MODELS, PROCESSES, AND FACTORS INFLUENCING INTERNATIONALISATION: THE CASE OF MALAYSIAN SMES

ZIZAH CHE SENIK

This thesis is submitted for the degree of Doctor of Philosophy of Murdoch University

MURDOCH UNIVERSITY
2010
STATEMENT OF DECLARATION

I declare that this thesis is my own account of my research and contains as its main content work which has not previously been submitted for a degree at any tertiary education institution.

I certify that, to the best of my knowledge, any help received in preparing this thesis and all sources have been acknowledged in this thesis.

__________________________________________

Zizah Che Senik
This thesis investigates the processes and influential factors affecting the internationalisation of SMEs in manufacturing industries in Malaysia. Internationalisation of small and medium-sized enterprises (SMEs) has been widely researched but little is known of how and why internationalisation takes place in developing countries and this lack of evidence in the literature provides strong grounds for this study. Jones and Coviello (2005) suggest investigation of internationalisation should include the broad range of internationalisation theories, such as the Incremental and Rapid internationalisation models, Networking, Resource-based and International Entrepreneurship perspectives. These perspectives examine the awareness, process, driving forces and influential factors relevant to SME internationalisation. Therefore, the patterns and dimensions of internationalisation, including the modes of foreign entry, market selection, triggering factors, awareness of international opportunities were investigated, as were the problems and challenges faced by internationalising firms and the key drivers influencing the internationalisation process.

A critical realism paradigm and qualitative method were employed. In-depth interviews were conducted with 16 Malaysian experts and 54 Malaysian-based CEOs, owners, and/ or key executives from SME manufacturing industries using a semi-structured interview guide. The data was analysed with the statistical package NVivo 7 and also manually to improve triangulation of the results. The results are largely inductive and interpretive and are presented in qualitative-themes as well as some basic statistical analyses.

The findings indicate that interrelated factors influence the internationalisation process of Malaysian SMEs. Various paces, a myriad of entry modes and broad market scopes determine the pattern of internationalisation undertaken. A traditional internationalisation pattern is strongly evident, although some companies exhibited
rapid and born global patterns, depending on their industry, products, organisational competencies, knowledge and access to information or because of a change of management. The main drivers of internationalisation centred on key personnel and firm competencies. The study also found that while domestic and global forces motivate internationalisation, aspects of Government policy, procedures and international requirements inhibit the process. More importantly, the findings suggest that networking relationships create internationalisation awareness and provide appropriate pathways to internationalisation for manufacturing SMEs in Malaysia and this is an area where strategies could be improved. The increasing emphasis on the SME sector for enhancing economic and social development in Malaysia means they can make substantial contributions to development and understanding how to improve internationalisation strategies will increase those gains. More transparent government policies and coherence among supporting agencies as well as structured and relevant networks would assist the internationalisation of Malaysian SMEs. Currently, internationalisation processes are constrained by limited resources and difficulty in accessing assistance and supports. This study provides new knowledge and important insights that will benefit manufacturing and other industries in Malaysia and other developing countries.

**Key Words**

Internationalisation, Small and medium-sized enterprises (SMEs), Manufacturing, Driving forces, Networking, Developing countries, Malaysia.
ACKNOWLEDGEMENTS

In the name of Allah, The Most Gracious, The Most Merciful

“Thanks to ALLAH the Greatest, for always guiding and watching over my family and I, and for giving me the courage to complete this thesis”

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All of You are the Ones Who Make This Thesis into Completion.

“ALHAMDULILLAH”
DEDICATION

TO MY LOVING FAMILY

Husband: Ridzuan
Daughters: Nur Syuhada’, Nur Farhana and Nur Yousra
Sons: Ahmad Bukhari, Muhammad Zaid and Adeeb Luqman

“I can never make it without your endless loves and supports”

In Loving Memories

My parents: Che Senik and Esah, and mother-in-law, Saedah

With Love and Respect

My father-in-law: Md Sham, and my entire families
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**DISCUSSION, IMPLICATIONS AND CONCLUSION**

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<tr>
<td>AFTA</td>
<td>ASEAN Free Trade Agreements</td>
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<td>AG</td>
<td>Agro Manufacturing Industry</td>
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<tr>
<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
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<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<tr>
<td>B2B</td>
<td>Business to Business</td>
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<tr>
<td>BH</td>
<td>Biotechnology and Herbal Industry</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>DC</td>
<td>Developing Countries</td>
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<tr>
<td>DOCAS</td>
<td>Dynamic Open Complex Adaptive System</td>
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<tr>
<td>EE</td>
<td>Electrical and Electronics Industry</td>
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<td>EPU</td>
<td>Economic Planning Unit</td>
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<td>FAMA</td>
<td>Federal Agriculture Marketing Authority</td>
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<td>FB</td>
<td>Food and Beverages Industry</td>
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<td>FDI</td>
<td>Foreign Direct Investments</td>
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<td>FMM</td>
<td>Federations of Malaysian Manufactures</td>
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<td>FTZ</td>
<td>Free Trade Zone</td>
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<td>G2B</td>
<td>Government to Business</td>
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<td>G2G</td>
<td>Government to Government</td>
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<td>GDP</td>
<td>Gross Domestic Products</td>
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<td>GI</td>
<td>Global Firm</td>
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<td>GI</td>
<td>Global Industry</td>
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<tr>
<td>GLC</td>
<td>Government-linked Corporation</td>
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<td>GSP</td>
<td>Global Supplier Programme</td>
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<td>IE</td>
<td>International Entrepreneurship</td>
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<td>IIM</td>
<td>Incremental Internationalisation Model</td>
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<td>IKMAS</td>
<td>Malaysia and International Research Institute</td>
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<td>ILPS</td>
<td>Industrial Linkage Programme</td>
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<td>IMP</td>
<td>Industrial Master Plan</td>
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<td>IPLC</td>
<td>International Product Life Cycle</td>
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<tr>
<td>MARA</td>
<td>Majlis Amanah Rakyat (The Council of Trust for Indigenous People)</td>
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<td>MARDI</td>
<td>Malaysian Agriculture Research and Development Institute</td>
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<td>MATRADE</td>
<td>Malaysia External Trade Development Corporation</td>
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<td>Abbreviation</td>
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<td>MEDEC</td>
<td>Malaysian Entrepreneurial Development Centre</td>
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<td>MIDA</td>
<td>Malaysian Industrial Development Authority</td>
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<td>MIDF</td>
<td>Malaysian Industrial Development Finance</td>
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<tr>
<td>MIEL</td>
<td>Malaysian Industrial Estate Limited</td>
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<tr>
<td>MITI</td>
<td>Ministry of International Trade and Industry</td>
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<td>MNCs</td>
<td>Multinational Corporations</td>
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