

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

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

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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

ABSTRACT

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.

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“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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LIST OF ABBREVIATIONS

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

MEDEC	Malaysian Entrepreneurial Development Centre
MIDA	Malaysian Industrial Development Authority
MIDF	Malaysian Industrial Development Finance
MIEL	Malaysian Industrial Estate Limited
MITI	Ministry of International Trade and Industry
MNCs	Multinational Corporations
MNE	Multinational Enterprises
MP	Malaysia Plan
MPOB	Malaysian Palm Oil Board
MTDC	Malaysian Technology Development Corporation
NF	National Firm
NI	National Industry
NIC	Newly Industrialised Countries
MPC	Malaysia National Productivity Centre
NSDC	National SME Development Council
POM	Product-Operation-Market
RBV	Resource-Based View
RF	Regional Firm
RI	Regional Industry
RIM	Rapid Internationalisation Model
RP	Rubber and Plastics Industry
SIRIM	Standards and Industrial Research Institute of Malaysia
SMEs	Small to Medium Sized Enterprises
SMI	Small Medium Industry
SMIDEC	Small and Medium Industries Development Corporation
SMIDP	Small Medium Industries Development Plan
R&D	Research and Development
RM	Ringgit Malaysia
TM	Transport and Machinery Equipment Industry
WF	Wood-based and Furniture Industry

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