international motivation at the firm level (relates to the motivation to locate manufacturing locations with lower wages and closer to emerging markets); iii) government policy initiatives in both developed and developing countries (relates to the reduction of trade barriers and floating of exchange rates have helped businesses to globalise their businesses). Hence, this current research extends and deepens the understanding of the role of globalisation phenomena in influencing internationalisation adoption by Malaysian SMEs through survey questionnaires conducted.

Foreign country policy is the second most important factor within Model 3 impacts on internationalisation adoption by Malaysian SMEs. The findings show a reduction of tariffs in overseas countries, relaxed products regulations in foreign countries, and favourable currency movement contribute to the internationalisation by Malaysian SMEs. The finding is consistent with previous works undertaken by Jaffe and Pasternak (1994) who found foreign government policy, attractive currency exchange, and export markets attractiveness contribute to the internationalisation of businesses. The result is also consistent with the study conducted by Evers (2010). Evers (*ibid*) claims that greater participation of foreign countries in global economic integration such as: European Union; ASEAN free trade area (AFTA, 1992); Central European free trade agreement (CEFTA, 1992); and Central American integration system (SICA, 1993) have led to easier distribution of products and services to overseas markets than previously.

Furthermore, the national export policy is the third most crucial factor contributes to internationalisation adoption by Malaysian SMEs in Model 3. This finding shows that Malaysian SMEs use export incentives provided by the Malaysian government for internationalisation. This includes product research and development (R&D) grant,

products branding and packaging grants, financial support, international promotion programmes (e.g. International Halal Expo, Malaysia's leading agricultural show (MAHA), and exchange rate stabilisation by the government stimulate the internationalisation adoption by Malaysian SMEs. Morgan and Katsikeas (1997) support the finding by suggesting the government should provide an incentive to increase participation of SMEs in international markets. Similarly, Crick and Chaudhry (2000) proffer public policymakers need to provide more supports to UK SMEs efficiently and effectively to enable the business community to diversify their businesses abroad regardless of ethnicity. Shamsuddoha *et al.* (2009) suggest government assistance programs such as international market development and financial assistance significantly affects the internationalisation adoption by Bangladeshi SMEs. The result also supports Ahmed *et al.* (2006) who found various incentives provided by home country government significantly contributed to export involvement of Lebanese firms.

The least influencing factor within Model 3 is institutional and financial actors. This variable is related explicitly to the ability of private financial institutions such as banks in Malaysia in providing financial support to exporters. Although there is a significant positive level between institutional and financial actors with internationalisation adoption by Malaysian SMEs, the current research found it is least influencing internationalisation adoption. The result might be due to Malaysian SMEs experience difficulties in obtaining a loan from banks as this institution avoid providing loan due to high risk and inability to fulfil requirements by banks. Furthermore, Malaysian SMEs might less refer to banks in obtaining international knowledge, particularly on international transaction and payments. This result is supported by Lindstrand and Lindbergh (2011) who found financial institutions such as banks do not participate in SMEs internationalising business networks. Similarly, the research conducted by Ayob and Freixanet (2014) found programs related to export information or knowledge sharing organised by public agencies is more useful and stimulate Malaysian SMEs to expand into international markets rather than programs related to financial assistance.

#### 10.2.4 Findings 4: Ethical Attributes

Based on the multiple and simple linear regression on Model 4 (ethical attributes impact internationalisation adoption), the result shows that  $R^2$  is 0.020 and adjusted  $R^2$  is 0.011. The small value of adjusted  $R^2$  (1%) indicates that the model does not fit the data well. Furthermore, the significance value F is  $P > 0.05$  (2.198) which means the dependent variables do not explain the variation in the dependent variable. In other words, the result of multiple regression shows that there is no significant relationship between ethics attributes and internationalisation adoption by Malaysian SMEs.

The finding is not consistent with previous works undertaken by Uhlenbruck *et al.* (2006), Rodriguez *et al.* (2005), Bardhan (1997), Habib and Zurawicki (2002), Chan and Armstrong (1999) and Javorcik and Wei (2009) who found corruption affected the behaviour of multinational companies in entry mode and reduces foreign direct entry (FDI) into an economy. For example, Uhlenbruck *et al.* (2006) found corruption affected the internationalisation behaviour of multinational enterprises where companies reacted by establishing non-equity entry modes such as short-term contracting or entry into joint venture instead of involving entirely ownership foreign direct investment. Moreover, Habib and Zurawicki (2002) found foreign investors generally avoid corruption because it impacts firms' operational inefficiency and is considered wrong. Similarly, Javorcik and Wei (2009) found corruption not only reduces the volume of FDI in foreign markets but also impacts the entry mode of internationalisation of multinational companies. Therefore, multinational companies intend to use local partners to reduce conflicts of bureaucratic in host countries. Moreover, Chan and Armstrong (1999) found the most important ethical issues in international markets that confront by business owners/ managers in Australia and Canada is large-scale bribery.

Conversely, the current research's findings show Malaysian SMEs did not consider ethical attributes before engaging in the foreign marketplace. SMEs in Malaysia may not consider the ethical attributes in foreign countries due to the majority of export destination are countries that involve in foreign trade agreement (FTA) with Malaysia. Therefore, Malaysian SMEs do not confront with corruption in overseas markets because many trade barriers have been lifted as a consequent of the FTA (the list of FTA countries and Malaysian export destination was discussed in Chapter 6).

Furthermore, the research found Malaysian SMEs adapt to the pressures of ethical problems in host countries by using non-equity internationalisation activities to reduce risks. The result is supported by researchers in institutional theory who suggest that firms adapt to local conditions to cope with such conflicting pressures such as adjustment of entry mode (e.g. Davis *et al.*, 2000; Uhlenbruck *et al.*, 2006). Also, it is notable Malaysian SMEs do not consider the level of corruption in host countries prior internationalisation due to difficulties of penetrating the overseas market and most of the SMEs in this research are in the early stage of diversifying market abroad (most SMEs were internationalised for less than five years which accounted 75.7 percent as discussed in chapter 8 – section 8.3.3.1). Therefore, most of the internationalising Malaysian SMEs are still exporting directly from home countries instead of undertaking more advanced mode of internationalisation such as FDI that requires dealing with various foreign officials. Consequently, the ethics issue is yet not an essential factor impacts internationalisation adoption by Malaysian SMEs.

#### 10.2.5 Findings 5: The Integration among Factors Impacting Internationalisation Adoption

The factors affecting internationalisation of Malaysian SMEs differed from entrepreneur/ human capital attributes, firm attributes, environmental attributes and ethics attributes. Although each framework generated different factors, all the factors from entrepreneur/ human capital, firm and environmental attributes were proven to influence the internationalisation of Malaysian SMEs, while ethical attributes related factors were found to be inverse.

Although expanding the model into an integrative model (entrepreneur, firm, environmental and ethical level) could improve understanding of factors influencing Malaysian SMEs' internationalisation from various facets, there is still a need to understand the different relationships and/ or integration among internal factors (entrepreneur/ human capital attributes, firm attributes) and external factors (environmental attributes, ethical attributes) from the other side. The investigation of integration among the independent variables in influencing internationalisation adoption will deepen the understanding of the phenomena of the field study. Based on the data analyses and hypotheses testing result (Chapter 9 - section 9.3.4.2), the external factors (environmental attributes and perceived level of bribery in foreign

markets) were found positively contributed to internationalisation adoption of Malaysian SMEs, while the perceived level of internet fraud was found the inverse. The highest effect on internationalisation adoption by Malaysian SMEs was contributed by environmental attributes (standardised estimate= 0.021,  $P < 0.01$ ), followed by the perceived level of bribery in foreign markets (standardised estimate= 0.028,  $P < 0.05$ ), while the perceived level of internet fraud is not significant (standardised estimate= 0.043,  $P > 0.05$ ).

The significant positive impact of environmental attributes on internationalisation adoption is consistent with the finding in regression Model 3. Conversely, ethical attributes' finding differs from the result in multiple regression Model 4, where the perceived level of bribery in foreign markets is found significant in SEM but not significant in multiple regression Model 4. The result may be because this factor mediates the relationship between firm attributes and the internationalisation adoption, hence, improving the relationship to internationalisation adoption. Also, the result of the perceived level of internet fraud is consistent with the result of multiple regression. Hence, the result confirms that there is no significant positive relationship between the perceived level of internet fraud and internationalisation adoption by Malaysian SMEs.

The internal related factor which relates to firm attributes positively and significantly affected environmental related factors (standardised estimate= 0.172,  $P < 0.001$ ), and perceived level of internet fraud (standardised estimate= 0.090,  $P < 0.05$ ). Surprisingly, the firm attributes has insignificant positive impact on the perceived level of bribery in foreign markets (standardised estimate= 0.119,  $P > 0.05$ ) and internationalisation adoption (standardised estimate= 0.051,  $P > 0.05$ ). The result is due to the correlation between firm attributes and internationalisation adoption was reduced with the advent of mediator (perceived level of internet fraud). The result is consistent with the suggestion of Awang (2014, p. 118) who proffers that a direct effect between the independent variable and the dependent variable is reduced and no longer significant if a complete mediation occurs.

However, another internal related factor entrepreneur/ human capital has a positive direct relationship to internationalisation adoption by Malaysian SMEs (standardised estimate= 0.065,  $P < 0.001$ ). Conversely, entrepreneur/ human capital has insignificant

relationship to external factors including environmental attributes (standardised estimate= 0.204,  $P > 0.05$ ), perceived level of bribery in foreign markets (standardised estimate= 0.141,  $P > 0.05$ ), and perceived level of internet fraud in foreign markets (standardised estimate= 0.104,  $P > 0.05$ ). This shows that there is no indirect relationship between entrepreneur/ human capital- internationalisation adoption of Malaysian SMEs.

Regarding the mediation role of external factors, this study found environmental attributes mediates the relationship between firm attributes and internationalisation adoption. The result infers that Malaysian SMEs dependence on environmental attributes (foreign countries' policy, globalisation phenomena, national export policy, institution and financial actors) in adopting internationalisation strategy although firms meet all the requirement needed for internationalisation. However, the environmental attributes do not mediate the relationship between entrepreneur/ human capital and internationalisation adoption by Malaysian SMEs. The findings show that the attributes of SMEs owners/ managers that have a high international vision, entrepreneur orientation, network relationships and international market knowledge can predict Malaysian SMEs' internationalisation regardless the circumstances of environmental attributes including globalisation phenomena, better foreign market policy, national export policy and proper support by institutional and financial actors.

Similarly, perceived level of bribery in foreign markets does not mediate the relationship between the firm attributes and internationalisation adoption. The result might be due to SMEs in this study do not consider the level of bribery in foreign markets as they do not confront with the conflicts in the foreign markets, particularly countries that have foreign trade agreements with Malaysia and countries with a low index of corruption. Also, perceived level of bribery in foreign markets does not mediate the relationship between entrepreneur/ human capital and internationalisation adoption. The result could be due to the circumstances of Malaysia economy recently that forces entrepreneur to go abroad.

Similarly, the perceived level of internet fraud does not mediate the relationship between entrepreneur/ human capital and internationalisation of Malaysian SMEs. This shows that strong entrepreneur orientation of the Malaysian SME owners/

managers does not hinder the internationalisation of these SMEs to internationalise regardless of internet fraud level in foreign markets. However, regarding the firm level, the perceived level of internet fraud mediates the relationship between firm attributes and internationalisation adoption. The result may be due to the need of Malaysian SMEs to reduce risks and uncertainty from the threads of internet usage in the global marketplace.

### 10.3 Internationalisation Adoption Impacts on Malaysian SMEs' Business Performance Key Findings: -

One of the aims of this research is to identify the impacts of internationalisation adoption on Malaysian SMEs' business performance. The performance was measured in twofold included financial performance and non-financial performance. Two variables explained the financial performance included total firm's profitability growth (measured by four items in the survey questionnaire) and sales growth (measured by four items in the survey questionnaire). On the other hand, the non-financial performance was explained by three items included efficiency performance (measured by four items in the survey questionnaire), knowledge performance (measured by five items in the survey questionnaire) and the realisation of company's goals (measured by three items in the survey questionnaire).

#### 10.3.1 Internationalisation Adoption Impacts on Malaysian SMEs' Financial Performance Key Findings.

The result of multiple regression analyses and hypotheses tests regarding the impacts of internationalisation adoption shows that there is a positive impact on financial performance of Malaysian SMEs (see Chapter 9 – Section 9.4.1). The adjusted  $R^2 = 0.269$  shows that the variables related to financial performance explains 27% of the variability in internationalisation adoption. Thus, the percentage depicts that the model fits in a right way.

Furthermore, the result shows that all items mean scores are upper half of the distribution. Within the model, the internationalisation adoption is associated with: i) total firm's profitability growth ( $M = 4.0000$ ); ii) profit from international operations as a percentage of total profit ( $M = 3.8257$ ); iii) gross profit margin ( $M = 3.8578$ ); iv) net profits

from international operations (M= 3.7706); v) total firm's sales growth relative to industry average (M= 3.8578); vi) international sales as a percentage of total sales (M= 3.7477); vii) level of market share in foreign markets (M= 3.7156); and viii) number of new market entry (M= 3.8119).

Moreover, the result of one-sample t-test shows that the observed means of financial performance indicators are significantly different from the mid-point of the scale 3.00 ( $P < 0.001$ ). The result confirms that all indicators for financial performance within this study context are on the positive side.

Consequently, based on the above analyses results, this study suggests that financial performance is dependent on the internationalisation adoption by Malaysian SMEs. This finding is consistent with the previous works such as research conducted by Yeoh (2014) who found internationalisation mediates the relationship between process innovation and financial performance of 110 SMEs in Malaysia. Similarly, Zhou *et al.* (2007) found the positive relationship of social network so-called 'Guanxi network' in mediating the relationship between internationalisation strategy and financial performance (profitability performance and sales performance) of SMEs in China. Furthermore, Pangarkar (2008) proved some new measures of the degree of internationalisation (DOI) have a significant relationship to the business performance of 94 SMEs in Singapore regarding return on sales, the growth of sales, foreign profit as a percentage of total profits, growth of profits and return on assets.

### 10.3.2 Internationalisation Adoption Impacts on Malaysian SMEs' Non-Financial Performance Key Findings.

The result of multiple regression analyses and hypotheses tests regarding the impacts of internationalisation adoption on financial performance has a positive relationship (see Chapter 9 – Section 9.4.2). The adjusted  $R^2 = 0.263$  shows that the variables related to non-financial performance explains 26% of the variability in internationalisation adoption. Thus, the percentage depicts that the model fits in a right way.

Moreover, the result shows that all items mean scores are upper half of the distribution, so that the internationalisation adoption is associated with total foreign marketing



know-how (M= 4.0367), technical knowledge (M= 4.0734), international knowledge (M= 4.0550), new ideas about products, services and business methods (M= 4.1835), enhancement of the company's managerial capabilities as a result of internationalisation (M= 4.0459), gaining access to lower cost or better value factors of production (M= 3.8440), enhancement of the company's production as a result of internationalisation (M= 3.9174), developing economies of scale in production costs (M= 3.9174), confronting international and local competitors more effectively (M= 3.9174), enhancement of the company's brand image and reputation both domestically and internationally (M= 4.1468), longevity and sustainability in foreign market (M= 4.0275), overall success in international market (M= 3.9908).

Also, the result of one-sample t-test shows that the observed means of financial performance indicators are significantly different from the mid-point of the scale 3.00 ( $P < 0.001$ ). This confirms that all indicators for financial performance within this study context are on the positive side.

Based on the above analyses results, this study suggests that non-financial performance is dependent on the internationalisation adoption by Malaysian SMEs. This finding is consistent with the previous works such as Yeoh *et al.* (2014) who discovered a significant positive relationship between the international experience of outside of family business CEO's and the enhancement of the company's production and managerial capabilities. Similarly, Pangarkar (2008) found a positive relationship between the degree of internationalisation (DOI) and experience or knowledge gained as a result of entering foreign markets by Singaporean SMEs. Also, Fletcher and Harris (2012), Ibeh and Kasem (2014) and Zahra *et al.* (2000) found internationalisation has an impact on marketing knowledge, technical knowledge and international knowledge of SMEs.

## 10.4 Chapter Summary

The research findings provide a significant contribution to knowledge in the area of SME internationalisation in general, and in particular on factors influencing the internationalisation adoption of Malaysian SMEs, as well as, the impacts of such internationalisation strategy on SMEs business performance. Consequently, this chapter is concerned with interpreting and discussing the findings in the previous

chapter 10, and subsequently, compared the findings with the previous works undertaken within the research field. The discussion within the chapter was divided into two central extends included internationalisation adoption and the impact of internationalisation on Malaysian SMEs' business performance.

The chapter started by discussing factors influencing the internationalisation adoption by Malaysian SMEs. The findings illustrated that Malaysian SMEs adopt internationalisation based on the factors related to entrepreneur/ human capital attributes, firm attributes, and environmental attributes which is consistent with previous works including Amal and Filho (2009), De Clerq et al. (2003), Hutchinson et al (2006), Ahmed et al. (2006), Amarasena (2013), Bennet (1997), Bianchi and Mathews (2016), Clarke (2008), Klein (1996), Prasad et al. (2001), Samiee (1998), Sinkovics et al. (2011), Williamson (1999), Lindstrand and Lindberghl (2011). Nevertheless, the fourth factor related to ethical attributes was found not significant to the internationalisation of Malaysian SMEs due to the current circumstances of Malaysia economics that forced SMEs to take the risk to export products and services regardless ethical attributes in foreign countries. Furthermore, the majority of exports destination are among countries that have a foreign trade agreement with Malaysia, thus, reducing ethical issues among businesses due to government interruption.

The findings also suggest that external factors (environmental attributes and the perceived level of internet fraud in foreign markets) mediate the relationship between internal factor (firm attributes) and internationalisation adoption by Malaysian SMEs. The result shows that environmental attributes and the level of internet fraud influence the decision of Malaysian SMEs although the firms meet the requirements needed for internationalisation. However, the perceived level of bribery did not mediate the relationship between firm attributes and internationalisation adoption, as well as, entrepreneur/ human capital and internationalisation adoption.

Finally, the findings illustrated there is a significant positive contribution of internationalisation on the financial and non-financial performance of Malaysian SMEs. Based on these findings, the next chapter will discuss: the knowledge contribution within the study field; the contribution towards practitioners including the

government and SME owners/ managers; the limitations concerned within the research; and suggestions for future researchers.

# Chapter 11: Conclusion

## 11.1 Introduction

This research extends the integrative conceptual model introduced by Coviello and McAuley (1999) in SME internationalisation research. It integrates five theories of internationalisation including foreign direct investment (FDI) theory, traditional stage theory, network perspective, international entrepreneurship and institutional theory. The research argues that an ethical perspective should be considered by SME in the process of internationalisation adoption. Thus, the new factor of ethical attributes has been embedded within the integrative conceptual model to understand the behaviour of internationalisation adoption by Malaysian SMEs. Consequently, this research extends the previous works conducted by Coviello and Munro (1997), Korsakiene and Tvaronaviciene (2012), Abdullah and Zain (2011), Ahmad (2014), Hashim and Hassan (2008), and Hashim (2015). Based on the above current research focus, this chapter discusses the contributions, implementations, limitations and recommendation for future works.

This chapter begins with an explanation of the research contributions into the study of SME internationalisation. Subsequently, the research illustrates the implementations to academics and practitioners, followed by limitations and recommendations for future researchers.

## 11.2 Contributions of the Study

This study contributes to the research area in understanding SME internationalisation behaviour from emerging countries, specifically the factors impacting internationalisation adoption by Malaysian SMEs. The research contributions are explained from the theoretical perspective, factors impacting SME internationalisation and the methodological perspectives. The contributions of the research are discussed in the following section.

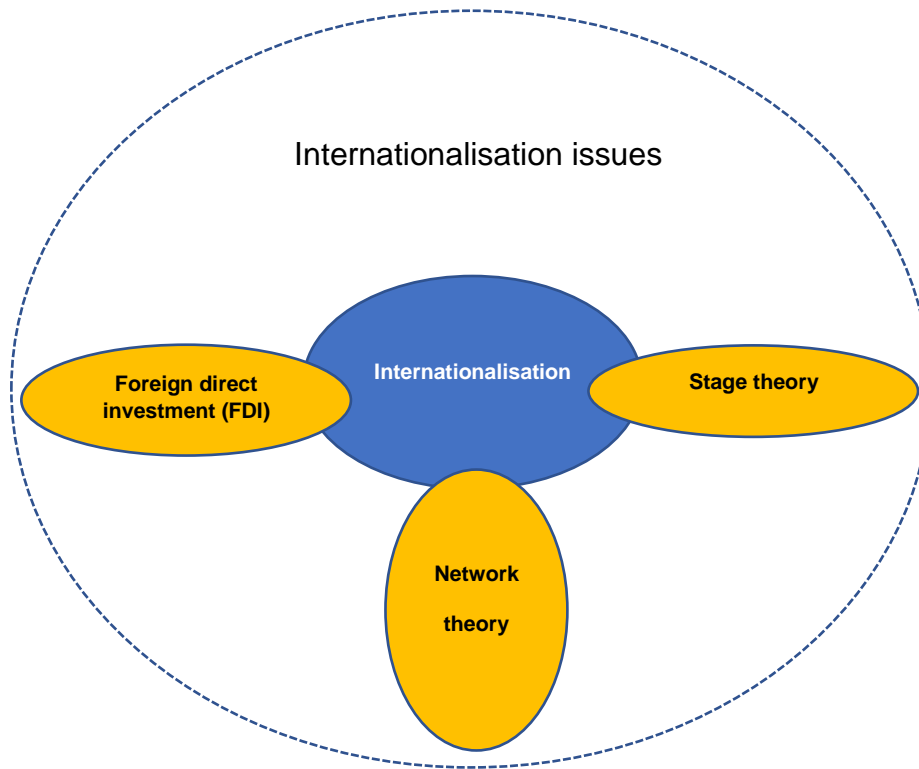
### 11.2.1 Contribution 1: The Theory of SME Internationalisation

Regarding the theoretical perspective, this research extends the current integrative conceptual model through a more holistic approach by extending into new perspective

related to ethics attributes. This research underpins and extends Coviello and McAuley's (1999) previous work in understanding SME internationalisation. They (*ibid*) argue that it is difficult to capture the internationalisation of SMEs by using only one single theoretical framework. However, they (*ibid*) suggested that traditional internationalisation theories including the traditional stage model, foreign direct investment (FDI), and network theory should be combined in a single study to understand the phenomena in a holistic approach. The reason for integrating the theories as stated in Coviello and McAuley (1999) is because these theories are complementary to each other. For example, the traditional stage theory concerns with gradual internationalisation behaviour as SMEs gradually gain knowledge and commitments during the process of internationalisation adoption. Conversely, the foreign direct investment (FDI) theory concerns on economics perspectives during the internationalisation activity. Networks theory concerns with the use of networks and relationships in the internationalisation process, which in turn accelerates the internationalisation by SMEs.

Similarly, the current research underpins the holistic approach to understanding factors impacting Malaysian SMEs internationalisation adoption due to a different explanation of each theory. Moreover, the researcher argues that understanding SME internationalisation from one single theory provides inconclusive information about the phenomena. Coviello and McAuley (1999) illustrated the phenomena in a metaphor of the nine blind men and the elephant. That is, a man touches a leg and says it is like a tree, another man touches the next leg and describes it as a wall, while another man touches the tusks and explains it as a spear, and so on. If a single theory dominates the empirical studies, then the research in understanding SME internationalisation may suffer from reductionist rather than expansionary in its development. Figure 11.1 depicts the original integrative conceptual model in understanding SME internationalisation by Coviello and McAuley (1999).

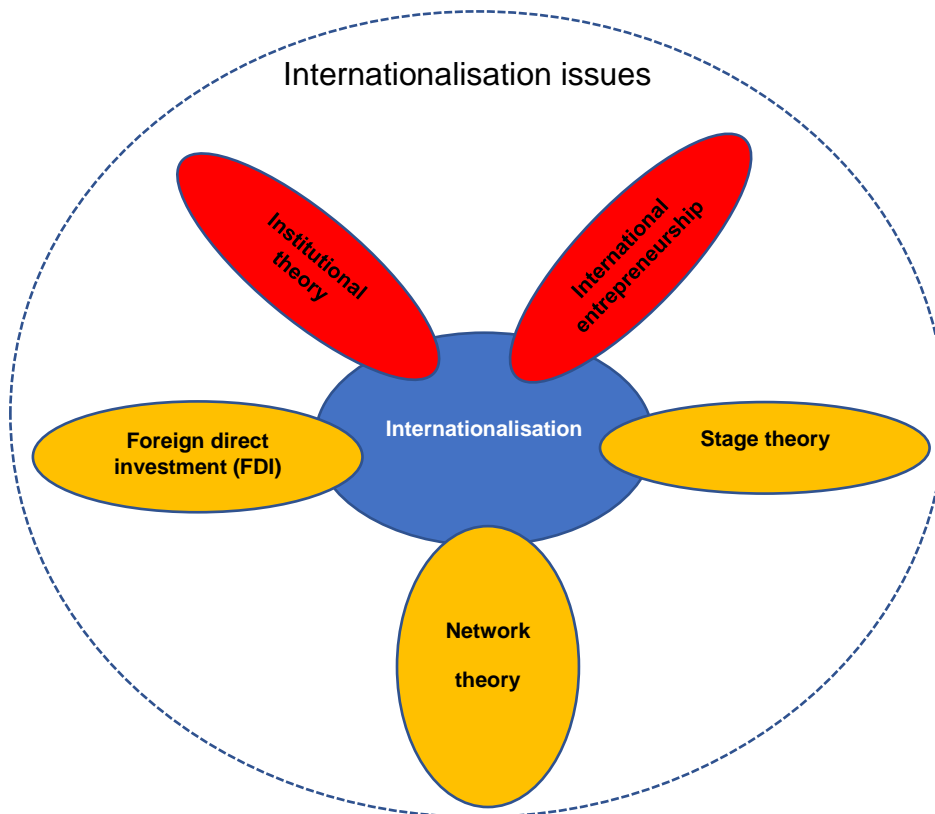
**Figure 11. 1: Integrative Conceptual Model in Understanding SME Internationalisation Suggested by Coviello and McAuley (1999)**



Since the integrative model suggested by Coviello and McAuley (1999), a plethora of studies were conducted include Bell *et al.* (2003) (used stage theory, network and international entrepreneurship), Andersson *et al.* (2004) (stage theory and international entrepreneurship), Bell *et al.* (2004) (stage theory, network and international entrepreneurship), Andersson *et al.* (2006) (stage theory and international entrepreneurship), Amal and Filho (2009) (stage theory and network theory), Fletcher (2001) (international entrepreneurship and stage theory), Karadeniz and Göçer (2007) (used stage model, international entrepreneurship and FDI), Abdullah and Zain (2011) (stage theory, network theory, international entrepreneurship and international new venture), Korsakiene and Tvaronaviciene (2012) (stage theory, network and international entrepreneurship), Kontinen and Ojala (2012) (stage theory and international entrepreneurship), and Afsharghasemi *et al.* (2013) (resource based view (RBV), stage theory, network and FDI).

Hence, based on the previous works conducted within this research vein, this study extends the integrative conceptual model by embedding the institutional and international entrepreneurship in the model as shown in the following Figure 11.2.

**Figure 11. 2: Theory Used in This Current Research as an Expansion of the Existing Integrative Conceptual Model by Coviello and Mcauley (1999) and Other Previous Works within the Research Vein**



### 11.2.2 Contribution 2: Factors Affecting Internationalisation Adoption by SMEs

Based on the integrative theory, the research found a list of potential factors impacting internationalisation adoption by Malaysian SMEs. Determining factors impacting internationalisation adoption by Malaysian SMEs is essential for promoting more Malaysian SMEs to engage in international business, which in turn improve their business performance and the countries' GDP. Moreover, it facilitates knowledge for Malaysian SMEs to improve their competitive advantage before engaging in global markets.

This current research investigated the appropriate factors affecting the internationalisation adoption by Malaysian SMEs through empirical data analysis. Based on the literature review, this research found several factors influencing internationalisation adoption of SMEs which have not yet been discovered empirically in Malaysia context. Among the factors are: i) management entrepreneur orientation (e.g. Ibeh and Young, 2001; De Clercq, Sapienza and Crijns, 2005; Amal and Filho, 2010a; Hutchinson and Quinn, 2011; Javalgi and Todd, 2011); ii) the intensity of research and development (R&D) (e.g. Nitu and Feder, 2010); iii) human capital and management capability (e.g. Reid, 1981; Wright *et al.*, 2001; Kumar and Yakhlef, 2014); iv) foreign countries policy (e.g. Jaffe and Pasternak, 1994; Evers, 2010); v) perceived level of bribery in foreign markets (e.g. Chan and Armstrong, 1999; Rodriguez *et al.*, 2005; Uhlenbruck *et al.*, 2006; Javorcik and Wei, 2009); and vi) perceived level of internet fraud in foreign markets (e.g. Rodriguez *et al.*, 2005). These factors were excluded in the previous works conducted in Malaysia context including in Abdullah and Zain (2011), Ahmad (2014), Hashim (2008), Ismail and Kuivalainen (2015), Chelliah (2010), and Senik *et al.* (2010). Hence, this research contributed in understanding the role of these factors in impacting internationalisation adoption by Malaysian SMEs

Moreover, the previous works have extensively focused on the specific manufacturing sector and have neglected the service sector which is the primary contributor to Malaysia's current GDP. Hence, this research has extended the research context into SMEs in the service sector. The research contributed in understanding the common factors predicting internationalisation adoption of SMEs in both industrial sectors.

Furthermore, this study examined the role of external factors (environmental and ethical attributes) in mediating the relationship between internal factors (entrepreneur/human capital attributes and firm attributes) and internationalisation adoption by Malaysian SMEs. The mediation role analysis by using SEM is an extension of the previous work undertaken by Shamsuddoha *et al.* (2009) who investigated the role of internal factors (e.g. management perception, knowledge, and commitment) in mediating the relationship of external factors- internationalisation of Bangladesh SMEs.



### 11.2.3 Contribution 3: The Relationship between Internationalisation Adoption and Malaysian SMEs' Business Performance.

Although the impact of internationalisation on SMEs business performance has been studied in Johansson and Vahlne (1990), Johansson and Mattson (1988), Prahalad and Hamel (1990), Dunning (1980), Suh and Kim (2014), and Majocchi and Zucchella (2003), the results found vary. Therefore, based on the inconsistent results of previous works, this current research investigated and extended the knowledge into understanding the relationship between internationalisation adoption and Malaysian SMEs' performance, particularly regarding SMEs' financial and non-financial measures. The empirical investigation of internationalisation-business performance relationship is considered a first attempt to understand the phenomena on Malaysian SMEs' context, which in turn generates a remarkable knowledge contribution by this current research.

This research found internationalisation adoption has significantly contributed to Malaysian SMEs' financial performance. The internationalisation adoption predicts in a good way the financial performance measures of Malaysian SMEs including firm's profitability growth; profit from international operations as a percentage of total profit; gross profit margin; net profits from international operations; total firm's sales growth relative to industry average; international sales as a percentage of total sales; level of market share in foreign markets; and number of new market entry. Hence, the result supports the previous research's findings of internationalisation adoption positively impacts on financial performance. The previous studies include Yeoh (2014), Westhead *et al.* (2004), Zhou *et al.* (2007), Zahra *et al.* (2000), Pangarkar (2008), Kuivalainen and Sundqvist (2007) and Gregorio *et al.* (2009). For example, this study supports Zahra *et al.* (2000) who found a positive relationship between international diversity and mode of market entry with new ventures business performance regarding sales growth.

Also, internationalisation adoption has significantly predicted non-financial measures of Malaysian SMEs including total foreign marketing know-how; technical knowledge; international knowledge; new ideas about products services and business methods; enhancement of the company's managerial capabilities; gaining access to lower cost or better value factors of production; enhancement of the company's production;

developing economies of scale in production costs; confronting international and local competitors more efficiently; enhancement of the company's brand image and reputation both domestically and internationally; longevity and sustainability in foreign market; and overall success in international market. Therefore, the result supports the findings of prior researchers who found internationalisation adoption positively impacts on business non-financial performance. The prior researchers include Yeoh (2014), Zahra *et al.* (2000), Fletcher and Harris (2012), Ibeh and Kasem (2014), Pangarkar (2008), Musteen *et al.* (2013), Cavusgil *et al.* (2011) and Lu and Beamish (2006). For instance, this research supports the study by Yeoh (2014) who found a significant positive relationship between the internationalisation of family business and the enhancement of the company's production and managerial capabilities.

The results confirm that internationalisation strategy benefits Malaysian SMEs regarding their business performance. Hence, the finding filled the research gap in the context of a relationship of the internationalisation-business performance of SMEs in Malaysia.

#### 11.2.4 Contribution 4: Methodological Contribution.

This current research contributes to the study of different factors impacting Malaysian SMEs internationalisation by adopting more holistic research approach involving quantitative and qualitative methods. A triangulation of methodological approach was deployed to answer the research questions. The information and data are collected through literature review, qualitative in-depth interviews with 20 participants, and survey questionnaire of 218 participants. Also, this research deployed various quantitative data analysis techniques included Cronbach-alpha analysis, multiple regression, simple linear regression, confirmatory factors analysis (CFA), structural equation modelling (SEM) and one-sample t-test.

Based on the literature review conducted to investigate methodology used in previous works within the research area, it was found that there is scant regarding researchers conducted using triangulation methodology, especially in Malaysia context (as discussed in chapter 5 – section 5.3.2). Furthermore, there is limited previous researchers in the study area found using various analysis techniques in a single study

involving regression analysis through SPSS, confirmatory factor analysis (CFA), and structural equation modelling (SEM) by using AMOS. Hence, this research has contributed to the research area regarding the data analysis.

### 11.3 Research Implications

The research has several implications to both academic and practical world. The implications are discussed in the next following section.

#### 11.3.1 Academic Implications

For the academic world, the implications from the current research are summarised as the following areas:

- 1- Determining several factors influencing SMEs internationalisation and their contribution to business performance, which is yet, undiscovered in Malaysia.
- 2- Determining difference factors of Malaysian SMEs internationalisation by adopting more holistic research approaches involving quantitative and qualitative methods.
- 3- Differentiating internationalisation determinants across sectors as previous literature concentrated only upon manufacturing sector.
- 4- Expanding previous researchers in business performance measurement, from concentrating only upon financial performance, into both financial and non-financial performance.
- 5- Expanding extant literature in determining factors of SMEs internationalisation, from concentrating only internal factors, into both internal and external of the firms.
- 6- Develop a new model of understanding SMEs internationalisation in Malaysian environment.
- 7- In term of theories adoption, this study integrates five theories of internationalisation instead of using only single theory.

#### 11.3.2 Managerial/ Practitioner Implications

For practitioners, this research presents concise and pragmatic guidance that will assist SMEs who aspire to enter a foreign market. Government and business support agencies may also benefit from this study by accommodating the most appropriate

support services for SMEs to increase their business growth and performance through an internationalisation strategy.

The implications for SMEs' owners/ managers, through the provision of a guideline for practitioners before being involved in global markets. SMEs may use the results of this study as a guideline to strengthen internal capabilities including entrepreneur/human capital and firm attributes before entering new foreign markets. Malaysian entrepreneurs who are aiming to diversify into international marketplaces can strengthen their networks through formal and informal networks with potential overseas customers and other business links, such as public and private organisations. As a consequent of good networks, Malaysian SMEs could improve foreign market knowledge as this capability significantly contributes to internationalisation adoption. Hence, firms could explore foreign market knowledge with the advent of the internet and communication technology. Most internationalising SMEs in this research have shown that they obtained foreign market knowledge through the internet and government officials, who work in international marketplaces such as MATRADE. Moreover, Malaysian SMEs that envisage internationalisation are advised to increase their cognitive capabilities, such as international entrepreneur orientation i.e. innovative, productive, and readiness to take risks in the global marketplace. This would increase the SMEs' global mind-set as this capability ensures long-term survival and competitive advantage of Malaysian SMEs in foreign markets.

Regarding firms' capabilities, Malaysian SMEs can utilise internet and communication technology as a means to diversify markets abroad. Useful communication technology should be present in every firm to accelerate the internationalisation process. Furthermore, Malaysian SMEs are also advised to improve research and development (R&D) to produce unique products and services, which in turn create a competitive advantage for the companies. The R&D support can be obtained through various export promotion programmes provided by the Malaysian government. Furthermore, Malaysian SMEs can improve human capital and management capability for more efficiency, trust and reputation among domestic and international customers.

Regarding the environmental aspect, SME owners/ managers can utilise the advent of globalisation phenomena, such as liberalisation of rules and regulation from various

foreign trade agreements i.e. ASEAN, APEC and European Free Trade Association (EFTA). Moreover, the internet and communication technology infrastructure provided by the government becomes more useful. Hence, Malaysian SMEs can utilise the facilities to connect with global customers through the development of a dynamic company website, e-commerce utilisation and online payment transactions. Moreover, the improvement of transportation facilities such as sea and air freights can accelerate international business transactions by Malaysian SMEs. Hence, Malaysian SMEs can utilise transportation that suits their international business requirements, regarding cost reduction and time effectiveness. Malaysian SMEs can also utilise government export promotion programmes through various agencies such as MARA, SME Corporation Malaysia, MITI and MATRADE to fulfil the companies needs. This includes obtaining international market knowledge, participating in international business expos and obtaining financial support to increase production capacity.

For the government this study provides practical implications through the provision of support guidelines for SMEs which would result in the development of more competitive Malaysian SMEs. Consequently, the government may strive to improve better facilities to the promotion of SME engagement in international markets. The facilities should include better internet infrastructure, effective transportation infrastructure i.e. developing more seaports throughout the country, various R&D support to improve Malaysian SMEs' competitive advantage and stabilising Malaysian Ringgit currency.

#### 11.4 Limitations of the Study

However, this study has limitations regarding time and financial limitations, methodology and samples and the broadness of the research area.

##### 11.4.1 Time and Financial Limitations

This research has time limitations during both phases of qualitative and quantitative data collections. Within the qualitative interview phase, the researcher conducted only 20 interviews out of targeted 25 interviews. The researcher faced difficulties in setting appointments with the potential participants (internationalised Malaysian SMEs' owners/ managers) since they were always on their international business trips.

Consequently, only 20 participants were interviewed during three months of qualitative data collection period.

Within the survey questionnaire period, this study collected only 236 feedback responses out of total 400 questionnaires emailed during four months. Furthermore, seven hours' time difference between Malaysia and the United Kingdom has limited the process of following up through phone calls.

Regarding financial limitations, the travelling cost issue from the United Kingdom to Malaysia has limited the interview process resulting in face-to-face interviews only conducted on Malaysian traders who came to the United Kingdom for business trips. Also, the extortionate cost of phone calls has limited interviews conducted via this media which resulted in the researcher conducting only 20 semi-structured interviews during the study period.

Moreover, the high cost of postal survey questionnaires limited the options to the researcher by conducting the survey questionnaire through emails and online questionnaires to reduce the cost.

#### 11.4.2 Methodology and Research Sample Limitations

Regarding methodology limitation, this research has issues related to the qualitative data analysis technique within the exploratory phase. The research used manual analysis technique instead of other advanced qualitative analysis tools such as Nvivo, Provalis Research Text Analytics Software and ATLAS.ti due to time limitation. Since this research needs to purify the factors of SMEs internationalisation from the literature review, this research decided to accelerate the qualitative interview data analysis in a simple data analysis technique.

Regarding the research samples, this research used only samples of SMEs in Malaysia. In contrast, the future studies might diversify to regionally based studies such as Asian, APACS or other developing countries. Furthermore, the research does not focus upon samples of any specific industry sector. Hence, the results found in this research apply to all industrial sectors instead of single sector or industry. In contrast,

future studies may focus on a specific industry such as electric, electronic and tourism industries which are currently the leading sectors contributing to Malaysia's GDP.

#### 11.4.3 Robustness of the Study Area Limitations

The research has limitations regarding the robustness of the study area coverage. For example, this research only measured ethical attributes by the perceived level of bribes and internet fraud in foreign countries, while excluding other ethical issues such as exploitation of child workers, environmental pollution and counterfeiting. Also, this study does not examine the role of culture such as religious culture impacts on internationalisation process by Malaysian SMEs.

#### 11.5 Recommendations for Future Researchers

This research has reserved some areas of attention for future research within the field study of SME internationalisation. Future recommendations include: theoretical contribution; scope of the study; scope of investigation; and methodological perspective. The following discussions concerns the future recommendations.

Since this study has extended the integrative conceptual model by embedding the institutional theory to understand ethics attributes in the process of SME internationalisation, this research suggests future researchers deploy this new instrument and the theoretical base in understanding SME internationalisation adoption. Also, it is suggested that future researchers investigate determinants of Malaysian SMEs internationalisation adoption by using the eclectic paradigm as this paradigm is always associated with the study of large companies' internationalisation. The usage of this theory may help researchers in understanding the role of culture in impacting the process of internationalisation adoption by Malaysian SMEs.

Furthermore, with regards to the scope of the study, it is suggested future research undertake the same phenomena of investigation in other developing countries since the research in investigating factors impacting internationalisation adoption by SMEs is scant in other developing countries especially in Asian countries.

This study has also introduced a new factor impacting internationalisation adoption of SMEs regarding the ethical issues. Therefore, an in-depth study needed in future studies to understand this ethical related factor. Future research may deploy qualitative approaches such as case studies and in-depth data collection to understand the phenomena.

Moreover, since the use of structural equation modelling (SEM) is found scant in previous works within this study area, future research should examine the role of internal factors in mediating the relationship between external factors and internationalisation adoption of Malaysian SMEs. It will also be more fruitful if the future research investigates the role of internationalisation adoption in mediating the relationship between the factors and Malaysian SMEs business performance.

Finally, future studies are advised to deploy the same triangulation research approach as this approach is still emerging in the research area, especially in the developing countries and SME context. Furthermore, the mix-methodology approach can complement each approach of qualitative and quantitative, hence, reducing biases of findings in research.



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# Appendix

## Appendix 1: The Questionnaire

### **Birmingham City Business School, Birmingham City University**

**Research Questionnaire regarding “Determinants of small to medium enterprises (SMEs) decision to internationalise and the impact upon business performance: An empirical study of Malaysian companies.”**

Dear Sir/Madam,

Your kind cooperation is requested in filling out this questionnaire, which is part of a research study on the internationalisation of Malaysian small to medium enterprises, being conducted by the researcher. This study seeks to benefit Malaysian small to medium enterprises by shedding light on the determinants that are useful in facilitating the decision makers to diversify their businesses abroad. You and your enterprise has being chosen to participate in this research based on a random selection.

Given the focus of the study, this questionnaire should be completed by the owner, CEO, director of international business, manager or the person responsible of the company’s international business activities. Your kind responses will be kept strictly confidential and no one will have access to it except the researcher and the research team. The report of findings will not include the names of individuals and/or companies. Please kindly answer all the questions.

Thank you very much for your time and cooperation.

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***Professor David Edwards***

## **Section 1: Information about your firm:**

1. Please describe your current position in the company. (Please select the most appropriate option).  
 CEO/ Owner                       Chairman                       Manager  
 Head of International Business     Other (please specify) \_\_\_\_\_  
\_\_\_\_\_
2. When was your company established?  
 < 5 years     6-10 years             11-20 years             more than 20 years
3. What is your company's type of ownership?  
 Sole proprietor                       Partnership                       Joint Stock Company  
 Limited Liability Company/ Sdn. Bhd                       Public Listed
4. How many employees does your company have currently?  
 1-50             51-100             101-150             151-200             201-250  
 251 and above
5. Is your company headquartered in Malaysia?  Yes     No
6. In which state is your company based in Malaysia?  
 Perlis             Selangor                       Johor                       Sabah  
 Kedah             Wilayah Persekutuan             Pahang                       Serawak  
 Penang             Negeri Sembilan                       Terengganu                       Perak  
 Melaka             Kelantan
7. In which sector is your company's business activities?  
 Manufacturing     Services                       Other (specify) \_\_\_\_\_
8. In which industry does your company operate?  
 Aerospace             Publishing                       Computers and IT  
 Automotive             Engineering                       Textile  
 Agriculture             Tourism                       Food and Beverages  
 Healthcare             Leisure                       Chemical and Allied Products  
 Constructions             Professional services  
 Other (specify) \_\_\_\_\_
9. How many years has your company been exporting/ internationalising? (Please tick the appropriate option that best describes your firm).  
 <5 years             6-10 years             11-20 years             >than 20 years
10. Approximately how much money as a percentage of annual sales is spent on research and development (R&D) activities? \_\_\_\_\_%.

## **Section 2: Determinants of your firm's internationalisation**

### **2.1 Entrepreneur/ Human capital attributes related factors:**

Please indicate on the scale provided below the extent to which the best statement explains your firms' management level, with respect to the internationalisation of your company. The scale ranges from 1 if you completely disagree, to 5 if you completely agree.

Completely disagree	Disagree	Neutral	Agree	Completely agree
1	2	3	4	5

1	I have a good relationship with international customers.	1	2	3	4	5
2	I have a good relationship with suppliers.	1	2	3	4	5
3	I have a good connection with industrial bureaus.	1	2	3	4	5
4	I have a good connection with government officials in regulatory and supporting organisations.	1	2	3	4	5
5	I do have knowledge about the needs of foreign customers.	1	2	3	4	5
6	I am knowledgeable about my foreign competitors.	1	2	3	4	5
7	I do have knowledge about channels of distribution in foreign markets.	1	2	3	4	5
8	I am skilful at determining foreign business opportunities.	1	2	3	4	5
9	I have a good understanding of the business foreign laws.	1	2	3	4	5
10	I am good in understanding foreign cultural norms.	1	2	3	4	5
11	I am very interested in developing foreign business.	1	2	3	4	5
12	I believe internationalisation is essential to achieving business goals.	1	2	3	4	5
13	I believe the company has to develop foreign business in order to succeed in the future.	1	2	3	4	5
14	I believe the most attractive business opportunities lie in foreign markets.	1	2	3	4	5
15	I introduce new management techniques to improve efficiency.	1	2	3	4	5
16	I emphasize the pursuit of long-term goals and strategies to company employees.	1	2	3	4	5
17	I am ready to undertake high risk projects.	1	2	3	4	5
18	I consider taking calculated risks.	1	2	3	4	5
19	I believe taking bold and wide-ranging decisions based on the nature of the environment is necessary to achieve the firm's objectives.	1	2	3	4	5

### **2.2 Firm related factors:**

2.2.1 Please circle the option that best describes your view on the following statements.

Completely disagree	Disagree	Neutral	Agree	Completely agree
1	2	3	4	5

1	R&D is very important as our industry involves fast product life cycle (e.g. ICT products).	1	2	3	4	5
2	We are concerned with the development of new products to compete in international markets.	1	2	3	4	5

3	We employ scientists, engineers, consultants and/ or researchers to support new product developments.	1	2	3	4	5
4	We invest in advanced technology / equipment to develop new products.	1	2	3	4	5
5	My firm uses internet applications to acquire foreign market knowledge.	1	2	3	4	5
6	We use the internet to promote our products / services to foreign customers.	1	2	3	4	5
7	We use the internet to communicate and maintain relationship with our international customers (e.g. customer service supports and personal email).	1	2	3	4	5
8	Our company has a well maintained website to attract international customers.	1	2	3	4	5
9	Customers are generally satisfied with our products' quality.	1	2	3	4	5
10	The price of our products are very competitive.	1	2	3	4	5
11	We do constant product innovation to meet the market needs.	1	2	3	4	5
12	Our product is not widely available from international competitors.	1	2	3	4	5
13	We have a regular flow of unexpected enquiries/ orders from overseas customers.	1	2	3	4	5
14	Most of our employees have strong technical skills (e.g. products designer and manufacturing operators).	1	2	3	4	5
15	We have a good number of experienced employees in international markets.	1	2	3	4	5
16	We can train our employees in terms of international customer handling skills and culture awareness.	1	2	3	4	5
17	We have a highly skilled management team.	1	2	3	4	5
18	My firm establishes its credibility with international clients from the first order	1	2	3	4	5
19	We offer free products warranty and return services when there is no satisfaction.	1	2	3	4	5
20	We take responsibility of our product's safety.	1	2	3	4	5
21	Our products / services are certified by international certifications (e.g. ISO, HACCP, and GMP).	1	2	3	4	5

2.2.2 Approximately how strong is your firm's relationship with the following stakeholders? (Please circle the best number that depicts your firm).

Very weak	Weak	Neutral	Strong	Very strong
1	2	3	4	5

1	Customers	1	2	3	4	5
2	Suppliers	1	2	3	4	5
3	Competitors	1	2	3	4	5
4	Government policy makers	1	2	3	4	5
5	Industry based associations	1	2	3	4	5
6	Trade associations/ agencies/focal supplier	1	2	3	4	5
7	Financial institutions (e.g. banks).	1	2	3	4	5

### **2.3 Environmental related factors:**

2.3.1 Please circle the option that best describes your view on the following statements of environmental factors that influence your firm's internationalisation.

Completely disagree	Disagree	Neutral	Agree	Completely agree
1	2	3	4	5

1	Relaxed foreign markets regulation accelerates my firm's internationalisation.	1	2	3	4	5
2	Information, communication technology advancement promotes my firm's internationalisation.	1	2	3	4	5
3	Improved transportation channels influence my firm's export acceleration.	1	2	3	4	5
4	We prefer foreign countries with low cost factors of production.	1	2	3	4	5
5	We target countries with potential growing markets (e.g. high number of population with strong buying power).	1	2	3	4	5
6	We use export incentives of Malaysian government for internationalisation (e.g. R&D, branding and packaging grants, seminars for potential exporters and etc.)	1	2	3	4	5
7	We use financial supports by Malaysian government to internationalise.	1	2	3	4	5
8	We use foreign promotion programmes sponsored by the Malaysian government to internationalise.	1	2	3	4	5
9	Exchange rates stabilisation by Malaysia government encourages us to internationalise.	1	2	3	4	5
10	We prefer to go to countries that have reduced tariffs.	1	2	3	4	5
11	We prefer to go to countries with easy product regulations.	1	2	3	4	5
12	We prefer countries with weak currency (decline in value of currency).	1	2	3	4	5
13	We prefer to go to Malaysia's free trade agreements (FTA) partner countries.	1	2	3	4	5
14	Malaysian banks (e.g. Exim Bank) provide financial assistance to our company for internationalisation.	1	2	3	4	5
15	We benefit from government linked financial institutions (e.g. MARA, TEKUN and SME Corp) to internationalise.	1	2	3	4	5
16	We seek foreign market knowledge from overseas Malaysian banks (e.g. CIMB Bank).	1	2	3	4	5
17	We benefit from government institutions (e.g. MATRADE and MIDA) to acquire foreign market knowledge.	1	2	3	4	5

### **2.4 Ethical issues related factors:**

2.4.1 Please circle the option that best describes your view on the following ethical issues in international business statements.

Completely disagree	Disagree	Neutral	Agree	Completely agree
1	2	3	4	5

1	We always refer to international corruption index before involving in any foreign markets to avoid extra, unofficial payments.	1	2	3	4	5
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2	We avoid going to foreign markets with a high index of counterfeiting.	1	2	3	4	5
3	We do not go to foreign markets with a high index of internet fraud.	1	2	3	4	5
4	Firms in my industry pay unofficial payments if it does not affect business performance and profitability.	1	2	3	4	5
5	Paying extra, unofficial payments significantly impacts on firm's entry mode in foreign markets either direct exporting (non-equity based), joint venture (equity-based) or foreign direct investment (equity-based).	1	2	3	4	5

2.4.2 Firms in my industry pay extra, unofficial payments to public officials to...  
(Please circle the option that best describes your view on the following statements).

Completely disagree	Disagree	Neutral	Agree	Completely agree
1	2	3	4	5

1	...facilitate ease interaction in foreign markets.	1	2	3	4	5
2	...get licenses or permits to expand or operate foreign business.	1	2	3	4	5
3	...deal with settlement of taxes.	1	2	3	4	5
4	...gain government contracts.	1	2	3	4	5
5	...deal with customs services.	1	2	3	4	5
6	...deal with court or judges.	1	2	3	4	5
7	...deal with law enforcement agencies.	1	2	3	4	5

### **Section 3: Internationalisation adoption of your firm**

**3.1 Questions in this part concern your ability, reactions and willingness to undertake international business expansion. Please circle the most appropriate number that explains the best about your firm's internationalisation adoption.**

Completely disagree	Disagree	Neutral	Agree	Completely agree
1	2	3	4	5

1	Internationalisation allows us to diversify our market.	1	2	3	4	5
2	Diversifying from Malaysian market permits us to spread the risk.	1	2	3	4	5
3	Internationalisation promotes our company's growth.	1	2	3	4	5
4	Substitution of production in foreign countries reduces our cost of production.	1	2	3	4	5
5	Internationalisation increases our social value and status.	1	2	3	4	5
6	Internationalisation is a possible solution to problems in domestic market.	1	2	3	4	5
7	The more foreign markets we are involved, the more sales revenue we achieve.	1	2	3	4	5
8	Internationalisation increases our company's goodwill.	1	2	3	4	5
9	Internationalisation supports us to avoid saturation in the local market.	1	2	3	4	5
10	Internationalisation enables us to maximise our current production capacity.	1	2	3	4	5



**3.2 Questions in this part concern your firm's internationalisation in terms of mode, scale, international sales and products. Please choose the most appropriate answer that explains the best about your firm's internationalisation.**

3.2.1 Which of the following international activities does your company utilise in its major foreign market? (Please tick all the options that best describe your view on the following statements).

- Exporting directly from Malaysia via the Internet.
- Exporting via an intermediary or agent.
- Licensing.
- Strategic alliances (non-equity basis).
- Joint venture (equity basis).
- Fully owned of sales office and/or factory overseas.

3.2.2 Please list down the foreign country (s) in which your firm currently has business activities. (Please arrange from the largest foreign market to the smallest foreign market in terms of international sales revenue).

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

3.2.3 Please indicate the approximate percentage (%) of foreign sales to total sales.  
\_\_\_\_\_ %.

3.2.4 Please rate the frequency of new products introduction into foreign markets by your firm. (Please tick in the appropriate box).

- Less than 1 year    1-2 years    3-4 years    5-6 years    7 years and above

**Section 4: Overall business performance**

**Financial Performance**

4.1 Internationalisation affected positively on our company's financial performance particularly to.... (Circle the number that reflects your satisfaction).

Completely disagree	Disagree	Neutral	Agree	Completely agree
1	2	3	4	5

1	Total firm's profitability growth.	1	2	3	4	5
2	Profit from international operations as a percentage of total profit.	1	2	3	4	5
3	Gross profit margin.	1	2	3	4	5
4	Net profits from international operations.	1	2	3	4	5
5	Total firm's sales growth relative to industry average.	1	2	3	4	5
6	International sales as a percentage of total sales.	1	2	3	4	5
7	Level of market share in our foreign markets.	1	2	3	4	5
8	Number of our new market entry.	1	2	3	4	5

4.2 Please indicate your average firm profitability growth in percentage (%) since involving in international business. \_\_\_\_\_%.

4.3 Please indicate your average firm sales growth in percentage (%) since involving in international business. \_\_\_\_\_%.

4.4 Please indicate your firm average export growth in percentage (%) since involving in international business. \_\_\_\_\_%.

**Non-Financial Performance**

4.5 Internationalisation affected positively on our company’s non-financial performance in terms of.... (Circle the number that reflects your satisfaction).

Completely disagree	Disagree	Neutral	Agree	Completely agree
1	2	3	4	5

1	Foreign marketing know-how.	1	2	3	4	5
2	Technical knowledge (e.g. production and transportation).	1	2	3	4	5
3	International knowledge (e.g. foreign culture, foreign market demands).	1	2	3	4	5
4	New ideas about products, services, and business methods.	1	2	3	4	5
5	Enhancement of the company’s managerial capabilities as a result of internationalisation.	1	2	3	4	5
6	Gaining access to lower cost or better value factors of production.	1	2	3	4	5
7	Enhancement of the company’s production as a result of internationalisation.	1	2	3	4	5
8	Developing economies of scale in production costs.	1	2	3	4	5
9	Confronting international and local competitors more effectively.	1	2	3	4	5
10	Enhancement of the company’s brand image and reputation both domestically and internationally.	1	2	3	4	5
11	Longevity and sustainability in foreign market.	1	2	3	4	5
13	Overall success in international market.	1	2	3	4	5

**THANK YOU VERY MUCH FOR THE PRECIOUS TIME YOU DEVOTED TO ANSWERING THIS QUESTIONNAIRE AND FOR THE VALUABLE INFORMATION YOU HAVE PROVIDED TO THE STUDY!**

**If you wish to receive a summary of the study’s findings, please write in the following space Your Name, Company, Email and/ or Postal Address**

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**For any further comments you are most welcomed to contact the researcher directly through phone or email to:-**

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**Birmingham City Business School,  
Birmingham City University**

**Borang Soal Selidik berkaitan “Faktor pendorong keputusan perniagaan kecil dan sederhana (PKS) mengembangkan perniagaan antarabangsa dan kesan terhadap prestasi perniagaan: Suatu kajian empirikal terhadap syarikat-syarikat Malaysia.”**

Tuan/Puan,

Kerjasama anda adalah diperlukan bagi mengisi borang soal selidik ini, yang mana merupakan sebahagian daripada kajian penyelidikan berkaitan pengantarabangsaan perniagaan kecil dan sederhana (PKS) di Malaysia yang dijalankan oleh penyelidik. Kajian ini bertujuan memberi manfaat kepada PKS di Malaysia dengan mencari ‘faktor pendorong’ (determinant) yang berguna bagi memudahkan pihak pembuat keputusan untuk meluaskan perniagaan mereka di luar negara. Anda dan syarikat anda telah dipilih untuk terlibat di dalam penyelidikan ini berdasarkan pilihan rambang.

Borang soal selidik ini perlu diisi oleh pemilik, ketua pegawai eksekutif, pengarah perniagaan antarabangsa, pengurus atau pegawai yang bertanggungjawab di dalam aktiviti perniagaan antarabangsa. Maklumbalas anda dianggap sebagai sulit dan tidak ada sesiapa yang boleh akses maklumat tersebut kecuali penyelidik dan pasukan penyelidik. Hasil laporan kajian tidak akan mengandungi nama dan/atau syarikat. Mohon kerjasama anda untuk menjawab semua soalan.

Terima kasih kerana meluangkan masa dan kerjasama anda.

Pasukan penyelidik

***Adyzakrie Mohamad Zaki***

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***Professor Hatem El-Gohary***

***Professor David Edwards***

## **Bahagian 1: Maklumat berkenaan firma anda:**

1. Sila nyatakan jawatan terkini anda di dalam syarikat. (Sila pilih jawapan yang paling sesuai)  
 Ketua Pegawai Eksekutif/ Pemilik       Pengerusi       Pengurus  
 Ketua Perniagaan Antarabangsa       Lain-lain (Sila nyatakan) \_\_\_\_\_
2. Bilakah syarikat anda ditubuhkan?  
 < 5 tahun     6-10 tahun       11-20 tahun       lebih dari 20 tahun
3. Apakah jenis pemilikan syarikat anda?  
 Milikan Tunggal       Perkongsian       Syarikat Saham Bersama  
 Syarikat Sendirian Berhad       Syarikat Awam Berhad
4. Berapakah bilangan pekerja di syarikat anda ketika ini?  
 1-4       5-29       30-74       75-200       201 dan lebih
5. Adakah syarikat anda beribu pejabat di Malaysia?  Ya     Tidak
6. Di negeri manakah syarikat anda beribu-pejabat di Malaysia?  
 Perlis       Selangor       Johor       Sabah  
 Kedah       Wilayah Persekutuan       Pahang       Sarawak  
 Penang       Negeri Sembilan       Terengganu       Perak  
 Melaka       Kelantan
7. Di dalam sektor manakah syarikat anda menjalankan aktiviti perniagaan?  
 Pembuatan       Perkhidmatan       Lain-lain (nyatakan) \_\_\_\_\_
8. Di dalam industri apakah syarikat anda beroperasi?  
 Aeroangkasa       Penerbitan       Komputer & Teknologi Maklumat  
 Automotif       Kejuruteraan       Tekstil  
 Pertanian       Pelancongan       Makanan dan Minuman  
 Kesihatan       Hiburan       Kimia & produk berkaitan  
 Pembinaan       Perkhidmatan professional  
 Lain-lain (nyatakan) \_\_\_\_\_
9. Berapa lamakah syarikat anda telah terlibat di dalam aktiviti eksport/pengantarabangsaan? (Sila tanda pilihan yang menggambarkan firma anda)  
 <5 tahun     6-10 tahun       11-20 tahun       >lebih 20 tahun
10. Berapakah anggaran wang dari segi peratusan jualan tahunan yang dibelanjakan untuk aktiviti penyelidikan dan pembangunan? \_\_\_\_\_%.

## **Bahagian 2: Faktor pendorong pengantarabangsaan syarikat anda**

### **2.1 Faktor-faktor berkaitan sifat keusahawanan/modal insan**

Sila nyatakan pada skala yang diberikan di bawah, sejauh mana kenyataan yang diberikan menerangkan tentang diri anda berdasarkan kepada pengantarabangsaan syarikat sekarang. Skala yang diberikan bermula daripada 1 sekiranya anda sangat tidak setuju, sehingga 5 sekiranya anda sangat setuju.

Sangat Tidak Setuju	Tidak Setuju	Neutral	Setuju	Sangat Setuju
1	2	3	4	5

1	Saya mempunyai hubungan yang baik dengan pelanggan di luar negara.	1	2	3	4	5
2	Saya mempunyai hubungan yang baik dengan pembekal.	1	2	3	4	5
3	Saya mempunyai hubungan yang baik dengan rakan industri.	1	2	3	4	5
4	Saya mempunyai hubungan yang baik dengan pegawai-pegawai kerajaan di dalam organisasi pengawal-seliaan dan sokongan aktiviti perniagaan antarabangsa.	1	2	3	4	5
5	Saya mengetahui keperluan pelanggan-pelanggan di luar negara.	1	2	3	4	5
6	Saya berpengetahuan mengenai pesaing-pesaing di luar negara.	1	2	3	4	5
7	Saya arif tentang saluran pengedaran produk/perkhidmatan di pasaran luar negara.	1	2	3	4	5
8	Saya mahir dalam mengenal pasti peluang perniagaan di luar negara.	1	2	3	4	5
9	Saya mempunyai pemahaman yang baik berkaitan undang-undang perniagaan antarabangsa.	1	2	3	4	5
10	Saya boleh memahami norma budaya asing dengan baik.	1	2	3	4	5
11	Saya sangat berminat menceburi perniagaan antarabangsa.	1	2	3	4	5
12	Saya percaya pengantarabangsaan adalah penting untuk mencapai matlamat perniagaan.	1	2	3	4	5
13	Saya percaya syarikat perlu menceburi perniagaan antarabangsa untuk berjaya di masa hadapan.	1	2	3	4	5
14	Saya percaya peluang perniagaan yang paling lumayan berada di pasaran asing.	1	2	3	4	5
15	Saya memperkenalkan kaedah-kaedah pengurusan baharu untuk mempertingkatkan kecekapan.	1	2	3	4	5
16	Saya menekankan kepentingan mengejar matlamat jangka panjang dan pelbagai strategi kepada pekerja syarikat.	1	2	3	4	5
17	Saya bersedia mengambil projek berisiko tinggi.	1	2	3	4	5
18	Saya boleh pertimbangkan untuk mengambil risiko yang boleh dikira ( <i>calculated risk</i> ).	1	2	3	4	5
19	Saya percaya membuat keputusan yang berani berdasarkan keadaan persekitaran adalah penting bagi mencapai objektif syarikat.	1	2	3	4	5

## **2.2 Faktor-faktor berkaitan firma:**

2.2.1 Sila bulatkan pilihan terbaik yang menerangkan pandangan anda berkenaan kenyataan berikut:

Sangat Tidak Setuju	Tidak Setuju	Neutral	Setuju	Sangat Tidak Setuju
1	2	3	4	5

1	Penyelidikan dan pembangunan (R&D) adalah sangat penting kerana industri kami terlibat di dalam kitaran hidup produk yang pantas (misalnya produk ICT).	1	2	3	4	5
2	Kami faham perlunya pembangunan produk terkini untuk bersaing di pasaran antarabangsa.	1	2	3	4	5
3	Kami membayar gaji saintis, jurutera, perunding dan/atau penyelidik untuk pembangunan produk baharu.	1	2	3	4	5
4	Kami melabur dalam teknologi/peralatan canggih untuk pembangunan produk baharu.	1	2	3	4	5
5	Firma saya menggunakan internet untuk mencari maklumat berkenaan pasaran di luar negara.	1	2	3	4	5
6	Kami mempromosikan produk/perkhidmatan kepada pelanggan di luar negara melalui internet.	1	2	3	4	5
7	Kami memanfaatkan internet untuk berkomunikasi dan menjaga hubungan dengan pelanggan antarabangsa (cth: sokongan khidmat pelanggan dan e-mel peribadi).	1	2	3	4	5
8	Firma kami mempunyai laman sesawang yang diuruskan dengan baik bagi menarik pelanggan antarabangsa.	1	2	3	4	5
9	Pelanggan secara amnya berpuas hati dengan kualiti produk-produk kami.	1	2	3	4	5
10	Harga produk-produk kami adalah sangat kompetitif.	1	2	3	4	5
11	Kami selalu melakukan inovasi produk untuk memenuhi permintaan pasaran.	1	2	3	4	5
12	Produk kami tidak boleh didapati secara meluas daripada pesaing-pesaing di luar negara.	1	2	3	4	5
13	Kami sentiasa menerima pesanan/permintaan yang tidak dijangkakan dari pelanggan luar negara.	1	2	3	4	5
14	Majoriti pekerja kami mempunyai kemahiran teknikal yang baik (cth: pereka produk dan operator pengeluaran).	1	2	3	4	5
15	Kami mempunyai cukup bilangan pekerja yang berpengalaman dalam pasaran antarabangsa.	1	2	3	4	5
16	Kami boleh melatih pekerja dalam menguruskan pelanggan antarabangsa dan penyesuaian budaya asing.	1	2	3	4	5
17	Kami mempunyai kumpulan pengurusan yang mahir.	1	2	3	4	5
18	Firma saya membina kredibiliti dengan pelanggan antarabangsa sejak urusan yang pertama.	1	2	3	4	5
19	Kami menawarkan jaminan produk dan khidmat pemulangan percuma jika berlaku ketidakpuasan.	1	2	3	4	5
20	Kami bertanggungjawab di atas keselamatan produk kami.	1	2	3	4	5
21	Produk/perkhidmatan kami mempunyai persijilan antarabangsa. (cth: ISO, HACCP dan GMP)	1	2	3	4	5

2.2.2 Sejauh manakah hubungan firma anda dengan pihak berkepentingan berikut?  
(Sila bulatkan nombor terbaik yang menggambarkan firma anda)

Sangat Lemah	Lemah	Neutral	Kuat	Sangat Kuat
1	2	3	4	5

1	Pelanggan-pelanggan.	1	2	<b>3</b>	4	5
2	Pembekal-pembekal.	1	2	<b>3</b>	4	5
3	Pesaing-pesaing.	1	2	<b>3</b>	4	5
4	Pembuat dasar kerajaan.	1	2	<b>3</b>	4	5
5	Persatuan berasaskan industri.	1	2	<b>3</b>	4	5
6	Persatuan/ agensi perdagangan/ pembekal tempatan.	1	2	<b>3</b>	4	5
7	Institusi kewangan (contohnya: bank).	1	2	<b>3</b>	4	5

### **2.3 Faktor-faktor berkaitan persekitaran:**

2.3.1 Sila bulatkan pilihan terbaik yang menerangkan pandangan anda berkenaan kenyataan berikut tentang faktor-faktor persekitaran yang mempengaruhi pengantarabangsaan firma anda.

Sangat Tidak Setuju	Tidak Setuju	Neutral	Setuju	Sangat Setuju
1	2	3	4	5

1	Peraturan pasaran luar yang kurang ketat membantu mempercepatkan pengantarabangsaan firma saya.	1	2	<b>3</b>	4	5
2	Kemajuan teknologi komunikasi dan informasi menggalakkan pengantarabangsaan firma saya.	1	2	<b>3</b>	4	5
3	Peningkatan sistem pengangkutan yang baik membantu mempercepatkan perniagaan antarabangsa firma saya.	1	2	<b>3</b>	4	5
4	Kami mengutamakan negara luar yang mempunyai faktor kos pengeluaran yang rendah.	1	2	<b>3</b>	4	5
5	Kami mensasarkan negara yang mempunyai potensi pasaran berkembang (cth: negara penduduk ramai dengan kuasa membeli yang kuat).	1	2	<b>3</b>	4	5
6	Kami memanfaatkan kemudahan insentif eksport yang disediakan kerajaan Malaysia (cth: geran penyelidikan, penjenamaan, pembungkusan dan seminar).	1	2	<b>3</b>	4	5
7	Kami menggunakan bantuan kewangan dari kerajaan Malaysia untuk mengantarabangsakan firma kami.	1	2	<b>3</b>	4	5
8	Kami memanfaatkan program promosi di luar negara yang dibiayai oleh kerajaan Malaysia.	1	2	<b>3</b>	4	5
9	Penstabilan kadar tukaran wang asing oleh kerajaan Malaysia membantu kami untuk ke pasaran antarabangsa.	1	2	<b>3</b>	4	5
10	Kami lebih suka ke negara yang mengenakan tariff rendah.	1	2	<b>3</b>	4	5
11	Kami mengutamakan negara yang mempunyai peraturan berkaitan kemasukan produk yang kurang ketat.	1	2	<b>3</b>	4	5
12	Kami lebih suka ke negara yang mempunyai nilai matawang yang lemah (nilai matawang berkurangan).	1	2	<b>3</b>	4	5
13	Kami mengutamakan negara-negara rakan kongsi Malaysia di dalam perjanjian perdagangan bebas (FTA).	1	2	<b>3</b>	4	5

14	Bank-bank Malaysia (cth: Exim Bank) memberi bantuan kewangan kepada kami bagi tujuan pengantarabangsaan.	1	2	3	4	5
15	Kami memanfaatkan institusi kewangan kerajaan (cth: MARA, TEKUN dan SME Corp) untuk ke pasaran luar.	1	2	3	4	5
16	Kami mencari maklumat pasaran asing dari bank-bank Malaysia di luar negara (misalnya CIMB Bank).	1	2	3	4	5
17	Kami memanfaatkan agensi kerajaan (cth: MATRADE dan MIDA) untuk memperoleh maklumat pasaran luar negara.	1	2	3	4	5

## **2.4 Faktor-faktor berkaitan isu-isu etika**

2.4.1 Sila bulatkan pilihan terbaik yang menerangkan pandangan anda berkenaan isu-isu etika di dalam perniagaan antarabangsa.

Sangat Tidak Setuju	Tidak Setuju	Neutral	Setuju	Sangat Setuju
1	2	3	4	5

1	Kami sentiasa merujuk indeks rasuah antarabangsa sebelum terlibat dalam pasaran asing bagi mengelak daripada bayaran tidak rasmi dan kos berlebihan.	1	2	3	4	5
2	Kami mengelak daripada pasaran asing yang mempunyai indeks pemalsuan ( <i>counterfeiting</i> ) yang tinggi.	1	2	3	4	5
3	Kami tidak masuk ke pasaran asing yang mempunyai indeks penipuan internet yang tinggi.	1	2	3	4	5
4	Firma di dalam industri saya memberi bayaran tidak rasmi jika tidak menjejaskan prestasi dan keuntungan syarikat.	1	2	3	4	5
5	Pemberian bayaran tambahan/tidak rasmi memberi kesan kepada kaedah pelaksanaan perniagaan di luar negara; samada mengeksport terus, usahasama atau pelaburan asing (berdasarkan ekuiti).	1	2	3	4	5

2.4.2 Firma-firma di dalam industri saya memberikan bayaran tambahan/tidak rasmi kepada pegawai awam untuk... (Sila bulatkan pilihan terbaik yang menggambarkan pandangan anda berkaitan kenyataan berikut)

Sangat Tidak Setuju	Tidak Setuju	Neutral	Setuju	Sangat Setuju
1	2	3	4	5

1	...memudahkan interaksi di pasaran antarabangsa.	1	2	3	4	5
2	...mendapatkan lesen/permit untuk menjalankan perniagaan di negara luar.	1	2	3	4	5
3	...berurusan untuk melangsaikan cukai.	1	2	3	4	5
4	...mendapat kontrak kerajaan.	1	2	3	4	5
5	...berurusan dengan pihak kastam.	1	2	3	4	5
6	...berurusan dengan pihak mahkamah atau hakim.	1	2	3	4	5
7	...berurusan dengan agensi penguatkuasaan undang-undang.	1	2	3	4	5



### **Bahagian 3: Pengantarabangsaan firma anda**

**3.1 Soalan-soalan di dalam bahagian ini adalah berkenaan kebolehan, reaksi, dan keinginan anda untuk mengembangkan perniagaan antarabangsa. Sila bulatkan nombor yang paling sesuai menerangkan pengantarabangsaan firma anda.**

Sangat Tidak Setuju	Tidak Setuju	Neutral	Setuju	Sangat Setuju
1	2	3	4	5

1	Pengantarabangsaan boleh meluaskan pasaran kami.	1	2	3	4	5
2	Mempelbagaikan pasaran di luar Malaysia membolehkan kami mengurangkan risiko.	1	2	3	4	5
3	Pengantarabangsaan mempertingkatkan pertumbuhan syarikat kami.	1	2	3	4	5
4	Pilihan pengeluaran produk di luar negara dapat mengurangkan kos pengeluaran kami.	1	2	3	4	5
5	Pengantarabangsaan meningkatkan nilai sosial dan status kami.	1	2	3	4	5
6	Pengantarabangsaan adalah satu penyelesaian kepada masalah di pasaran domestik.	1	2	3	4	5
7	Lebih banyak pasaran asing yang kami terlibat, lebih banyak hasil jualan yang kami perolehi.	1	2	3	4	5
8	Pengantarabangsaan meningkatkan nama baik syarikat kami.	1	2	3	4	5
9	Pengantarabangsaan membantu kami mengelakkan pasaran tempatan yang tepu.	1	2	3	4	5
10	Pengantarabangsaan membolehkan kami memaksimumkan kapasiti pengeluaran semasa.	1	2	3	4	5

**3.2 Soalan-soalan dalam bahagian ini adalah berkaitan pengantarabangsaan firma anda dari segi kaedah, skala, jualan antarabangsa dan produk-produk. Sila pilih jawapan yang paling sesuai yang menerangkan tentang pengantarabangsaan firma anda.**

3.2.1 Aktiviti perniagaan antarabangsa manakah yang digunakan oleh syarikat anda di pasaran luar yang terbesar? (Sila tanda semua pilihan yang terbaik menerangkan pandangan anda berkenaan kenyataan berikut)

- Mengeksport terus dari Malaysia melalui pelanggan internet.
- Mengeksport melalui orang tengah atau agen di luar negara.
- Perlesenan.
- Pakatan strategik (bukan berasaskan ekuiti).
- Usahasama dengan syarikat luar (berasaskan ekuiti).
- Pejabat jualan milik penuh dan/atau kilang di luar negara.

3.2.2 Sila senaraikan negara-negara asing yang mana firma anda sedang mempunyai aktiviti perniagaan. (Sila susun dari pasaran asing terbesar ke pasaran asing terkecil dari segi pendapatan jualan antarabangsa)

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

3.2.3 Sila nyatakan anggaran peratusan (%) jualan luar negara kepada jumlah keseluruhan jualan \_\_\_\_\_%.

3.2.4 Sila nyatakan kadar kekerapan syarikat anda memperkenalkan produk baharu di luar negara (Sila tanda di kotak yang sesuai)

Kurang dari 1 tahun     1-2 tahun     3-4 tahun     5-6 tahun     7 tahun dan lebih

## **Bahagian 4: Prestasi keseluruhan perniagaan**

### **Prestasi Kewangan**

4.1 Pengantarabangsaan memberi kesan baik kepada prestasi kewangan syarikat kami terutamanya...(Bulatkan nombor yang menggambarkan kepuasan anda)

Sangat Tidak Setuju	Tidak Setuju	Neutral	Setuju	Sangat Setuju
1	2	3	4	5

<b>1</b>	Peningkatan jumlah keuntungan syarikat.	1	2	<b>3</b>	4	5
<b>2</b>	Keuntungan daripada perniagaan antarabangsa sebagai peratusan daripada jumlah keseluruhan keuntungan.	1	2	<b>3</b>	4	5
<b>3</b>	Marjin keuntungan kasar.	1	2	<b>3</b>	4	5
<b>4</b>	Untung bersih dari operasi antarabangsa.	1	2	<b>3</b>	4	5
<b>5</b>	Jumlah peningkatan jualan syarikat berbanding purata jualan industri.	1	2	<b>3</b>	4	5
<b>6</b>	Peratusan jualan antarabangsa sebagai peratusan daripada jumlah keseluruhan jualan.	1	2	<b>3</b>	4	5
<b>7</b>	Tahap perkongsian pasaran di dalam pasaran luar.	1	2	<b>3</b>	4	5
<b>8</b>	Bilangan kemasukan ke pasaran baharu yang bertambah.	1	2	<b>3</b>	4	5

4.2 Sila nyatakan peratusan purata peningkatan keuntungan syarikat anda sejak terlibat di dalam perniagaan antarabangsa \_\_\_\_\_%.

4.3 Sila nyatakan peratusan purata peningkatan jualan syarikat anda sejak terlibat di dalam perniagaan antarabangsa \_\_\_\_\_%.

4.4 Sila nyatakan peratusan purata pertumbuhan eksport syarikat anda sejak terlibat di dalam perniagaan antarabangsa. \_\_\_\_\_%.

### **Prestasi Bukan Keuangan**

4.5 Pengantarabangsaan memberikan kesan positif kepada prestasi bukan kewangan syarikat kami dari segi...(Bulatkan nombor yang menggambarkan kepuasan anda)

Sangat Tidak Setuju	Tidak Setuju	Neutral	Setuju	Sangat Setuju
1	2	3	4	5

1	Pengetahuan ilmu pemasaran antarabangsa.	1	2	3	4	5
2	Pengetahuan teknikal. (cth: pengeluaran dan pengangkutan).	1	2	3	4	5
3	Pengetahuan maklumat antarabangsa (cth: budaya asing, permintaan pasaran luar).	1	2	3	4	5
4	Idea baharu berkaitan produk, perkhidmatan dan strategi perniagaan.	1	2	3	4	5
5	Peningkatan keupayaan pengurusan syarikat sebagai hasil pengantarabangsaan.	1	2	3	4	5
6	Mengakses kos yang lebih rendah atau nilai faktor pengeluaran yang lebih murah.	1	2	3	4	5
7	Peningkatan pengeluaran produk syarikat sebagai hasil dari pengantarabangsaan.	1	2	3	4	5
8	Membangunkan skala ekonomi ( <i>economies of scale</i> ) dalam kos pengeluaran.	1	2	3	4	5
9	Menghadapi pesaing antarabangsa dan tempatan dengan lebih efektif.	1	2	3	4	5
10	Mempertingkatkan imej syarikat dan reputasi di peringkat tempatan dan antarabangsa.	1	2	3	4	5
11	Ketahanan ( <i>longevity</i> ) dan pengekalannya ( <i>sustainability</i> ) syarikat dalam pasaran asing.	1	2	3	4	5
12	Kejayaan keseluruhan di pasaran antarabangsa.	1	2	3	4	5

**TERIMA KASIH KERANA MELUANGKAN MASA MENJAWAB BORANG SOAL SELIDIK INI DAN MAKLUMAT BERHARGA YANG TELAH ANDA BERIKAN KEPADA PENYELIDIKAN KAMI!**

**Sekiranya anda ingin menerima rumusan daripada hasil dapatan penyelidikan ini, sila berikan Nama, Syarikat, E-Mel dan/atau Alamat Pos di bawah**

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**Untuk sebarang kemusykilan, anda dialu-alukan untuk menghubungi penyelidik melalui telefon atau e-mel:-**

Adyzakrie Mohamad Zaki  
Telefon Bimbit: 00447510443787 / E-mel: [Adyzakrie.Mohamadzaki@mail.bcu.ac.uk](mailto:Adyzakrie.Mohamadzaki@mail.bcu.ac.uk)

## Appendix 3: Interview Consent Form

### CONSENT FORM

**Full title of Project:** “Determinants of small to medium enterprises (SMEs) decision to internationalise and the impact upon business performance: An empirical study of Malaysian companies.”

**Name, position and contact address of Researcher:**

Adyzakrie Mohamad Zaki  
PhD Researcher  
School of Business, Law and Social Sciences  
Birmingham City University  
Mobile: 07510443787  
Email: Adyzakrie.Mohamadzaki@mail.bcu.ac.uk

**Please initial box**

1. I confirm that I have read and understand the information sheet for the above study and have had the opportunity to ask questions.
2. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving reason.
3. I agree to take part in the above study.

**Please initial box**

- |  | Yes                      | No                       |
|--|--------------------------|--------------------------|
| 4. I agree to the interview being audio recorded   | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. I agree to the use of anonymised quotes in publications   | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. I agree that my data gathered in this study may be stored (after it has been anonymised) in a specialist data centre and may be used for future research. | <input type="checkbox"/> | <input type="checkbox"/> |

\_\_\_\_\_  
Name of Participant

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name of Researcher

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

## PARTICIPANT INFORMATION SHEET

### Purpose of the research

International trade agreements and concomitant improvements in communication technology have reduced trade barriers and increased opportunities for businesses to expand their activities in foreign markets. For instance, the Uruguay Round of multilateral trade negotiations (MTN) in 1986 sought to augment international trading by reducing business restrictions between nations (Javalgi *et al.*, 2003). More than 90 percent of the total number of businesses established are SMEs in both developed and developing countries, yet the number of SMEs engaged in foreign markets is still disappointing with only 30 percent as a share of total exporters in European countries (Muller *et al.*, 2014). In contrast, the share of total export value by SMEs in developing countries is slightly lower. The data are illustrated in the following information: Malaysia 19 percent; Thailand 30.6 percent; Chinese Taipei 17.4 percent; Philippines 25 percent (2001); Indonesia 16.7 percent; and Chile 2.4 percent (Asia Pacific Economic Cooperation Policy Support Unit, 2010). Extensive research in this area has sought to investigate the internationalisation-performance relationship, albeit many unanswered questions remain (Hsu *et al.*, 2013). Against this backdrop, this research aims to investigate factors influencing SMEs' decision to internationalise. This study also aims to investigate on how the integration of one or more internal and external factors will impact upon SME's business performance. Specifically, the work focuses upon SMEs originating from Malaysia and provides pragmatic guidance that will assist SMEs aspiring to enter a foreign market.

### Who is associated with this research?

Adyzakrie Mohamad Zaki	PhD Student Research	Adyzakrie.Mohamadzaki@mail.bcu.ac.uk
Professor Hatem El-Gohary	Director of research	hatem.elgohary@bcu.ac.uk
Professor David J. Edward	Supervisor	David.Edwards@bcu.ac.uk

### **Participant involvement**

Participating in this study will include a voluntary interview of which will be 45-60 minutes in duration. Questions will be semi-structured in the first phase to acquire information from participants upon determinants of SMEs internationalisation that have been found in previous studies. Open-ended questions will then be deployed to explore factors that have not been studied in previous researches such as variable related to unethical issues. With your permission, I may follow-up the interview with additional clarifying questions.

### **Collected material**

Once interviews have been completed, they will be transcribed and loaded into Nvivo software for analysis.

Interviews will be anonymously represented in the research, publications, reports and publications. No legal names will be used. If interviewees make a statement which is directly quoted in any research reports, papers, or thesis, pseudo names will be used.

The interviews and transcript will be seen by the researcher and the research supervisors. The full reports and any subsequent tables, charts or other data generated material will be accessible by request.

### **Potential risks**

Please note: the intent of the research is analysing communication strategies generally and not accessing trade secrets and/ or intellectual property. Any concerns about intellectual property rights or trade secrets should be openly expressed in the interview.

### **Participants Opt-out**

As a participant, you may opt-out of the study at any time before or after the interview.

### **For more information**

Please contact the primary researcher Adyzakrie Mohamad Zaki at [Adyzakrie.Mohamadzaki@mail.bcu.ac.uk](mailto:Adyzakrie.Mohamadzaki@mail.bcu.ac.uk)

### **Information disclosure**

All information will be disclosed at the beginning of the interview.

## Appendix 5: Ethic Approval Application

Please print this page for signatures and scan the signed copy as a pdf and attach it to this form

### Applicant Declaration

The information in this form is accurate to the best of my knowledge and I take responsibility for it.

I undertake to abide by the relevant disciplinary good practice guidelines on the proper conduct of research (see guidance notes).

If the research is approved, I undertake to adhere to the terms of the full application for which the BLSS Faculty Research Ethics Committee has given approval.

I am aware of my responsibility to be up to date and comply with the requirements of the law and relevant guidelines relating to security and confidentiality of patient, participant or other personal data, including the need to register when necessary with an appropriate Data Protection Officer as appropriate. I understand that I may not disclose identifiable data to third parties without the consent of person contributing that data or I may be legally required to do so.

I understand that research records/data may be subject to inspection for audit purposes if required.

I understand that the information contained in this application, any supporting documentation and all correspondence with BLSS Faculty Research Ethics of Committee relating to the application:

- Will be held by the Committee until at least 5 years after the end of the study.
- May be reviewed as part of the normal monitoring procedures in Faculty of Health to ensure that all applications are processed correctly or to investigate any complaints.

For which category of proposal are you applying for ethical approval?

Category A	<input checked="" type="checkbox"/>	Category B	<input type="checkbox"/>
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### STAFF RESEARCH

Signed by

Date

### STUDENTS ONLY (including staff doctoral students)

I have discussed and agreed this application for ethical review with my supervisor

Signed by

Date

*[Signature]*  
30/6/2016

Date of approval:  
Date of review:

**SUPERVISORS ONLY**

**Declaration**


I have read and approved both the research proposal and this application. I am satisfied that the scientific content of the research is satisfactory for an educational qualification at this level.

I take responsibility for working with the student named above to ensure that this study is conducted in accordance with the relevant disciplinary ethical guidelines.

I take responsibility for ensuring that the applicant is up to date and complies with the requirements of the opinion and any conditions set out by the Committee in giving its favourable opinion.

I undertake to seek an ethical opinion from the BLSS Research Ethics Committee before implementing substantial amendments to the protocol or to the terms of the full application of which the Committee has given a favourable opinion.

I undertake to submit progress reports as required by law and relevant guidelines relating to security and confidentiality of patient and other personal data, in conjunction with clinical supervisors as appropriate.

SUPERVISOR	
Signed by	Hatem Osman Aly
Date	30/6/2016
Signed by	
Date	7/7/2016



The screenshot shows an email client window with a dark header bar containing icons for search, star, and menu, and a profile picture of Adyzakrie Mohamad Zaki. Below the header, there are options for 'Sweep', 'Move to', 'Categories', and 'Undo'. The email content is from Sidrah Khan, with a green circular profile picture containing the initials 'SK'. The text of the email reads: 'Inbox', 'Hi Ady,', 'Hope you are well.', 'Your ethics application has been approved and your ethics reference is: 092.16.', and 'Best wishes,'. At the bottom, the sender's details are listed: 'Sidrah Khan CIMA Dip MA, BA (Hons)', 'Research and Enterprise Officer', and 'Faculty of Business, Law and Social Sciences'. A red 'Ethics' stamp is visible over the sender's name. The Windows taskbar at the bottom shows icons for Word and PDF files, and the system tray displays the date '14/06/2018' and time '17:52'.

Adyzakrie Mohamad Zaki

Sweep Move to Categories Undo

E-mail: Adyzakrie.Mohamadzaki@mail.bcu.ac.uk

**SK** Sidrah Khan <Sidrah.Khan@bcu.ac.uk> on behalf of BLSS Ethics <blssethi@bcu.ac.uk>

Fri 12/08/2016, 16:21  
Adyzakrie Mohamad Zaki; Hatem Elgohary; David Edwards

Inbox

Hi Ady,

Hope you are well.

Your **ethics** application has been approved and your **ethics** reference is: 092.16.

Best wishes,

Sidrah Khan CIMA Dip MA, BA (Hons)  
Research and Enterprise Officer  
Faculty of Business, Law and Social Sciences

**Ethics** 1 of 4

17:52 80%  
14/06/2018

## Appendix 5: Publication