

SUCCESS FACTORS FOR RAPID EXPANSION  
OF MALAYSIA SMEs IN GLOBAL MARKET:  
A CASE STUDY APPROACH

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in Global Market: A Case Study Approach

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Success Factors for Rapid Expansion of Malaysia SMEs  
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# DECLARATION

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- (2) No portion of this research project has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning.
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## **Abstract**

Born global firms are an increasingly emerging phenomenon worldwide under the impact of globalization. While there are still a little knowledge about the born globals internationalization, the purpose of this paper is to identify and associate the main factors which affect the success of globally rapid expansion of Malaysian SMEs in their early stage from inception.

Grounded in the resource-based view of the firm (RBV), network perspective on internationalization, and the organizational learning theory, the study develops an integrated conceptual framework, incorporating seven constructs: entrepreneurial orientation, networks, external environment, organization culture, organization capability, innovativeness and business strategy. Drawing on several literature strands, an open-ended questionnaire was developed, and tested on a sample of 4 Malaysian SMEs registered and nominated to export awards by 3 different of 'Entrepreneurs Award' organization. A qualitative methods approach, including exploratory interviews and a secondary data information is employed.

The results show that international entrepreneurial orientation and a focus on product/service quality as well as implementing differentiation strategy, are generally key drivers for born globals to expand rapidly in global market. In addition, to foster customer orientation typically to interact closely with reliable foreign distributors and leveraging the platforms of international trade shows tend to be critical concepts to explain the speed of internationalization of SMEs. Furthermore, organization learning orientation is crucial factor for the SMEs rapid expansion, as it facilitates organization capability to achieve sustainable competitive advantages.

However, the study offers a few contributions to the literature. First, SMEs have to engage the right human resources in contributing to technology innovation, in order to fully utilize the benefits of organizational learning. Second, the government and its supporting agencies should keep on implementing and improving and renewing

the tailored-made of public support programmes for SMEs according to appropriateness, especially in nurturing entrepreneurial mindset and providing extra business networks to SMEs. Lastly, government has been strongly suggested to eliminate the red tape issue which may act as hindrance role for SMEs growth in rapidity and capability.

# **Chapter 1: Introduction**

## **1.0 Overview of Globalization Phenomenon**

The global business environment is encountering unprecedented changes, was triggered by rapid expansion in advanced communication and information technology, trade-related support services, trade liberalization, and cross-border capital movements (Koh et al., 2009).

As globalization flexes its muscle, firms in worldwide nowadays are able to cover for larger markets internationally with more competencies with a rapid adoption of the internet utilization, as the physical distance and boundaries become less important instead (Kim et al., 2011). Cavusgil and Knight, (2015) explained that globalization phenomenon including increase of homogenous markets for global demand, the rise of a global middle class, removal of trade barriers, technological advances, efficient and affordable logistics, and expanding multi-country networks of suppliers and customers. While facing the escalating demand in the past decades, all the changes and development has forcing the firms to accelerate their competitiveness level with competitive advantages to against their competitors. The firms who able to sustain their competitiveness will survive in such a turbulent global market (Singh et at., 2007).

Interestingly, there are amount of small and medium-sized enterprises (SMEs) have arisen to become born global firms. Oviatt and McDougall (1994) demonstrate that, these born global firms select to internationalize right from their establishment or very soon after their inception, instead of following gradually incremental stages pattern. While challenged by rapid changes in the global marketplace, SMEs are seems no longer solely focusing on the domestic market but choose to compete globally for their own long-term survival and sustainable growth (Karagozoglu & Lindell, 1998).

### **1.0.1 Digitalization in the Modern Era**

Digitalization phenomenon has triggered by the wide spread of advanced communication and information technology. Gartner describes digitalization as “the usage of digital technologies to change a business model and provide new revenue and value-producing opportunities”. It is the process of moving from offline traditional business to online digital business. To realize that digitalization developed a clear relationship between businesses’ offering (product or service) and the actual needs of customers. With the digitization wave breaking, fundamental changes in almost all industries have been unleashed. Based on the investigation result from Google Trends (2017), globally there will be more devices connected to the internet than people, as it been predicted to have 7.5 billion people using internet by 2020. Noticeably, digitization is shaping the traditional method of interaction between consumers and businesses, and particularly social media, have been suggested to transform the consumers’ behavior patterns today (Kaplan & Haenlein, 2010). According to SME Corporation Berhad (2017), the usage of ICT for business has been increased from 27% in 2011 to 89% in 2016. The interpretation has predicting a dramatically increase pattern of digital usage in global market at the near future.

### **1.1 Overview of SMEs in Global Market**

Small and medium-sized enterprises (SMEs) have significantly making benefits to the global economic. According to Khalique et al. (2011), SMEs is becoming increasingly prominent, as SMEs can be established locally for any kind of business activity in urban area or countryside. Khan and Khalique (2014) concludes that SMEs sector has increasingly attracted significant attention from policy makers to specialize the contribution on SMEs development, business birth rates and entrepreneurship in the developed economies.

According to APEC (2010) database, every country in Asia Pacific Co-operation, the SMEs represented over 90% of all enterprises. For example, in 2009, SMEs in

Thailand comprise over 99.85% of the total number of entrepreneurs in almost all business (Nurach et al., 2011). Benzing et al. (2009) show the SMEs comprising at a minimum rate of 97% of all firms in European countries, Australia, New Zealand, the United Kingdom, and the United States. Whereas in East Asia, there are 90% of the entire business enterprises are SMEs. As mentioned, the report outcomes suggest the irreplaceable role of SMEs in improving national economic, nationwide employment and social development (Harvie & Lee, 2002).

## **1.2 Overview of SMEs in Malaysia**

SMEs are the backbone of economy in Malaysia. Study of Khan and Khalique (2014) has specifically defined that, the criteria of SMEs used by each country in the world, is basically include sales or assets, number of employees and levels of capital. According to SME International Malaysia (2013), some advanced economies have viewed SMEs as their foundation of the economies, representing over 98% of total establishment and contributing to over 65% of employment, over and above 50% of the gross domestic product. Whilst in case of Malaysia, according to Economic Census (2016), Malaysian SMEs now represent 98.5% (907,065 establishments) of the total establishments of 920,624 in the country. From the latest information of SME Corporation Malaysia (2017), SMEs play a crucial role in social and economy development as they contribute approximately 36.6% of the country's gross domestic product, 18.6% of export and 65.3% of the country's employment. Table 1. has illustrated the definition of Malaysia SME was endorsed at the 14th NSDC Meeting in July 2013.

Table 1. SME definition.

<b>Industry</b>	<b>Micro Enterprise</b>	<b>Small Enterprise</b>	<b>Medium Enterprise</b>
Manufacturing (Manufacturing-related service, and agro-based industries)	Sales turnover of less than RM300,000 OR full-time employees less than 5.	Sales turnover between RM300,000 and less than RM15 million OR full-time employees between 5 and less than 75.	Sales turnover between RM15 million and RM50 million OR full-time employees between 75 and 200.
Services and others sectors (Primary agriculture, ICT)	Sales turnover of less than RM300,000 OR full-time employees less than 5.	Sales turnover between RM300,000 and less than RM3 million OR full-time employees between 5 and less than 30.	Sales turnover between RM3 million and RM20 million OR full-time employees between 30 and 75.

*Source: SME Corporation Malaysia (2017) (<http://www.smecorp.gov.my>)*

Therefore, Samad (2007) state that SMEs are crucial in assisting Malaysia economy for the growth and development process, including to adopt appropriate strategies to remain firm competitiveness in the hostile environment. Thus, most SMEs have required for governmental assistance or support, as to enhance their competitive advantages in the global market (SME Corporation Berhad, 2017).

However, according to a study, the early-stage of entrepreneurial activity in Malaysia, while still one of the lowest among efficiency-driven economies, which has only grown from 4 to 7% between 2009 to 2012. Under the Malaysia ‘New Economic Model’ (NEM), the Prime Minister has emphasized that the

entrepreneurship with distinctive focus on innovativeness will be the key driver of Malaysia economy for the following 10 years (Endeavor Malaysia, 2013).

### **1.3 SMEs and Export Activities**

In spite the wide range of strategies, international diversification is the fundamental strategy for SMEs growth. Most born global firms as they are young and resource poor, hence they favor to engage exporting as their first and also the key foreign market entry strategy. Cavusgil and Knight (2009) suggest that born global firms use low-commitment entry strategy, which is involving in export activities, in virtue of advanced technology growth and global niche markets, has generated greater opportunities for domestic SMEs to internationalize with a much stronger competition impact. Malaysia's five largest trading partners were Singapore (14.6%), China (12.5%), ASEAN-5 (13.9%), US (10.2%), Japan (8.1%), accounting 51.9 per cent or RM770.36 billion of Malaysia's total trade in 2016 (Annual Report, 2016). The increasing of total export activities in Malaysia could be traced after the establishment of the ASEAN Economic Community (AEC) in 2015, with total exports to ASEAN markets rising to RM230.93 billion in 2016 from RM213.4 billion from 2014 (MATRADE, 2016). Back to the Malaysian governmental policies such as SME Masterplan, New Economic Model and 10th Malaysian Plan have statistically show extensive governmental support toward the SMEs. Thus, in sum, the growth of Malaysia's economy has a high reliance on SME international trade events.

According to Euromonitor International (2010), in context of international business, Malaysian economy has growth by exceeding 100% of the Gross Domestic Product (GDP) with total trades including exports and imports activities. Consequently, Malaysia is undergoing a transition period moving from developing country to the status of developed country, in the meantime to correspond with the government's ultimately goal to reach the 2020 vision achievement. In line with this, MATRADE representing government agency who is responsible to strengthen Malaysian exporters access to markets as well as expand the pool of Malaysian exporters with

potential to become global champions. As stated, export activities will continue to be the major driver of the economy of Malaysia.

Since MATRADE reported a result of Malaysia's trade surplus of RM87.27 billion in 2016, thus showing that the performance of Malaysia's external trade is a good testimony to all the effort put on by policy makers as well as the exporters' community to ensure our external sector continues to be resilient and perform even during difficult times. As mentioned above, the statement indicated SMEs in Malaysia usually facing challenges in getting sufficiency of financial capital, particularly due to lack of collateral. Hence, as to mitigate the scarcity facing by SMEs, MATRADE has organized a lot of promotion activities, events, training, international trade fair by deeply engaged with other trade promotion agencies, trade associations and chambers of commerce. Therefore, it is good to understand the actual drivers forcing the emergence of born globals in Malaysia. The study will provide practical insinuations to policy makers, considerably contribute in designing policies and training program, to make Malaysian SME entrepreneurs step out of their comfort zones and preparing themselves for competing in international markets with rapidity and capability.

#### **1.4 Challenges and Barriers Facing by SME in Global Market**

The strengths and weaknesses of small firms such as SMEs involving in internationalization have been widely examined. For example, the firm size of SMEs determines the intensity of perceived trade barriers. While larger firms, entitled better endowment compare to SMEs, they can respond better to overcome these trade barriers, in further are likely to sustain a competitive advantage in global markets (Paul & Gupta, 2017). The argument demonstrates that larger firms having their tangible and intangible resources and capabilities well-developed over the time, such as financial capital, managerial knowledge and experience to embrace internationalization with a well-developed base. Knowing that SMEs are generally to face resources and capabilities deficiency, therefore, compare to smaller firms, the larger firms are possible to deal with challenges more efficiently.

## 1.5 Research Objective

The contribution of SMEs to national economic growth makes the study on the internationalization of SMEs very popular among researchers. There are various of studies conducted on SMEs internationalization from different perspectives. The most popular among all are the process of internationalization, antecedents for internationalization and barriers to internationalization. However, while compare to broad studies of literature relating to SME internationalization, there are only a few studies that focused on Malaysian SMEs, particularly on Malaysian born global firms. It limits the understanding on those firms who internationalize gradually or who did not internationalize at all.

There are only a few articles have been revealed to discuss various issues of SME internationalization in Malaysia. The articles included the study of Falahat, Mohamad, and Migin (2013) in investigating the main drivers of early and rapid internationalization leading to early international performance of firms in Malaysia. While the study of Kaur and Sandhu (2014) identify the key success factors that driving the early internationalization of young SMEs in an economy emerging country context, and furthermore to investigate the decision on born globals of different entry mode has identified the means of internationalization. Moreover, Khurram, Ismail, and Ali Jafri (2014) have proposed a conceptual framework for development and sustained competitive advantage of born global SMEs in Malaysia, have integrate multi-disciplinary theories for conciliating the deficiency and complexity of this global phenomenon.

Therefore, this research is in the purpose to examine the main drivers which affect the success of globally rapid expansion of Malaysian SMEs in their early stage from inception. The prevalence in large numbers born global firms worldwide has attracted a lot of attention of researchers to understand the factors of born globals early and rapid internationalization.

## **1.6 Significance of the Research**

Recognizing the significant role played by SMEs in the nation's economic development, this study is initiated to examine critical success factors for rapid expansion in international market that are being adopted by top born global SMEs in Malaysia, and how do they overcome the constraint when they compete with peers. Hopefully this study will provide some useful insight to motivate new start-up firms and more of the existing SMEs to adapt and adopt to superior practices that fit with the nature of their business to ultimately improve their performance. This paper explores to create a conceptual model refined based on certain born global's theories and models, through a combination process to analyze the existing literature and case study database.

This paper is organized as follows. First, introduction present an overview of SME definition and background. Second, review the pertinent literature on the topic of internationalization theories and models, as for study the relevant antecedents to drive success in SMEs in rapid expansion in international market. Next, follow by findings, research methodology is carried out and discussion on the antecedents and consequences derived from literature. Building on these discussions, insights are summarized from the research findings to provide the conclusions and contribution for managers and appropriate recommendations for further researches.

## **Chapter 2: Literature Review**

### **2.0 Definition of Born-Global Companies**

Rapid expansion in global market addressed the concept of internationalization of firms in a rapid manner, and sometimes during the inception phase. According to Gupta and Govindarajan (2000), an accelerated global expansion speed is more appropriate when certain factors existing such as concept of strategy is easy for competitors to duplicate and reproduce the recipe for success, a very high economies of scale give the early and rapid globalizer enormous of first mover advantages and handicap the slower growth firms for long periods of times, and the high level of management's capacity to manage, or learn how to manage global operations. Apart from that, the speed of internationalization also depends on the company's ability as well as managers' ability to leverage its experience from one market to another (Loane, Bell, & McNaughton, 2007).

Madsen and Servais (1997) explain certain SMEs internationalize gradually due to the insufficient of knowledge about foreign markets, high-risk aversion, high-perceived uncertainty or others similar factors. While in contrary, the other firms namely born globals, the firms internationalize just from their inception or very shortly after establishment (Jones & Coviello, 2005; Madsen & Servais, 1997; Knight & Cavusgil, 1996). In the definition of Knight and Cavusgil (2004), born globals refer to entrepreneurial start-ups firms, look forward a significant proportion of their sales revenue of products in global markets, from or near their founding. As present by Fernhaber, McDougall, and Oviatt (2007), the born globals' characteristic is more likely to be found as rapid expansion, high knowledge intensity, and global interconnectedness.

For examples, European born global firms offer contribution in developing the national economic by pooling knowledge and skills, facilitating international knowledge transfer, enhancing countries' reputation, promoting high-value-added

activities, and developing the new worldwide industries (OECD, 2013). Hence, one-fifth of new enterprises are born globals in Europe. According to Eurofound (2012), they are up to 50% of young firms in Romania, Belgium, and Denmark.

Thus, to distinguish the characteristic of the born global firm is that its fundamental orientation are strongly international, and has been triggered by emergence of the modern era of globalization (Cavusgil & Knight, 2015), as mentioned in Chapter 1. Despite the scarcity of financial, human, and tangible resources like other new business, born globals progress rapidly to internationalization. they pursue international operations within 3 years from the inception, generate at least 25% of its revenue from international markets. They also possible to use different types of entry modes to enter multiple foreign markets, such as exporting, licensing, joint ventures, and even foreign direct investment, and those entry modes are psychically distant from the home country (Tabares, Alvarez, & Urbano, 2015). Unlike the gradually internationalizing firms, the typically young firms seems to granted a sort of flexible advantages of their smallness that benefits for their success in foreign markets (Cavusgil & Knight, 2009).

Thus, knowing that the success factors of SMEs in domestic market have been studied a few decades ago, however, the success factors of SMEs in international market during globalization are one of the important topic to be discussed. Reveal the same topic as Chapter 1, a recent deregulation, technology advancement, and continuous effects of globalization are considered as success element for the steeply emergence of smaller born globals.

However, Johanson and Vahlne (1977) mention that this environment places enormous pressure on the top management, especially on senior managers because they usually lack the time to integrate prior knowledge and fully develop their firm strategies before implementation. As explained by Feindt (2002), unlike much larger companies, SMEs have a very little choice of strategy. Therefore, as suggest by Crick and Spence (2005), born globals must adopt a global focus perspective from inception, giving the reason of encountering a narrow product offering, rapid obsolescence, and limited local demand. Corresponding to the description of

Cavusgil and Knight (2015), being adopted a global focus, born globals can actively participate in global trade and investment, regardless of age, experience, and tangible resources. Therefore, born globals prefer exporting as their primary entry mode for internationalization. This phenomenon has provided an insight on firms' export activities to substantial research in the future (Cavusgil & Knight, 2015).

Knowing new business encounter a relatively small in scale and limited in tangible resources, Knight and Cavusgil (1996) suggest born globals are usually with distinctive intangible resources and capabilities endowment, such as entrepreneurial orientation, unique offerings, and strong international networks. In the similar vein, Oviatt and McDougall (2005) declare the internationalization speed of SMEs is enabled by international networks and knowledge of the international markets. Whereas in the Uppsala internationalization process model explain the gradual stages of internationalization should be the final stage of a firm to improve its networks of relationships incrementally, which the networking benefits effort of trust-building, knowledge acquired opportunities that consolidate a rapid and successful entry to international markets.

## **2.1 Theories of Internationalization**

### **2.1.1 Resource-based View (RVB)**

From the perspective of resource-based view (RBV), Barney, (1986) demonstrated in the context of same industry, firms would have different behavior and action, depending on the different resources they have obtained. Penrose, (1959) stated that resource-based theory is born originally as a perspective in strategy management. However, a study (Oviatt & McDougall, 2005; Knight & Cavusgil, 2004) challenges that RBV may not suitable for born globals, due to the born globals is naturally scarce in resources and small plus young enough, nonetheless they internationalize from the beginning. It is also being questioned that RBV is seems to be more related to MNEs than SMEs because as tradition only large firms like

MNEs are affordable to the various resources to engage international market (Falahat et al., 2013).

However, nowadays researchers are extensively using resource-based view (RBV) theory to study the born global literatures. For example, grounded from RBV, Tabares et al. (2015) indicated that born globals could internationalize right from inception or at early years is because of managerial commitment (internal resource) associated with key orientations, capabilities and strategies. Particularly, Amit and Shoemaker (1993) broaden the RBV concept into resources and capabilities as a source of sustained competitive advantage in born globals. In order to analyze the set of inner organizational resources, these assets become potential sources of competitive advantage in the firm (Knight & Cavusgil, 2004). Therefore, resource-based view theory has been adopted in our study because it is precisely one of the theoretical perspectives have permit inner analysis.

### **2.1.2 Network Approach Perspective**

Mitgwe (2006) states the network approach theory has defines the networks as bridging mechanism in fostering international expansion rapidly for born globals. In the absent of relationships with the host country, the network approach highlighted the concept of holding the critical knowledge and information that the firms accumulated over a long periods of time and bridging all the involved parties to establish close relationships with customers, suppliers and distributors, regulatory and public agencies, as well as other market actors (Paul, Parthasarathy, & Gupta, 2017). The relationships of this linkage facilitate in exchanging information and leading to the process of internationalization, in the same time to provide firms to expose to the valuable opportunities and obtain international business entry (Knight & Cavusgil 2009).

In a nutshell, strong relationships cultivated between the firm and other actors are based on knowledge sharing, building mutual trust, and commitment. As specified by network approach theory, social network and relationships that shape the

behavior of born globals have no relation with the process of gradually internationalization (Malhotra, Agarwal, & Ulgado, 2003). SMEs internationalization process is exclusive from the already-established MNEs, by distinguishing them from the perspective of network approach perspective, for example SMEs heavily rely on their network relationship to mitigate the limited resources and market power.

### **2.1.3 Organizational Learning Theory**

Organizational learning theory has been found in literatures, as well as in our study. The perspective views the firm as a learning organization and relates to the organization capability in acquiring sustainable competitive advantage by undergoing process and digest the knowledge (Liesch & Knight, 1999). Contemporarily, the research that had adopted organizational learning theory included Knight and Cavusgil (2004), Real et al. (2014) and Altinay et al. (2016). Organizational learning theory suggests the firms embrace new organizational knowledge development occurs under certain conditions, when there are little or no existing organizational routines to unlearn is the best option (Autio et al., 2000; Cohen & Levinthal, 1990; Nonaka, 1995). Accordingly, a born globals as less-resourced firms, may be more aggressively to acquire requisite knowledge about international business and increase the efficiency and effectiveness at developing new international activities.

## **2.2 External Environment**

External environment playing a role as the triggers and intention for firms expanding to international market. Previous study has indicated the environment has been considered largely as an antecedent to facilitates the expansion of born global firms. Fan and Phan (2007) argued that born global decide to internationalize from the inception is depending on the elements such as the firm's home market size, preliminary production capacity, economic pressure, as well as cultural and

social forces. Other relevant elements which are considered as external environment factors of early and rapid internationalization, such as institutional infrastructures and systems of social, political and economic production and exchange, as point out by Bruton and Ahlstrom (2003), which include market liberalization forces and governmental policies.

Tapping into globalization phenomenon, it related to the dominant changes in the world economy (Axinn & Matthyssens 2001). Due to the boost of worldwide interdependence, globalization has provided firms new directions to create, as well as to seizure product and market value. Firstly, with the environmental barriers removal between markets, people, products, and knowledge transferring across markets become more easily. As parallel with Oviatt and McDougall (1995), the rapid development of internet-related technologies and advanced infrastructure globally have given insight to the perception of internationalizing in a relatively lower in cost, through shrinking transportation and communication costs and better accesing to the latest information and knowledge. Moreover, due to the smallness of domestic market, the firms are forcing to go abroad. Corresponding to the statement above, as mentioned by Cavusgil and Knight (2009), we conclude all factors above have being classified into the concept of pushing-pulling forces.

Yet, the relationship between the role of the external environment and speed of internationalization has received a few of attention in the born global literature, while most of the literature placed their focus on entrepreneurial and organizational characteristics and process of firms' development (Aspelund et al., 2007).

### **2.2.1 Pull Factors**

In most countries are existing extensive demand for a large deal of products and services. Export pull is described as, when there are no competent suppliers around, the host market buyers will tend to satisfy their product needs by sourcing from abroad. Hence to fulfill the demanding in host market, a lot of born globals sell their offerings to host market by engaging narrow, cross-national market niches strategy.

In another word, home market intermediaries may initiate the pull effect, whom observed a business opportunity specifically. Pull effect may be introduced by end users as well in host market who are having awareness on a given foreign supplier. According to Bartlett and Ghoshal (2000), the study found that as compared to domestic forces the pulling forces possess a greater impact on SMEs internationalization at the early stage.

### **2.2.2 Push Factors**

Contemporarily, an internationally oriented entrepreneurs who manage to generate foreign sales through making commitment on financial, human, and other resources at the early stage. Such entrepreneurs may view the global market as their targeted marketplace. As suggest by Oviatt and McDougall, (1995), they initiatively adopt push strategy through actively promoting their product and service to foreign intermediaries, who in turn to promote the related offerings to end consumers. Alternatively, born global firms tend to advertise extensively and specialize their sales teamwork to promote their products straight to the foreign purchasers. In addition, for cutting-edge of business infrastructure in associating with technology advancement in terms of communications and transportation, both act as push factors for born globals to target international markets. For example, Kudina et al. (2008) highlight the presence of global networks and alliances, homogenization of buyer needs around the world, and advances in communication technologies as important factors pushing firms to internationalize more earlier than others.

## **2.3 Entrepreneurial Orientation**

Young firms are usually quite suggestible to failure and aggressive posturing is often critical to their survival and success, particularly in new markets (Cavusgil & Knight, 2009). Young companies are typically unknown in foreign markets. As they experience a “liability of newness” and therefore must take steps to establish their legitimacy to customers, intermediaries, and competitors (Lumpkin & Dess, 1996).

As a result, these born global firms are able to perform faster and better than competitors, is due to the outward approach of entrepreneurial characteristics, outward of seeking opportunities and building contacts in global, playing roles as success factors to create sustainable competitive advantages (Maschepra, 2012).

Lumpkin and Dess (1996) to define the entrepreneurial orientation is “how a firm aligns its process, practices and managerial activities towards new markets and involving strategic intentions and top management’s actions”. While Cavusgil and Knight (2009) illustrate the born globals typically championed by founders or managers, have reveal a high degree of entrepreneurial orientation, not only to support the initiative of internationalization, but also support tactics and strategies development to drive international performance.

Based on the research-based view theory, Lee, Lee, and Pennings (2001) discuss that entrepreneurial orientation represent a unique and important intangible resource that provide sustainable competitive advantage to the firm. It is a managerial attitude which considered as intangible resource, tends to create new business strategies, for example to engender quality focus behavior, with regards to the positive of internationalization (Knight & Cavusgil, 2004). To view the entrepreneurial orientation in-depth, the notion refers to an organization’s strategic orientation and decision-making pattern, is a combination of proactiveness, innovativeness, and risk-taking (Covin & Slevin, 1989), plus autonomy as well as competitive aggressiveness (Lumpkin & Dess, 1996). Gerschewski, Rose and Lindsay (2015) point out another construct for international entrepreneurial orientation, which is global vision, namely global mindset, meaning to think and view globally, proven to have positively relationship to organization performance for the born globals. Moreover, Gerschewski et al. (2015) imply that it is critical for born global managers to be found embedded with a global vision and having mindset to perceive the world as their marketplace, rather than focus on local market. Meanwhile, the entrepreneurial typologies in the study of Andersson (2000) illustrate that marketing entrepreneurs have a global vision and continue to play a proactive role in the internationalization process and willingly created new channels to reach the customer.

Proactiveness was related to exploration on market opportunities in the process to involves in shaping the environment by introducing new products, technologies, and administrative techniques rather than merely reacting to market change (Lumpkin & Dess 1996; Knight & Cavusgil, 2004). Cavusgil and Knight, (2009) point out born globals managers with strong entrepreneurial mindset are generally possess proactiveness. Falahat et al. (2013) highlight proactiveness refers to the ventures pursuing with an aggressive and hardworking manners and forwards looking positively to the future. In the same view, Alegre and Chiva (2013) mentioned the importance of entrepreneurial orientation reflects the crucial role of proactiveness in pursuing international markets aggressively, and usually entrepreneurs procline to risk-taking manner as well.

Entrepreneurs' innovativeness refers to the degree to which a manager adopts innovation more quickly than others in the same social context (Marcati, Guido, & Peluso, 2008). In the same context, innovativeness of entrepreneur orientation directly contributes to firm innovativeness, which refers to the degree to which a firm engages in and reflects the firm's tendency to connected with seeking creative solutions to problems and needs as to pursue new ideas, novelty, experimentation and creativity that may lead to new products, markets, services or processes (Lily & Hartini, 2010; Lumpkin & Dess, 1996). An innovative manager who prefers to search for a new solution that has never been tried before and therefore it is to be more risky, may lead to a reasonable chance of costly failure (Lumpkin & Dess 1996; Miller & Friesen 1983). As regards with above, risk-taking refers to a prowess movement into unknown territory and/or the commitment of significant resources to business activities under uncertainty conditions (Gunawan et al., 2015). Entrepreneur with risk-taking behavior will embrace opportunity-seeking behavior commonly. Mort and Weerawardena (2006) consider entrepreneurial opportunity-seeking behavior as key role in accelerating internationalization, and international opportunity identification and relationship building capability have seen as enablers of born globals rapid expansion (Karra et al., 2008). Zhang et al. (2009) argue the concept of international entrepreneurship capability enables firms to leverage resources and exploit opportunities in international markets, regardless for the firm's resources or lack thereof.

Autonomy is about organization's willingness to offer delegation on responsibility to individuals or a team of employees. Thus, employees are able to raise new ideas, make decisions to execute their own work in an effective way and carrying their job through to completion (Lumpkin & Dess 1996). In this sense, organizations are to avoid in criticizing the unintentional mistakes they have made, especially when they are being trained to be innovative.

Gerschewski et al. (2015) illustrate that an entrepreneur requires high management commitment and a long-term perspective, especially in preserving and consolidating their foreign networks which empowered a firm to execute on effective export marketing strategies, leading to a greater export performance.

Blomstermo, Eriksson, Lindstrand, and Sharma (2004) indicate that firms gain knowledge about local and international networks primarily through their international experiences, or previous experiences with foreign markets, which includes personal work experience obtained by the entrepreneur and/or his employees before founding or joining the current firm (Baronchelli & Cassia, 2008). As mentioned above, international experience and industry experience provided the founders sort of knowledge familiarity of industry conditions, specifically about foreign markets, customer needs and products.

Some other empirical studies have found that firms will perform better in internationalization via demonstrating more entrepreneurial strategic orientation. For example, Eggers et al. (2013) examine the dimensions of entrepreneurial orientation has effectively generated return to SMEs' performance. Moreover, in consistent with the RBV, Gerschewski et al, (2015) postulates that a firm's performance is positively related to the firm's intangible resources endowments, which entrepreneurial orientation is mentioned. According to Falahat et al. (2013), the study have found that characteristics of the born global firms in Malaysia are the global visionary behavior, market-oriented behavior, risk-taking behavior, innovative behavior, proactive behavior and the international experience of founder.

## 2.4 Networks

According to the network perspective on internationalization, an organization must be studied in the broader context of the market environment of the firms' operation locating, instead of being analyzed isolated. For SMEs with limited resources and scarce capacity for market intelligence, Havnes (2003) suggest that networks can substitute internal resources and capacities of large firms in the context of born globals. Meanwhile, smaller firms use networks to overcome their smallness liabilities, newness and foreignness (Coviello 2006; He & Wei 2013). As to overcome the scarcities facing by SMEs, the networking perspective favors resource pooling and sharing through affiliation and social embeddedness with domestic and host organizations to foster expansion in international markets (Felzensztein, Ciravegna, Robson, & Amorós, 2015). From the perspective of Coviello (2006), networks provide access to markets and customers, referrals, financing, distribution channels, learning opportunities, contacts for both internal and external development in internationalization, and other competitive advantages. Falahat et al. (2013) found that networks can create marketing competencies of a firm by practicing effective marketing procedure, embracing price strategy, localizing advertisement and providing a suitable packaging to match the market demand. Moreover, strong network relationship can mitigate the impact generated from psychic distance. "Psychological distance" can be defined as factors to impede information flows between the company and foreign markets, in terms of language, culture, politics, and so forth (Armario, Ruiz, & Armario, 2008).

Therefore, trusted networks are important in enabling owner-managers to acquire reliable and valuable global market knowledge (Peng & Heath, 1996). To further explain trusted networks, using survey data from SMEs in China, the authors investigated Guanxi, essentially "connections," and found that owner-managers should consider social networks as an efficient element of facilitating early and profitable internationalization (Zhou et al., 2007).

Network relationships allow born globals to obtain advantages abroad that are relatively unattainable if without a such linkages. Under the context of born global,

Freeman and Cavusgil (2007) claim that the global network relationships are significantly becoming a success factor to facilitate early internationalization. Born globals with best performance are practicing greater collaborative behavior through diverse of network linkages with foreign distributors, trading companies, strategic alliance partners, traditional buyers and sellers and other bodies located abroad. In addition, Cavusgil and Knight (2009) indicate the relation of government intervention and the relation of personal contacts comprising inward and outward interactions, have provide the born global firms an extensive of invaluable knowledge to foster their international business learning and business opportunities recognition. Correspondingly, Falahat et al. (2013) stress that social networks such as local and international formal networks offered by government agencies, giving firm to seek and exploit new opportunities in the foreign market.

Among others, the topic of early and rapid internationalization stimulated the interest of researchers to find out how a new start-up firm develops networks of foreign distributors and customers successfully within a short period. The international marketing environment encountered unique challenges, uncertainty, and risk, much of which can overcome by leveraging the localized market knowledge and marketing skills of foreign intermediaries (Freeman, Edwards, & Schroder, 2006). Cavusgil and Knight (2009) argue that a strong distributorship is possibly the most important in carrying out the downstream promotion, pricing, and customer relationship activities of the firm. Thus, foreign distributors are emphasized as a key resource to a firm's ability to provide appropriate market offering to a given customer base.

Previous studies Welch and Dana (2004) indicate the personal networks as one of the key factors in promoting international activity among entrepreneurs. Entrepreneurs use their personal contacts as firm-level resources, especially when scanning for business opportunities in new foreign markets (Ellis, 2011). Andersson and Wictor (2003) note that the key factor of personal contacts during the implementation of internationalization strategy, has provide the main network for born globals, due to their early age and sometimes lack of stability in routines, systems and processes.

As the study of Oviatt and McDougall (2005) state that mediating forces such as knowledge and network relationships, and enabling by technology, have significantly determine internationalization speed. In addition, the same study suggest the networks have three key aspects to involve in the speed of internationalization, which is the strength of network ties, the size of the network and overall density of the network. Similary, Chetty and Stangal (2010) imply the firms with more diverse network relationships are tend to undergo radical internationalization.

## **2.5 Organization Innovativeness**

Innovativeness is defined by Avlonitis and Tzokas (1994), to an extent, which is an individual or an organization is adopting new ideas more earlier than any other members in the system, has expresses the concept of open-minded to exposing in new ideas as one of the aspect for firm's culture (Hurley & Hult, 1998). Further description for organizational innovativeness reflected the development level and new ideas implementation, further to represent a latent firms' capability, which is comprising the categories of technological and behavioral innovativeness (Avlonitis & Tzokas, 1994). The study of Damanpour (1991) defined the organizational innovativeness could be classified into product innovation, process innovation and administrative innovation.

Product innovation represents any of the new product or service presented to meet the market demand (Damanpour & Gopalakrishnan 2001) or represents as the new technology developing process (Lukas & Ferrell, 2000), and this is for generating revenues purpose. As such, product innovation more related to R&D capability and creation of unique offerings, further in facilitating marketing innovation capability, thus keep product or service updating and renewing from time to time, for retaining a strong market presence is important (Johne, 1999). Process innovation is defined as a new element introduced into production operations or functions (Damanpour & Gopalakrishnan 2001), which comprised of quality function and business process

reengineering (Cumming, 1998), following to provide the safe guarding issue, enhance the holistic of product quality and embrace cost saving method (Johne, 1999). Administrative innovation relates to the changing the methods of operating a business that enable more effective use of changes in organization structure, policies, work methods, and any procedures for making, financing, or marketing a product or service (Hine & Ryan, 1999; Nasution et al., 2011). This type of innovation namely as non-technological innovation, that is to lead changing of indirectly attributable to products, services or production methods.

In addition, Alegre and Chiva (2013) find out the entrepreneurial orientation on has a direct, significant effect on innovation performance. This support to the notion of entrepreneurial orientation is reflecting the overall firm's innovativeness and firm's proactiveness in penetrating to international markets (Knight & Cavusgil, 2004). On the other hand, the effects of entrepreneurial actions are demonstrated in product, process, and administrative innovations (Covin & Miles, 1999; Ireland & Webb, 2007; Schumpeter, 1934). Therefore, Schumpeter (1934) underscore to maintain innovation is an important outcome that derived from entrepreneurship function. Other than that, when companies are required to possess own innovation skills to compete successfully in international market. Knight and Cavusgil (2004) suggest that a strong innovative nature drives to form particular types of knowledges to support business activities, which propel in facilitating organization learning orientation and market orientation, as well as to drive the development of organizational capabilities to support rapid expansion in diverse international markets. Such a firms' innovative culture enables effective of knowledge acquisition and foster in developing or improving for unique offerings and generating new means for business operation (Dosi, 1988; Nelson & Winter, 1982)

## **2.6 Organizational Culture**

Born global firms, as characterized by their smallness and they have no options but reliance on cutting-edge technology in the development of unique products or processes. In such case, born globals are encouraged to cultivate certain unique

organizational cultures that enable them to succeed in international markets (Knight & Cavusgil 2004). Market orientation and learning orientation, drawing the conceptualization from Narver and Slater (1990) and Sinkula et al., (1997) respectively, both of orientation, on the basis that it is more grounded in organizational culture and behavioral.

### **2.6.1 Market Orientation**

According to Narver and Slater (1990), market orientation is defined as “the organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyer and thus, continuous superior performance for business.” In accordance with the resource-based view approach, market orientation is view as an intangible resource, can also be understood as a corporate competence, which may help firms to develop “inside–out” capabilities to connect the internal processes that define organizational capabilities with the external environment, thus allowing the company to be competitive by creating solid relationships with customers, distributors, and suppliers (Day, 1994).

A market orientation provides the foundation of interactions between born global firms and diverse foreign markets, in further creating specific marketing-related strategies aiming to overcome these challenges and tend to maximize firm performance. Market orientation is likely in related to the prowess behavioral in international marketing process, which is crucial to support suitable strategic and tactical activities in foreign markets such as knowledge acquisition about customers, host market development and appropriate products adaption (Aspelund, Madsen, & Moen, 2007; Knight & Cavusgil, 2004). Narver and Slater (1990) state that market orientation is composed of three behavioral components, which is customer orientation, competitor orientation and inter-functional coordination. We will eliminate the measurement of inter-functional coordination is because it is less significant for SMEs if compare to the large-scale firms (Rhee, Park & Lee, 2010).

Customer orientation refers to the organization's capability in understanding and satisfaction of customers' needs, and disseminating this information within the firm, as well as understanding the supply chain network (Narver & Slater, 1990). A heightened customer orientation is driven by a more competitive international marketplace, rapid changes in technology that have shortened product life cycles, and the mediocre financial performance of many firms.

As for competitor orientation is defined as the capability of an organization in identifying own strength, weaknesses, long-term capabilities and strategies to gain market competitiveness (Day & Wensley, 1988; Samat et al., 2006). While in the other hand to involves in acquire information on current and potential competitors, further to understand the short-term strengths and weaknesses and long-term capabilities of the both key competitors (Gruber-Muecke & Hofer, 2015).

Associating market orientation with others factors, Silva, Styles, & Lages (2017) argue that the influence of market orientation on export performance when the orientation combined with other activities and capabilities. While parallel with the research of Cheng and Huizingh (2014), who indicate market orientation enhances the relationship between open innovation and financial performance. As thus far market orientation has been conceptualized as an organizational culture, in this regard, Ruokonen and Saarenketo (2009) note that a combination between strong market orientation and learning orientation may provide a strong indication to the success of achieving sustainable competitive advantage. Besides, Balodi (2014) confirm that market orientation and entrepreneurial orientation are related constructs that under a distinct aspects of business philosophy. In a further explanation, market orientation assists in targeting its innovative actions effectively in the market, while entrepreneurial orientation contributes in achieving fast responses to market prospects.

### **2.6.2 Organizational Learning Orientation**

Organizational learning, considering as a strategic perspective (Covin & Lumpkin 2011), allows to transform the combination of the organizational existing resources and capabilities into unique competencies, which is demonstrate by Lado, Boyd and Wright (1992), as a key contributor of sustainable competitive advantage. Fiol & Lyles, (1985) has define organizational learning as the “process of improving actions through better knowledge and understanding”. A resource-based view approach explained that organizational learning becomes a fundamental strategic factor throughout integration of specific and professional knowledge across a number of individuals and are generally associated with the development of organization competences and routines (Teece & Pisano, 1994), tends to drive international performance positively.

Derive from organizational learning, Sinkula et al., (1997) define that the learning orientation has strongly emphasis on organization cultural aspects. This study explained learning orientation as cultural behavior that emphasis the perception on process of improving, acquiring knowledge, and understanding to foster organizational performance and develop customer value. Fundamentally, the present investigation from delineates four components of learning orientation stated as commitment to learning (Baker & Sinkula, 1999), shared vision (Senge, 1990), open-mindedness (Day, 1994), and intra-organizational knowledge sharing (Garvin, 1993)

Therefore, Cohen and Levinthal (1990) define the learning orientation is a cultural value, which become the antecedent to the organizational learning and knowledge-creation process that facilitates innovativeness. An innovation culture should promote knowledge acquisition (Knight & Cavusgil, 2004), which the firms using to deploy innovative initiatives for new products developing, opening up new markets and refining the firm operations for serving the new markets under an optimal condition (Nelson & Winter, 1982; Schumpeter, 1934), leading to organization capabilities that drive international performance. In line with this, Falahat et al. (2013) highlight the learning orientation behavior is regards to the

nature of knowledge acquisition, which is continuously to learn negotiation skills, to learn for understanding the target markets culture and to search a new approach for running a business.

In relations to knowledge acquisition process, Zahra, Nielsen and Bogner (1999) suggest that organizational learning has been influenced by entrepreneurial orientation in providing a mechanism to create new knowledge. Findings from Alegre and Chiva (2013) suggest that organizational learning and innovation performance should be facilitated by managers for boosting the entrepreneurial orientation–performance link in a positive way. For example, risk-taking entrepreneurship facilitates the culture of information sharing and co-learning. Therefore, they are able to cultivate knowledge capabilities and identify opportunities in a rapid manner compared to their competitors (Fosfuri & Tribó, 2008). While the relationship in linking market orientation and learning orientation, by demonstrating that market-oriented firms will straightaway start to adopt and implement a learning orientation in their next early step (Farrell, 2000). Noticeably, learning orientation performs as mediator in the relationships between market orientation and entrepreneurial orientation and innovativeness (Alegre & Chiva, 2013).

Linking to the issue of knowledge acquisition, Alegre and Chiva (2013) indicate that there might have other antecedents, such as human resource capital and capability positioned between organization learning and innovation performance. The results of Nasution et al. (2011) show that human resource management is one of the significant factors to drive innovation and customer value. Another outcome from the research of Venkataraman, Van de Ven, Buckeye and Hudson (1990) truly reveals the notion of vital knowledge of SMEs firms playing an important role as critical intangible resource, usually presented in the key employees of an organization. This topic will be further discussed in the next session.

## **2.7 Organization Capability**

Organizational capabilities refer to strategic management in properly to adapt, to integrating, and to re-configure intangible knowledge-based capabilities depends on the pace of dynamic environment. Ideally, Teece et al. (1997) explain organization capabilities reflecting the managers' ability to renew the firm's competences, as to achieve correspondence with the changing business environment. Nurturing the capabilities via the integration of professional and specialist knowledges are to enhance organizational routines and competences (Teece & Pisano, 1994). Similarly, a firm's marketing resources and capabilities are instrumental in enhancing its organization capabilities and to provide a strong potential for competitive advantage, for the competitive advantages likewise difficult to identify, reproduce, and transfer between firms (Kozlenkova et al., 2014). For instance, marketing capability is an ability to allows scanning of customers' current and potential needs. Furthermore, this proximity also makes the marketing function accountable for recognizing, interpreting, and filtering weak market signals, which enables the firm to seize opportunities.

In this study, organization capability can be distinguished into two aspects, which is technology capability and human resource.

### **2.7.1 Technology Capability**

Drawing from the organizational innovativeness in terms of technological aspect, firms innovate new creation and to improve products by leveraging advanced technology, as well as to adapt the foreign markets demand. Overall, similar as most of the companies, information and communication technology promotes the marketing process in born-global firms, as well as accelerated the efficient learning about customers and competitors, competent channel interaction, and other benefits. In similar, Knight and Cavusgil (2004) posit that global technological competence involved in an important way for functioning marketing orientation, as well as entrepreneurial orientation. The empirical results from Langseth, Odwyer, and Arpa,

(2016) illustrate that technological advancement is significant in empowering rapid internationalization, in particular to relate in innovative processes and product uniqueness development. Based on our study, technology capability can be classified into two aspect, which is R&D capability and digital capability.

#### **2.7.1.1 R&D Capability**

R&D capability is often used as an example of a firm-level innovativeness capability. R&D function allows a firm to screen for new technological potentials and threats, and result to yield changes in the technological domain (Schilke, 2014), for example, the proprietary intellectual property (IP). In widely based studies of the determinants of innovation, R&D capability is research-intensive industries almost strongly and positively related to innovation outputs (Crepon et al., 1998). Skilled R&D staff is important resource to absorb external knowledge, and further to create competitive advantages instead.

SMEs have a wide range of contributions to the innovation system. Besides innovation in R&D based new products and services, innovation system also improved creative designs, which is considered intangible (Symposium & Paper, 2000). Therefore, for SMEs belongs to the category of low technology manufacturing and service sectors, non-R&D inputs are more important. Non-R&D inputs can be categorized into capital equipment and design innovation respectively (Symposium & Paper, 2000). Capital equipment-based innovation firms allow themselves to benefit from innovations developed in engaging new process technologies or intermediate products. Design innovation is referring to incremental improvements in products, to allow firms to better meet customer requirements. However, design is an enormously rich inventive and creative activity, which opens large opportunities to improve product.

### **2.7.1.2 Digital Capability**

Advanced technology is tipping asymmetries of information according to the preference of international customers. Knight and Cavusgil (2015) demonstrate the shift of young firms to fully utilize digital capability in collaborating with consumers to facilitate new products and services development, as well as to induce effectiveness of seller-buyer interactions and further to enhance valuable customer experiences. Digital technologies represent the new application methods that foster full-time availability, personalized treatment and instant delivery of standardized offerings to large potential markets, at lower cost and less risk, as well as helping to make smaller firms appear large (Knight & Liesch, 2016). Kaplan and Haenlein (2010) illustrate that by fully utilizing digital technologies, the digitization, especially social media such as Facebook, Instagram, Twitter and so on, have been claimed to transform consumer behavior, and generate further impact for firms, products and brands. Digital marketing and social media offer various opportunities to attract new customers and to reach existing customers more efficiently. Therefore, social media has played the important role of an organization's marketing communications and branding, and to engage consumers and creating brand awareness (Brinkø, Balslev Nielsen, & van Meel, 2015). For example, a company's website can be described as the home of the brand in the online environment (Christodoulides, 2009), are often used in SMEs. Other than that, digital communication channels such as Facebook, Instagram, Twitter and others, seems to be a successful in building a brand, as well as engaging new customers and building unique customer relationships. Given the importance of exporting and the unlimited growth potential in e-commerce technologies, however, little empirical study exists on how exporters leverage these technologies in developing efficiencies in exporting, and SMEs require more in-depth knowledge of how SMEs fully utilize digital channels in their marketing (Gregory, Karavdic & Zou, 2007). Therefore, in our study, the resource-based view is used as a theoretical basis to best explain how e-commerce technologies capability could be integrated into existing export marketing theory.

## 2.8 Human Resource

The characteristics of born globals' leadership is generally driven by founders or employees, who champion the export initiative, and rally others behind the internationalization effort (Golovko & Valentini 2011). At the initial stages, born globals leverage their networks to generate organizational skills and competencies. After internationalization is well ongoing, managerial focus shifts to developing human resources to support further growth of organization (Cavusgil & Knight, 2009).

As mentioned above, the knowledge acquisition facilitates organizational capabilities, which lead to superior organizational performance. As presented by Conner and Prahalad, (1996), ground the fundamental conception that, "knowledge is a vital resource for the integration of individuals' specialized knowledge is the essence of organizational capabilities". In the same vein, human resources are considered as the crucial resource of sustainable competitive advantage in a firm for contributing their specific knowledge and professional skills (Snell et al., 1996) or being as the most adaptable asset in the organizational change. Wright et al., (2001) distinguish human resources proposition into firm's human resources capital (human capital pool) and human resource practices (systems that are used to manage the human capital tool, stated as follows.

Noticeably, human resource capital is essential to escalate organization capability. However, human resource practices significantly influence the performance of human resource capital, that is employee skills. In this sense, since the employee skills are probably the most strategic asset for an organization, Mavondo et al. (2005) indicate that human resource practices have great impact on marketing effectiveness. It is notably the human resource practices creating supportive climate culture to achieve organizational effectiveness, facilitating overall innovation and shaping proper employee behaviors and attitudes (Whitener, 2001).

Thus, regards to the above statement, entrepreneurs should have a critical role to ensure effective employee engagement in innovation and exporting. As in line with

MacLeod and Clarke (2009) have suggested the evidence that effective people management and team development, management can play a significant part in ensuring the success of both innovation and exporting activities and these positively contribute to SME success. However, Gilmore et al. (2007) stated that SMEs nowadays facing deficiency of human resources, capital and knowledge, typically in fully utilizing advance technology tools and digital channels comprehensively, consequently to identify the importance of the skills and knowledge of the employees as a significant enabler of adoption of digitalization strategy in SMEs.

## **2.9 Product/ Service Quality**

For the purpose to offer a high-quality product or service, the organizational capability has been acknowledged as a key intangible resource that is crucial to firm performance. Customer-perceived quality focus reflects the capability to develop products that meet or exceed customer expectations with regards to the attributes and performance. While to the extent that superior quality diminishes rework and service costs while increasing the value, market share and profits, and thus it is possible to drive superior performance in born globals (Szymanski et al., 1993).

Knight and Cavusgil (2004) demonstrate the entrepreneur with international entrepreneurial orientation engenders the development of quality focus is a key component for important marketing strategy, in further to promote international performance. The same article identified the quality of product, combining with marketing competencies and product differentiation, is to drive significant of international performance for born globals. Moreover, according to Porter (1980), to emphasize on quality is a necessity for innovativeness and quality uniqueness provides strategy to differentiate goods from those of rivals. With regards to innovativeness, Rennie (1993) explain the born globals are typically competing based on quality issue and creating customer perceived-value through innovative technology and product design. Sharma and Blomstermo (2003) argue that born globals may rely on product quality and reliability in order to obtain orders from foreign customers.

## **2.10 Business Strategies**

Knight and Cavusgil (2004) found in the context of US, international marketing orientations is the promoting factor of business strategies for born global firms, and in the following, business strategies become drivers of international performance. Firms at early internationalization stages are tended to cultivate appropriate strategies according to their size and age. As Porter (1985) illustrate that firms nurture core competencies with regards to competitors in a specific industry via either of cost leadership strategy or of differentiation strategy. Drawing on research-based view, the firm as a theoretical foundation, Falahat and Migin (2017) hypothesized that international market orientation is associated with two cost and differentiation strategies that leads to superior export performance among born globals in emerging market. Alternatively, Knight and Cavusgil (2005) demonstrated that born global firms having tendency to emphasize differentiation or focus strategy and try to avoid cost leadership strategy. However, the study of Gao et al., (2010) indicated that many domestic firms in China are competing in the export market, combining their cost leadership and differentiation competencies and further to achieve better performance.

Cost leadership strategy aims the firm pursues to increase market share based on competitive advantages through positioning itself at low-cost strategy compare to their rivals, and providing the lower costs of consumer perceived-value (Gao et al., 2010). Firms embracing cost leadership competencies can achieve above average returns, according to Porter (1980), with the embedded organization capability to match competitors' offerings at lower prices. While the result of Gao et al., (2010) have said that cost leadership competencies are unable to accelerate financial success from export behaviors.

Differentiation strategy indicates that buyers or customers perceive the firm developed offerings as relatively unique, and often targeted to market niches (Cavusgil & Knight, 2015). Most of the born globals differentiate via product innovation and intensive marketing management, often by leveraging new technologies (Cavusgil & Knight, 2009). According to Gao et al. (2010), firms can

achieve competitive advantages through differentiation strategies, which in turn enhance firm performance. Furthermore, Barney (2002) had made a comparison between advantages through cost leadership and differentiation, consequently, differentiation advantages are more difficult to imitate and reproduce, hence are more sustainable.

Again, McDougall et al. (2003) distinguish born global firms from the traditional and domestic firms by recognizing on its strategic movement on innovative differentiation strategy, quality focus of service and unique marketing strategy. Knight and Cavusgil (2004) conclude that the most important business strategies engaged by born global firms are global technological competence, unique products development, quality focus, and leveraging of foreign distributor competences.

## **2.11 Conceptual Model and Framework Development**

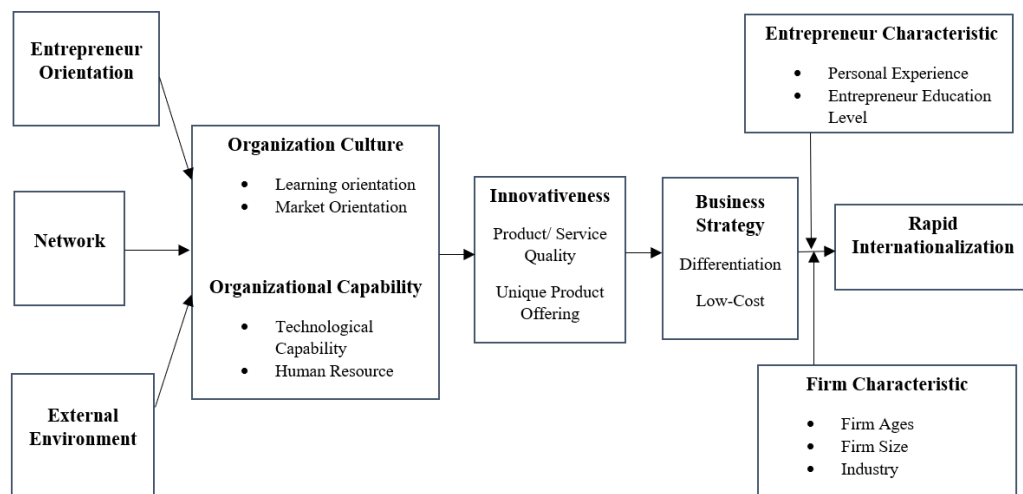
Jones and Coviello (2005) view entrepreneurship and internationalization are behavioral processes and develop a general model of entrepreneurial internationalization consisting of two primary process dimensions, which are time and behavior, and four key constructs, which are the entrepreneur, the firm, the external environment, and organizational performance. While the framework of Gerschewski, Rose, and Lindsay (2015), is considered a more holistic approach to study IE literature through the integration of both exogenous and endogenous factors.

Grounded in the knowledge of resource-based view of the born globals and network perspective on internationalization, at the same time to apply the perspective of Jones and Coviello (2005) and the conceptual framework of Gerschewski et al. (2015), we develop a comprehensive framework of rapid expansion for born global firms. the conceptual model is established, as illustrated in Figure 1.

Therefore, in addressing the gap of our study, the conceptual model incorporates these three internationalization perspectives; network approach, resource-based

view theory and organizational learning theory. This conceptual model provides a further understanding on the process of internationalization in Malaysian SMEs.

Figure 1. Conceptual Model for drivers of born global firms.



## **Chapter 3: Research Methodology**

### **3.0 Introduction and Research Design**

Due to the problematic of the research, case study and qualitative research perspective is accepted most appropriate method to understand the concepts in detail. A qualitative approach has been selected as the qualitative data provide richness of information, enabling plenty of descriptions that are embedded in the context.

The key screening criteria for those cases in our study is relevance rather than representativeness. In addition, the selected case firms were matching the definition of born globals under Knight and Cavusgil (1996), the literature define born globals are doing export at the first three years since inception and achieving at least of 25% of sales income derived from international market. Correspondingly, the selected case firms are all SMEs, the related criteria in line with the definition provided by the Malaysian Government.

This study has selected four cases as born global representatives. A series of semi-structured interviews was undertaken with the Founder/ CEO/ Managing Director of the case SMEs, and all interviews were conducted on the SMEs' premises. General background and related information of each SME and the Founder/ CEO/ Managing Director were collected at each interview stages, and the interviews gained insights into internationalization characteristics for each of the cases. The semi-structured interview was conducted once with total interview time of 1 hour and were digitally recorded and guided by an open-ended question listing which facilitated in-depth exploration and investigation of the key internationalization elements identified in literature. The interview questions were open-ended, and almost content and jargon-free. The interviews transcription and data analysis were done without delay, just right after the completion of interviews. The primary

sources of interview were further complemented by secondary data resources such as websites, press cuttings and company reports.

In the selection of cases, the main criteria for our selection of nominees, is the annual revenue coming from international market should be more than 50%. Since the success factors of the globally successful SMEs are evaluated, the cases were chosen from the list of nominees of Entrepreneurship Exporting Award in Malaysia. For this reason, we engaged the assistance of government agencies, such as the Malaysia External Trade Development Corporation (MATRADE) and SME Corp Malaysia, whom are the bodies giving recognition awards to born global firms with outstanding achievement and working as an official trade promotion partner. We also searched our targeted respondents from Endeavor Malaysia, an international entrepreneur incubator, as they renowned in inevitably have access to the born global firms generating high impacts to the world.

### **3.1 Background of Entrepreneurship Award Organization**

#### **Star Outstanding Business Awards (SOBA)**

SOBA is organized by Star Media Group. MATRADE as official trade promotion partner. It is endorsed by Jabatan Perdana Menteri, Secretariat for the Advancement of Malaysian Entrepreneurs, International Trade and Industry Ministry, and Finance Ministry as well as supported by Bursa Malaysia. The awards are further sub-categorized into enterprises that have sales turnover of up to or above RM25 million respectively. The Star's efforts in recognizing up-and-coming enterprises and their contributions to the Malaysia economy. Particular attention will be given to local businesses that export their products or services, as they help to promote Malaysia as a global center of commercial excellence.

### **e-TRADE Accelerator Awards**

The e-TRADE Accelerator Awards is jointly initiated by MATRADE and MDEC to give recognition to the top 3 companies that manage to surpass the international sales target during the e-TRADE Accelerator campaign on the B2C e-Marketplace under e-TRADE Programme from 1st September 2016 to 31st December 2016.

### **Endeavor Malaysia**

Endeavor Malaysia is a non-profit organization that pioneered the concept of high-impact entrepreneurship in growth markets around the world. Its mission is to select, mentor and accelerate the best high-impact entrepreneurs around the world. Endeavor screens thousands of entrepreneurs every year and selects those with exceptional, high-impact potential through a rigorous selection process, which has a typical duration of 3-6 months and involves assessment by both local and international mentors.

## **Chapter 4: Research Findings and Analysis**

This section presents the outcome of this multiple-case study analysis. Each of SMEs is profiled and then cross compared and following by cross-case analysis. In this manner, our developed conceptual model (Figure 1) has been covered by the various factors to be identified, if matched or against the empirical findings provided by the case studies. As a result, the interview findings have contribution to certain significant antecedents as follows, regards to the international rapid expansion performance for the companies.

### **4.0 Background of Company**

Case P, has been recognized by eTRADE Accelerator Awards. The company established in 2012, initiated exports into Singapore market two years after establishment. Case P is the youngest in terms of firm age among others. Case P is a trading house, partnering with OEM manufacturing to supply their own brand by promoting their design concept. The founder of the firm initially has been motivated to start her business locally, with her enthusiasm to offer protective swimwear for children in Malaysia, which this kind of product is common in western countries. Unexpectedly, their home brand received a wide acceptance in US market via Amazon platform in the year of 2016, and they received a significant growth from the foothold. From the initial offering of protective swimwear, the founder has developed the brand into a full-fledged children's active lifestyle brand. Their brand has since expanded its product range to include cutesy beachwear and accessories like hats, swim caps, and goggles.

Case E, has been recognized by SOBA Award. The company established in 1992, initiated exports into Hong Kong market a year after establishment. Case E is a cookies and confectionary manufacturing company. The founder had passion for producing cookies and took initiative in starting her own homemade cookies

business. Business was starting from making peanut and sesame handmade cookies in a small shop lot in Muar, Johor. When an opportunity came knocking, Case E initiated exports into Hong Kong in the year of 1993. As business grew, she sourced support from her three siblings, whom are currently the board of directors of the company. Since the sales growth remarkably in 1995 due to the increasing overseas customer demands, the company started to move their manufacturing plant to a larger factory and introduced modern baking machinery to increase production. In mid-2013, the company built a new plant located in Telok Mas, Melaka. The new facility is set up within 2 lots of buildings and equipped with full-automated production line. Nowadays, they have exports their cookies to over 30 countries.

Case H, has been recognized by SOBA Award, was established as an export and trading company in year 1996. Complementing its export business, the company distributes dry food, local herbs and spices, as well as snacks and confectioneries that are uniquely Malaysian straight from their inception. The company also holds ‘Sole Distributor’ rights to several renowned local brands to meet the international markets needs. In year of 2004, an opportunity came from a Brisbane client called for a container load of Malaysian durian, from that point they started to export durian product by setting up own manufacturing plant. The another turning point came in 2011 when her company participated in a bilateral agreement with China to pave the way for Malaysian durians to be exported to the country, where the demand for the fruit is almost insatiable. Nowadays, Case H is the leading manufacturer and cold chain operator in producing frozen durian products and durian desserts. The company is equipped with excellent refrigeration capability to produce premium quality products to satisfy its customers. They market and distribute products to more than 20 countries. With a sterling reputation for their products, the founder bought a 40-acre durian plantation in Raub, Pahang, to grows its owns fruits to ensure quality difference as only the highest premium grade of durian species and tropical fruits.

Case I, has been selected by Endeavor Malaysia, is a digital 2D animation studio which was established in 2002, as well as a pioneer in exporting original digital animation globally. Case I started with four founders, but the two with the initial

idea could not stand the pain and left. While another two founders stayed, one was an amazing right brainer while the other was an extraordinary left brainer. From the beginnings of the company, they tried but was unsuccessful to sell their first animation ‘Johan the Young Scientist’, to Malaysia broadcaster RTM. It had taken 18 months to produce and it cost around RM500,000. Eventually, when turning point came to 2004, after received an advice from a friend working as travel agent, the founders immediately flew to Cannes, France to attend an industry trade show which eventually led to the breakthrough deal for a broadcaster in Dubai to buy the show. The company then found customers in 33 countries in a very quickly soon after that. Nowadays, Case I often gets invited to participate in co-creating content with some of the leading content producers in the world, such as Disney and the Cartoon Network. As at today, the company has market penetration to more than 33 countries across 4 continents worldwide.

#### **4.1 Case Profile Analysis**

All the cases started up between year of 1992 to 2012. All cases generated more 25% of its sales from abroad. Three out of the four have generated more than 95% of international sales. These cases began to export for only two years on an average after company establishment and acquiring at least 90% of the sales revenues generated from export sales. Only one firm (Case P) remained half (about 50%) of the revenues from export sales, and the ages of the firm is the youngest compare to others. With regards to marketing models, Case P have more tendency towards B2C (Business to Customer) relationship model. While for the rest of the firms, they are majority on leveraging B2B (Business to Business) relationship models.

Our sample firms also share many similarities. Such as these SMEs exhibit limited resources, both finance capital and human resources, since their business started up. Founders and their teams need to carefully evaluate different available paths and select the most promising one. As discussed earlier, international business requires specific resources and capabilities that are scarce for these firms. All the four cases

showing the importance for entrepreneurs to learn to juggle resources, and plan well ahead to minimise losses. Table 2. below provides case firms overview.

Table 2. Case Overview of SMEs in Malaysia

	(Case P)	(Case E)	(Case H)	(Case I)
<b>Firm Characteristic</b>				
Firm Size	6 employees	140 employees	40 employees	380 employees
Firm Established	2012	1992	1996	2002
Industry	Trading (Service)	Manufacturing	Trading & Manufacturing	Service
Industry categories	Apparels and Accessories	Food Processing	Food Processing	Broadcasting
Customer Segment	B to C	B to B	B to B	B to B
Entry Mode	Exporting	Exporting	Exporting	Exporting, Licensing
First Entry Market	Singapore	Hong Kong	Australia	Dubai
First exporting year	2014	1993	1996	2004
Export Markets	Singapore, Indonesia, US	20 countries	30 countries	33 countries
<b>International Sales Performance</b>				
Sales turnover	1 Million	20 Million	25 Million	25 Million
International market sales (%)	50%	95%	95%	99%
The best year of sales	2016	1995	2014	2006

## **4.2 Cross-Case Analysis**

### **4.2.1 Firm Characteristic**

Our findings revealed that, firm size (ranging from 6 to 280 employees), firm age (ranging from 6 to 26 years old) and industry category (comprising servicing and manufacturing), showing among the firm characteristics have no difference in driving the rapid expansion. It is worth to know that there seems to be no difference of impact on internationalization between founders from manufacturing and service firms.

### **4.2.2 Entrepreneur Characteristic**

Three out of the four cases of the entrepreneurs have an education with minimum qualification of a Degree level. In general, the results show the fact of well-educated founders have better personal knowledge and capabilities embedded with them, thus, they incline to lead their firm thru early and rapid internationalisation. Mai and Li (2008) has given support to this study with similar findings that the education level of entrepreneurs have significant influences on entrepreneurs' initiative of internationalisation.

While for the Case E, the founder claimed that she only possessed a SPM education level, but she is currently pursuing her MBA course, and she mentioned that she gained a lot of insight from the lesson *"I have learned a lot from my MBA courses, and it is good to make those theories into practical."*

Prior international experience was considered important as two out of the four case entrepreneurs had extensive of international experience, which gained from studying and working abroad. The central idea of international exposure act as a main source to enhance international experience, has changed an individual's mindset from impossible to much possibility. Hence, such experienced

entrepreneurs can perceive opportunities at an early stage, and to lead a firm to a rapid expansion. This interview findings lend support to the past studies that showing the previous industry experience are to provide the expertise for entrepreneur to find a born global firm rapidly and successfully (Zuchella, Palamara, & Denicolai 2007).

With regards to the determinant of prior industry experience, founders from three out of the four cases were claimed to have past-experience in the individual industries respectively, before they kick started their own business, regardless in international or local corporate, they stated that,

*“I worked at Faberge in London after completing my Master in Business. From there I about the power branding, and I am excited about building a brand, and that’s why I came up with my own.” (Case P)*

*“I worked with 3 corporates before I get into my own business. Through a hectic workload which had trained me up for developing different of skills. I know the knowledge for running a whole business from my previous working experience.” (Case E )*

*“Being an ex-stewardess, being up in the clouds was my golden ticket to meeting new people around the world, experiencing different cultures and picking up new languages. Training as an air stewardess had given me the confidence to succeed. Being air stewardesses, we are tough and can multitask” (Case H)*

One of the firm (Case I) where the founder seems to possess extensive business managing experience by setting up his first trading business with his partner. He claimed to be unsatisfied with the routinely buy-and-sell activities, which seems difficult to survive in a price war environment, therefore he changed his track, as he mentioned,

*“Before came to my new business, I and my partner started a software distribution and systems integration company. At this venture, we were introduced to a 2D animation software company that inspired us to create cartoons.”*

Thus, the importance of industry experience was summarized from the interviews. The experience gained from industry provided the founders of knowledge about foreign markets conditions, products adaption as well as customer needs and demands. Our findings have implications on the antecedents of both international or local industry experience, is important to influence other related drivers of internationalisation for example of personal contacts and social networks.

In conclusion, founders with better education create synergy effect with previous industry and/or international experience are found to embrace more managerial knowledge and capabilities and give rise to an open-minded behaviour. Thus, founders from our findings are keen to consider internationalisation as a strategic movement, while this result is consistent with Suarez-Ortega and Alamo-Vera (2005).

#### **4.2.3 Entrepreneur Orientation**

Adopted from a previous study highlight that key management personnel need to put in self-commitment and be sensitive in grasping the each of the firms' potential and be able to handle the complication activities. Our study is parallel with argument of Mockaitis, Vainiuniene and Giedraitis (2006).

Viewing from managerial perceptions, global vision is similar to the perception of global mindset and open-minded perspective, to view the whole world as marketplace. As result of the qualitative study, the founders who evidenced as marketing entrepreneurs, where they are having a global vision to keep holding up to be proactive in the internationalisation process and were passionate with creating new channels to reach the targeted customer. Global vision of an entrepreneur is important for market expanding, and it is strongly presence in Case H and Case I.

*“Inspiration struck when I went shopping in Chinatowns in other countries and could not find any Malaysian products. After that I realise the demand for durian in the global market and its trading potential, I decided to make a move” (Case H)*

*“We vision the whole world is our market, although we need to work harder to get into breakeven.” (Case I)*

The founders characterized as a strong entrepreneurial orientation to pursue international market opportunities without pondering too much on resources under the control of firms, or without being affected by the environmental factors which the firms to confront with. Moreover, a highly entrepreneurial orientation seems to raise the intensity of proactiveness and to reduce the strength of risk perception in internationalization. For example, firms with risk-taking propensity are considered as willing to confront with challenges. As contemporary with the statement, our findings showing that entrepreneurs adopt a more proactiveness, risk-taking and prowess stances towards the efforts of internationalisation, as strongly evidenced by Case E's comments:

*“I am looking for more opportunity to expand my business. One day I accidentally met a Hong Kong distributor agent working for my cousin's company. I don't care how much financial support that I had, I went to approach the distributor fearlessly.”*

In similar vein, Case H and Case I emphasized on their first mover advantages as a pioneer in the market, after they had recognized their market opportunities. As Case H declared that,

*“We are the first Malaysian to ship the king of fruits in large numbers. We are consistently improve our operations to create new business opportunities, for example, we hope to move to a bigger factory to accommodate the growing demand for our products, and penetrate into other untouched markets such as Dubai and India. With no doubt this will be a challenging year for the industry, but we are quite stable, and looking to expand and innovate. Just because it is tough, it doesn't mean we should slow down.”*

While Case I mentioned, *“I saw an opportunity in a locally-produced educational animation series, mission to create animated series for children to learn Science and Mathematics in English. And now we are the pioneer in exporting original digital animation globally.”*

All founders reflect to be extremely passionate about their business. As indicated above, passion and enthusiasm were stated frequently in each cases. For example, the respondents commented,

*“I am passionate to share my homemade biscuit, nothing is value than sharing the best of my creation. We bake cookies that we would enjoy sharing and eating ourselves.” ( Case E)*

*“We love cartoons and we love to see other people love our cartoons. For me, doing research in cartoon knowledges is a natural for me, it is normal just like breathing. If you really love what you are doing, you will not feel burden at all.” (Case I)*

*“Being an avid swimmer since age five, I love that swimming is a wonderful family activity that promotes bonding among my family members. In my heart, I knew I wanted to do this, It’s what I feel passionate about.” (Case P)*

*“It’s important to learn to juggle resources, and plan well ahead to minimise losses. As long as there is passion and motivation, it can fuel any success.” (Case H)*

However, some study suggests that passionate may not stand alone to lead to succeed, if without the hard-working and perseverance attitude to go along with, as well as appropriate business skill. As such, business relationships may play an important role. This will be discussed in the next session.

With regards to the statement above, the interview findings revealed the importance of perseverance and commitment attitude in a long-term perspective. Founders mentioned that among the reasons of success in a rapid internationalization, their hard-working attitude has generated significant impacts all over the beginning of firm’s inception. Those evidence were found in each founder,

*“Success can be achieved by any person but never by accident. We faced financial crisis due to the economic downturn, facilities floods, yet we never retreated. I*

*myself will hand-on in developing new recipe. I will ensure every step of the production is guided properly.” (Case E)*

*“I am a hands-on person, I directly involved in all levels of my business venture – from conceptualising to execution. It took plenty of persistence and cold-calling before I got to show representative my products, and they liked them eventually.” (Case P)*

*“The timing to freeze the durian is critical, to preserve the best durian quality during shipping, the whole research and development process needed a lot of patience, perseverance and hard work, and our business flourished due to those factors” (Case H)*

*“But you just have to believe in what you are doing and work really hard at it.” (Case I)*

In the context of entrepreneurial orientation, Covin and Slevin (1989) argue that the emerging of innovativeness is an entrepreneur seeking for creative solutions to problems and needs. This was evidenced in the founders’ comments on creative and innovativeness, as Case E stated that *“I started baking from young after being influenced by my father who was a good cook.”*

*“I am excited about building a brand, and that’s why I came up with my own. This is basically a platform for me to express my creativity. We don’t want to come up with a product that everyone else has or that is so common. You always have to be creative, to come up with things demanded by the market, and at the same time, can produced at not too high of cost.” (Case P)*

*“We are creative at finding solutions to our work and applying them to our internal process. Apart from our shows, we are being creative in many aspects of our day-to-day operations... We don’t have the technological know-how to program our own animation software. But came up with our innovative idea” (Case I)*

The founder from Case H stressed that innovativeness is a key element for doing business in the global market. She argues that their firm's products are difficult to compete against hundreds of exporters, but to differentiate in expanding her business downstream, who eventually came up with various durian delicacies such as durian puree, durian ice cream and durian mochi.

The concept of autonomy also evolved from the interviews. Based on the previous literature study of Kellogg and Chase 1995, service firms acknowledged the importance role of engaging right employees who can work independently, as good quality of customer service requires excellent teamwork commitment, and this statement show consistency with Case I result. Findings shows that, once employees were encouraged to take responsibility for their own work independently, culture of autonomy is strongly applied and practised in service firms, which is possible to drive service corporates to achieve a remarkable performance via autonomous behaviour, as such to increase level of job satisfaction, as well as employees' motivation and happiness.

Based on the only service firm, Case I highlighted his employees were encouraged to take ownership over their work, and employees were supposed to get their job done within an effective timeline has been given , typically went under a minimum supervision, *"Besides stressing my staff with a lot of project, I will also encourage my staff to play hard, work hard, they have freedom to organize different of events and activities which supported by company, but don't forget to get their job done on time"*

Correspondingly, Case I further emphasized that, corporate discipline is another key element in order to support autonomy behavioural dimension, as similar to the MNEs work within an administrative superstructure in which plans and corporate discipline are communicated to a mass of employees (Cavusgil & Knight, 2009).

#### 4.2.4 Role of Networks

All founders from our study confirmed that both formal and informal networks relationships involve in an important role to facilitate firms internationalisation performance. All firms were considering to having contacts overseas and connections is vital to help in various facets. They claimed that networking was not only important at relationships establishment, but also provide advantages for resources pooling and reduce uncertainty. This was universally shared across all the cases, that they successfully in developing various networking with suppliers, foreign distributors and customers, which have been proven leading to rapid internationalization.

As founder of Case E declared all her connection with each other are based on supremacy of trustworthy. She mentioned that she treats her networks with utmost sincerity *“I am surprise with the endless support from suppliers, staff and customers, help us to go through extremely difficult times and strive forward. I believed that if we treat others with wholeheartedly, they will pay back the same attitude to you”*

Case P have a good relationship with suppliers and distributors, which could help her in engaging a better costing strategy, as well as marketing strategy. *“We met reliable partners in Shanghai... In term of customers, I would said that I have met right people, which is one of our representative, who guided us step by step to Amazon platform, then we could have an opportunity to expand quickly. A good relationship with partner is very important.”*

Similarly, Case I appears to the same theme, *“We have close relationship with distributors. When there are some territory that we cannot speak their language, or they didn’t come to trade show, at there we will find the main distributors as a middle man as they will push harder as they entitled commissions.”*

As mentioned in interviews, personal contact also important to provide the major network for born global firm during the liability of newness. In the similar vein, the founder of Case P commented that her family members are always her support *“I*

*have a very close-knit family. My dad is a businessman and mum a homemaker, is supportive of my bold endeavour.”*

The respondent from Case H noted that she has make a lot of friends overseas, and this particular network eventually became her potential client, *“My have a lot of friends in Australia, and this kind of network helps me a lot. I got a call from a Brisbane client who wanted a container load of Malaysian durians. Since there was no one doing this, the client urged me to grab the opportunity to be the pioneer in this market.”*

Similarly, the founder of Case I demonstrated the importance of personal contact *“Luck came knocking unexpectedly via the owner of a travel agency located next to the or office. We asked about a good market for our business, after being rejected by RTM and the owner replied Cannes. As it turns out that there is an Audio and Video market held in Cannes twice a year.”*

Networking, in the other words of relationships and connections, are also act as compensation role for the firm financial resources deficiencies. For instance, funding issues was important that was brought forward by all respondents. The companies often leverage on personal funding, or received external grants from government export agencies, such as MATRADE and MITI, and other entities. Thus, this is the evidence of networking not just relevant to customers, suppliers and competitors, but also concerns to the institutional networking of governmental bodies. In general, government agencies are efficiently to facilitate internationalisation and to allowed firms to perform successfully in international markets. The interviews underscored,

*“I was introduced to the Chinese SME Entrepreneur Fund, managed by MCA’s Kojadi, and it was from this fund from government that I was able to get a loan to help set up my new factory. This loan had helped with cash flow to cushion the impact of the Goods and Services.”(Case E)*

*“We work closely with government bodies such as..... Meanwhile, we are following the call of the Ministry of Agriculture to export durians and under the initiation of the ‘Cradle Program’ funded by the Ministry of Finance.” (Case H)*

*“We did receive government support for the creative content industry, specifically through an incentive programme introduced in year 2012 – Fimi. And with intellectual property (IP) financing on the table thanks to the IP Financing Scheme managed by Malaysia Debt Ventures (MDV). Our funding issues have more or less been resolved with the Networked Content Development Grant, e-Content and Mac 3 co-production fund. Access to international markets has also been helped by MDeC and MSC’s efforts and Matrade.” (Case I)*

In a nut shell, only the founders from Case P claimed that government in fact to help in building contacts in international markets, but the grant aid assistance offered by government was not that significant for them. Another Case I considered government aid was initially unhelpful and very bureaucratic when they were tried to access government project during their business started up, but they explained that government bodies are more helpful nowadays that they are established. While Case H emphasized that they had received great impact from government support, no matter obtaining external grant from government export agencies or participating government assistance programme that may acts as “door-openers” to global markets. Noticeably, as strongly indicated by Case H, their sales turnover achieved a seven times growth during the last four years, since they worked hand in hand with MITI and MATRADE.

In this sense, government is important to assist SMEs to be actively participate in the organized international trade fairs, namely international formal network. Ours findings consistent with Evers and Knight (2008), postulated that trade shows as a networking channels, are primarily using to connect with potential buyers and other business partners, or officially from government or industry organisations. This networking allowed them to recognize new business opportunities and to expand to the global successfully. From the comments from respondents further indicated that

international trade shows represent a crucial element for approaching international customers, as all the interviewees stated that:

*“We have taken part in more than 30 international trade fairs. As an exhibitors, we usually establish good contacts with buyers. International trade fairs have given us a platform to enter a new market.” (Case H)*

*“Networking does play a very important part in the animation industry and many of them are made through trade events, film festivals and conferences.” (Case I)*

In the similar vein, Case P and Case E respectively strongly confirmed the importance of attending international trade event. They claimed that they gained substantial capital funded and fruitful international market knowledge by participating in trade shows as well as attending the industry-related conferences around the world, through the sharing and exchanging of rich information of international market with peers.

Last but not least, it is well-known that networks and relationships are not built overnight. Founders from all cases stressed the importance to investing significant time and effort in order to build and sustain long-term relationships with each connection.

#### **4.2.5 External Environmental Factors**

The external environment factors in our study have represented the internationalization triggers for entrepreneurs. As mentioned by Cavusgil & Knight (2009), pushing-pulling forces play an important roles as factors of external environment.

Where the competent local suppliers are absent, pull factor describes the way of local purchasers satisfying their product needs by sourcing from abroad. Therefore, pull factors are those that draw people to start businesses such as seeing an

opportunity in the international market (Hakim, 1989) and this is generally introduced by local intermediaries (distributors) who has exposure to certain specific product-market opportunities, which the statement was brought forward by founders,

*“I didn’t expected my sales of international market growing so fast compare to local market. There is a high demand from overseas customer which forcing us to go export, thanks to my first distributor who open up the first market in Hong Kong for me” (Case E)*

*“The turning point is when we participated in a bilateral agreement with China to pave the way for Malaysian durians came to be exported to the country, where the demand for the fruit is almost insatiable.”*

As for Case H, the founder was initiated by end users themselves who become aware of a given foreign supplier. The respondent demonstrated that, *“Some of my passengers told me that they loved durian it so much that they wished they could get their hands on this exotic fruit in their homeland, And then, this idea of exporting durians came on like a lightbulb in my head.”*

Contemporarily, an internationally oriented entrepreneur may view the global market as their targeted marketplace. They engage a push strategy in searching reliable foreign intermediaries as their partners, who eventually promote the companies’ offerings to end consumers. This is supported with evidence statement given by Case I. For Case I, the dimension of home market meaning as stagnation of the domestic market.

In terms of dimension or maturity of the home market, in our Case I, meaning that when the home market is perceived as under demanding or over saturated, the firm hence was motivated, especially induced by monetary motivation, which decided to go abroad just after its inception.

*“Our very first production “Johan the Young Scientist” was self-funded and was not successful in Malaysia. Local broadcaster shutted down the door, due to certain*

*bureaucracy and red tape issue, and forced us to take the product to Cannes where we eventually managed to sell it to Dubai.”*

Overall, the first internationalisation steps of our case study significantly tend to be more to unplan and initiated by an unanticipated event as mentioned by Cases P, E and I. In contrary, Case H is the only case who start internationalisation under her planning. *“Inspiration struck when I went shopping in Chinatowns in other countries and could not find any Malaysian products. It gave me a business opportunity which I seized and went on to develop a niche market.”*

In general, our findings supported the study of Segal et al. (2005), that is pull factors have been found to be more prevalent than push factors. This is because in terms of financial aids, the entrepreneurs who experienced push motivations are less successful with their business than those who built their business upon pull factors (Amit & Muller, 1995).

#### **4.2.6 Market Orientation**

As mentioned in Chapter 2, market-oriented capabilities consist of three components: customer orientation, competitor orientation, and interfunctional coordination (Narver & Slater, 1990). In this study we only focus on customer orientation and competitor orientation.

Linking with customer orientation, the qualitative interviews found out the priority to focus on customer orientation by means of creating excellent customers' value being driven by customer feedback and needs. They claimed that there is no point to sell product or service to less demanded market, without undergoing a proper market survey. As such, in consistent with Lepak, Smith, and Taylor (2007), our findings explained that exporter's performance depends on the value created by its innovations, which in turn depends on the value recognized by importers, who are willing to exchange a monetary amount for the value created. As commented by founders,

*“We have a novel company focus, that is “Being Close to Our Customers” by which we communicate, listen and obtain feedback from our customer worldwide.” (Case E)*

*“At Hernan, we want to deliver goods and services of the highest quality to meet our customers’ needs.” (Case H)*

*“We hope that with the two approaches, we can evolve and grow into what we think we should be — a fun and exciting animation studio that treats clients as the best playmates. If the world is our playground, then we want to rule it.” (Case I)*

Case P adopted an active strategy rather than a passive manner, she took initiative to attract eye balls with the unique graphic design on product, meanwhile she keeps educating customers about the correct concern on children swimsuit, in the same time to create brand awareness among new customers. The founder noted that,

*“We focus on the story line in our website, as I learned the power of a brand name, why people are willing to pay at a premium price, is because of the story and history of the brand. We aim to educate our customer, to promote bonding between parents and kids through an active lifestyle, and create a range of products for that purpose.”*

The attributes of competitor orientation are important, which is currently practiced by Case I, continuously to acquire information on the existing and potential competitors, in other words to learn and to understand the short-term strengths and weaknesses and long-term capabilities of competitors. Case I was trying to dodge the competition by introducing new services, and thus, was trying to avoid situations in which it would have needed to follow competitors’ strategies, as he stated,

*“We do study our competitors, but we will learn what is their competitive advantages in the market and what is the failure/ disadvantages of competitors. We make sure we don’t make the same mistake like them.”*

In line with the context of entrepreneurial orientation, Case H exhibited that in order to maintain a competitive stance in international market, one of her business

strategy is to identify business opportunities overseas before other competitors have a chance.

Case I with sufficient capabilities to anticipate latent and expressed market needs. Therefore, the founder indicated that,

*“There will be other competitors from Thailand planting Musang King. The only way we can remain at the top is by branding, therefore we have growing our owns fruits Musang King on a plantation in Raub, Pahang.”*

#### **4.2.7 Organization Learning Orientation**

All our findings have been supported by Golovko and Valentini (2011), to conclude that export strategy may promote organization learning, and thus, to muscle firm innovativeness outcomes. Drawing from the component of learning orientation, the components of intra-organizational knowledge and vision sharing, was brought forward by Case P and Case H. They highlighted their team members closely with each other, even across departments, to ensure their employees view themselves as partners in charting the companies directions. According to respondents demonstrated,

*“I am working closely with a product designer and in consultation with swimming instructors, I developed line of cheery, brightly-coloured and comfortable swimwear collections that targets children aged six months to eight years.” (Case P)*

*“To ensure we all work together towards the company’s goal, engaging and being hands-on with various sections within the company is important. For instance, I work closely with our marketing and research and development teams to lead and guide them to ensure everything is on track.” (Case H)*

Our findings showing the sense around here is the founders considered employees learning development is an investment instead of an expense, have demonstrated the open-mindedness characteristic of firm, as indicated by founders of *Case E*,

*“I will encourage my staff to pursue MBA while working with me, and the tuition fees is fully funded. Wishing to build a team striving along towards ultimate of our company mission and vision.”*

The impact of employees’ motivation was often underscore by the respondents. They used to cultivate and building the staff commitment to work hard in aligning with the goals set by companies, and as well as having commitment to learn. Most of the founders noted that their firm look like a “big family” where everyone must show respect among each other, and where all employees are resemble of family members to the organization. Thus, a strong teamwork is a crucial characteristic to drive organization performance was generally admitted by all interviewees,

*“Having a strong teamwork is very important for our business, especially internal connection within our team members, and keep continuing to believe in our original idea.”(Case P)*

*“With our caliber and far-sighted management supported by a team of reliable and committed workforce, we are confident to achieve our vision.” (Case E)*

*“I would like to say, the strong sense of teamwork among the staff is one of the keys to our corporation’s success. At the end of the day, the company wouldn’t be at this point without the cooperation of a great team” (Case H)*

Surprisingly, we found out Case I possess a strong sense of organization learning compare to others, who fully utilize the intelligence of its workforce, further enhance group level learning, *“We learnt is to start championing your workforce at the very beginning. Identify the leaders and the creative thinkers and nurture them so that their growth makes your company grow even faster. We realise that as we grow, we need people with different talents...”*

Alegre and Chiva (2013) indicates that organization learning and innovation performance might have other antecedents, such as human resource capital and human resource practice is conform to the context of Case I. The founder claimed that they heavily investing in human capital, due to the nature of industry, they have no choice but to select and develop animation aspirant, who must be skilled in drawing, storytelling with a good sense of timing and compositing and with a good amount of understanding of motion, size, ratios and perspectives.

#### **4.2.8 R&D Capability**

As bound with the firm innovative technology and manufacturing process, that enabled Case E and H to create a series of unique and novel product. This capability regards to research and development has fostering the firm competitive advantages, which influence the firm capability to leverage export strategy when penetrating foreign market. R&D capability in our study has related to the topic of product quality and uniqueness offerings.

#### **4.2.9 Digital Marketing Capability**

Contemporarily, founders admit that the unique offerings may need unique marketing channels, especially digital marketing to afford opportunities for both attracting new customers as well as reaching existing customers in an instant and efficient way, particularly to develop marketing communications to create disruptive brand awareness.

According to our findings, all cases from our study are using social media as communication channels such as company website, Facebook, Instagram, Twitter and others, and all those digital medias are likely be used as successful intermediaries for brand building purpose as well as engaging extensive of customer base and nurturing unique customer relationships (Kaplan & Haenlein, 2010). Three out of four cases are using e-commerce just to increase their brand awareness to

new customers. For example, Case E stated that they have tried to do online shopping but the response from customers were limited.

While only Case P specialized that she is using e-commerce to involve in buying and selling activities online, and she demonstrated the advantages for dealing with end customers directly via online shopping is trying to skip a lot of middleman negotiation process.

*“E-commerce platform like Amazon is more sustainable and scalable. If compare to deal with offline reseller, they might not buy from us and the negotiation process consume a lot of time. But for online market we will ignore the step of complicated negotiating process with resellers and distributors.”*

#### **4.2.10 Uniqueness product offerings**

Linking to innovativeness, the unique product offering is more related as result. When we asked about the key factors for their rapid expansion in international market, their answered consistently to highlight the importance of unique product offerings, with high product quality compliance, their uniqueness is to create the utmost customer value, and make their product or service to stand out from other competitors.

The empirical results from Langseth, Odwyer, and Arpa, (2016) demonstrate that technological advancement is a significant driving force typically in technology innovation for boosting internationalisation speed, lending the support to the excerpts from three founders of the case study, particularly relating to firm processes innovation and product uniqueness innovation. This is also consistent with the market orientation literature and confirms that tech innovations produce better performance outcomes when the firm has a strong customer focus. This would likely result from the innovations themselves being driven by customer feedback and needs. Technology innovation in and of itself has a positive impact on performance, but when it is customer-driven the result is to enhance performance.

Case P developed creation of a new idea in graphic design, which represented as product innovation, *“We are more on building the brand, rather than chasing the sales. We focus on our unique graphic design on our product, and I am always to share my brand story to our customer, this is our unique is the key point for brand exposure.”*

In the consistent with Cumming (1998) and Johne (1999), the process innovation of Case E embraces satisfied quality function through stringent quality control and appropriate operation restructuring, in order to improve customer-perceived quality and to reduce unnecessary costs. New production (manufacturing) process technology has been engaged by Case E, as demonstrated by respondent,

*“When we found out our production capacity couldn’t cope with the huge market demands, we start to introduce modern baking machinery to replace handmade process, but to maintain the quality similar to handmade cookies. The new factory facility is set up with automated production line.”*

Similary, Case H also engaged the same process innovation as Case E. According to the respondent,

*“We are the leading manufacturer and cold chain operator in producing frozen durian products and durian desserts, by using liquid nitrogen freezing technique. Our company is equipped with excellent refrigeration capability to produce premium quality products to satisfy our customers. More importantly, we want everything to be authentic. Our products are made without any flavouring or preservatives, and only 100% durian pulp is used. Hence, we are a grower with quality difference as only the highest premium grade of durian species and tropical fruits are cultivated in our orchard.”*

Again, according to Johne (1999), firm innovativeness related to product innovation, which keeping the products or services updated and renewed from time to time, for retaining a strong market presence. To the extend, product innovation has more relation to R&D capability and product unique offerings. As the comment from the following respondents,

*“Our team constantly undertake product research and development for new and exciting products by studying market demands and preferences. Our wholesome range of products is made from the original recipes.” (Case E)*

*“We fully utilize the surplus of durians from our plantation and even came up with savoury desserts to fully utilise our resources. Despite of that, we developed a wide range of products using other tropical fruits such as banana, mango and passion fruit.” (Case H)*

Based on the findings from Case I, although the founder indicated that their product has shown innovativeness in the content of the story, however, he mentioned the most authentic uniqueness of their service is being considered as kind of after-sales service, that is, once their client has committed to their show, they must commit to fulfill the service on time. Being a service sector, the founder of Case I have to champion new management structure and administrative techniques and technologies for performing organizational functions in a creative way, in order to effectively support the business activities,

*“First, we positioning ourselves as production to produce a good quality with good content of high-end 2D cartoon in tv series. Second is the quality of delivery time of our show to our client. This is because after we finish our product, we must deliver on time to our clients for reservation of QC checking at least for two months. If we missed out the schedule, they will have difficulties to go on air.”*

#### **4.2.11 Product/ Service Quality**

Buzzell and Gale (1987) suggest that customer-perceived quality, having a strong impact on perceived value, is positively relates to profitability, and tends indirectly promote the performance growth in market share. As parallel with previous study, nearly all the founders stressed the importance of superior quality in the product or service that they had developed. As outlined in literature review, born globals appear to leverage their innovativeness and knowledge base to develop offerings of relatively superior quality. Drawing from the similar vein, four respondents

highlight that quality focus is crucial for their rapid expansion to international market and success in a sustainable form, according to their excerpts as follows,

*“To strive for long term business growth by producing best products while always focusing on quality and variety sustainability. We will only use the finest natural ingredients, hygienic production methods and stringent quality control to ensure our products are consistently delicious and satisfying.” (Case E)*

*“Our products are made with quality neoprene, which the material has insulating properties that help to trap water between the suit and the child’s skin to create a layer of insulation from cold, hence it can keep a child warm. Moreover, we went through all the quality control and testing of sample, because we are particular about safety and comfort.” (Case P)*

*“In order to introduce the finest quality of durians to the world, we began growing its owns fruits on a plantation in Raub, Pahang. Our workers are trained to select the finest ingredients for production, perform quality control checks and package the products before shipping. Therefore, quality is an indispensable part of our work ethics that is maintained at every level of production.” (Case H)*

A key aspect to address for a reliable and suitable foreign distributor is likely to drive and support the firm’s quality focus orientation. The reason is, product offerings with superior quality value are easier for foreign distributors to promote, as well as to offer opportunities for polishing their market competencies by leveraging among after-sales service, intensive distribution, and so forth. As Case I has pointed out,

*“The point for our client (distributors) have chosen to work with us, I think is because of our product delivery quality on time to them. If we missed the schedule, our show will have difficulties to go on air.”*

Due to conduct a well control process on quality management, particularly manufacturing sectors in our study, are practicing the quality management systems,

to ensure the food safety and quality issue will not be compromised, able to achieve a sustainable growth in the future. As indicated by follows respondents,

*“We are an approved Malaysian Durian processors, accredited by China AQSIQ, The General Administration of Quality Supervision, Inspection and Quarantine in 2012.” (Case H)*

*“We obtained ISO 9001:2008 (Quality Management System) certification, HALAL Certification, MESTI (Safe and Responsible Food Industry Certification) and HACCP (Hazard Analysis Critical Control Point) certification for food safety management.” (Case E)*

#### **4.2.12 Business Strategy**

Knight and Cavusgil (2004) suggested that product differentiation as an ability to demonstrate a unique product proposition can generate demand in relevant markets, which is one of the driven factors of superior international performance for born globals, and this statement is parallel with evidence in Case P,

*“While others focus more on adult wear with the children’s stuff being a sub-range, I’m starting out specifically with the kids in mind – a niche market to tap into. We usually comes up with the designs and colour schemes for collections of swimwear, and launches new product two or three times a year.”*

Similarly, Case E commented her tendency towards differentiation strategy,

*“I differentiated my product uniqueness from others by adding our own local ingredient into the recipe, thus to promote local flavour to foreign customer as one of the branding strategy.”*

Case H has leveraged the first-mover advantages plus differentiation strategy, contributed to the knowledge of,

*“We are the pioneer using this kind of frozen technique in fresh durian product in Malaysia. It gave me a business opportunity which I seized and went on to develop a niche market.”*

Furthermore, Case H argued that despite of focusing on durian product, they are also the pioneer for other range of dessert made from fresh fruit pulp such as banana, mango, passion fruit.

While in the context of animation industry, the founder of Case I introduces their firms’ professionalism in innovation products that meet the consumers’ needs, thus they have provide a broad range of high quality show tapping into different market demands, by using differentiation strategy, as Case I stated that,

*“We positioned ourselves as a professional producer for high quality of 2D animation, which is more nicher than others.”*

In conclusion, we found that non-of the founders are using cost leadership strategy. When we ask about the reason for not implementing low-cost strategy, they argued they are positioning themselves to sell in a premium price but supported by an authentic quality focus control. They explained that they pay attention to customer perceived value, rather than become a follower to compete in a price war. As comments from respondents above provided evidence to support the findings from previous studies.

## **Chapter 5: Discussion and Conclusion**

This study has a main research objective is to identify and associate the core factors which affect the success of rapid expansion globally of Malaysian SMEs in their early stage from inception. Derive from these objectives, grounded on the resource-based view of the organization (Barney, 1991), network-based view of internationalisation (Johanson & Mattson, 1988; Sharma & Blomstermo, 2003), and organizational learning theory (Easterby-Smith, Araujo, & Burgoyne, 1999), an integrated conceptual model was developed and tested. The construction of the conceptual model were examined through an extensive literature review and were further refined and supported in the exploratory interviews, as outlined in Chapter 2. A mixed methods approach with exploratory interviews integrated with a second data surveying method was engaged in this dissertation to increase the robustness of the in-depth study. This chapter discusses the results of the qualitative interview, hence the key findings from the whole research study are summarized in the next paragraphs.

As illustrated in Chapter 4, in the context of born globals, the interviews strongly supported the entrepreneurial orientation notion and its importance to drive towards rapid internationalization. It was showing exclusiveness and strongest theme during the whole process of interviews. The results of our empirical study found that proactiveness, risk-taking and innovativeness were positively related in accelerating their speed to internationalization of born globals. All four cases showed their utmost perseverance attitude along the way of their business growth. They are all hand-on person, full of passionate in participating each development steps of business process. As derived from our qualitative findings explained the SMEs especially for Case E and Case I, their founders are very passionate and full of enthusiasm about what they fond of, typically they willing to learn from ground zero, that they start from the bottom with a lot of hard works and eventually to turn themselves to an expert level.

The born globals leadership is inspired by a global clientele effect, and nowadays they find more feasibility to reach customers with transnational profile around the world. On this basis of network perspective on internationalisation, as mentioned by Johanson and Mattson (1988), born global firms tend to build and cultivate the global networks with various of collaborators, including distributors, agents, representatives, and suppliers, and this statement has been confirmed by the all four cases of SMEs in our study. Other than that, based on our findings, personal networks have a great impact on entrepreneurs to gain financial aids and international knowledges acquisition only at their very early of internationalization stages. Along the on-going process of internationalization, virtually born global firms tend to develop strong relationships with potential foreign distributors, which has been strongly emphasized to help SMEs in paving for superior performance abroad. Gaining evidence from our findings, SMEs in our cases were tended to internationalize via exporting as primary entry mode and making efforts of leveraging strong foreign distributors as key strategy, regardless of the limited traditional resources. A review of literature identified the psychic distance is defined as the distance between the home market and a foreign host market, resulting from the perception of both cultural and business differences, which including culture, religion, language, education, politics, economic conditions, market structure, and others. As an outcome from the findings, we suggest that foreign distributors playing a role in mitigating and overcoming the risk of psychic distance, by providing local advantages to downstream international business activities, accumulating new market knowledge, fostering linkage with key foreign business contacts, learning in-depth on the relations within extant markets, and cultivating new buyer segments.

To said that networking is the major antecedents for high quality focus development, hence, the leveraging of international trade shows and customer-oriented behaviour in terms of keep connected with customer, especially holding tight with foreign distributors from time to time. Therefore, gaining perspective from qualitative interviews, networking is being identified as one of the critical success factors for born globals.

Based on the existing born globals literature reviews, the role of international trade event is important for developing new relationships with foreign distributors. All SMEs in our case reveal that most of their foreign distributors are their main client, as they gained connection via attending various of international trade show. This finding is parallel with study conducted by Shipley et al. (1993) who demonstrate that non-selling motives, for example meeting, visiting and interacting directly with clients were more crucial than selling motives, such as merely sales orders taking. As antecedents to promote international trade events, the international formal networks, in particular of government agencies networks such as MATRADE and MITI, were not only provide advisory and knowledge-support services, but also contribute to the information about various grants and funding opportunities. Most of our respondents expressed the grants and funding aids provided by government help them a lot to leverage the financial risk. However, Case I has revealed the fact of government red tape issue has form excess bureaucracy and regulation to certain SMEs that heavily serves as cost on their business, and this issue has create unbalance of SMEs development in Malaysia.

Certain prior studies suggested that the entrepreneurial orientation reflects a concept of individual innovativeness that are likely for born globals to maximize their international performance by leveraging appropriate marketing strategies. Findings from our multiple case study indicate that the guidance role of entrepreneurial orientation is assumed to be vital to born globals as it appears to enable the development of high-quality focus product. These offerings are featured with distinctive and technologically advanced, thus having potential in associating with born global international success.

According to few of previous studies, entrepreneurs leveraging their network relationship to gain knowledge and keep on learning about the end user perception of what the particular market may need, or to discover the latent market demand by organizational learning orientation. As result of our findings, market-oriented culture is playing a determinant role to develop the product/service quality, as well as to implement niche or differentiation strategy, these were addressed as a strong driver of rapid internationalization for born global firms. We bring forth the insight

that uniqueness of offerings relates to product/ service quality is the most significant factors among all of others. Overall, the quality focus is exactly to become the unique performance factors for born global firms, however niche strategy is the only strategy has been engaged by all firms in our study, were significantly found in accelerating the international expansion for born global firms.

The resource-based perspective highlight that the firm's fundamental resources, specifically developing specific type of knowledge as the assets of intangible resources are considered highly important in business environmental diversity, and process of knowledge acquisition almost facilitate by organization learning orientation. In line with the argument of Baker and Sinkula (1999), our findings show that organization learning orientation couple with market orientation is strongly associated with international performance. Therefore, human resource management is important to fulfil the purpose of organization learning orientation. For example, the founders from Case I noted that their company having the capability and is heavily emphasizing on professional development and knowledge and skill learning process. As Case I stressed that growing and building people, especially talented employees, is a key direction for the firm. It could be postulated that the learning orientation adoption may be contributing the outcomes such as increasing employee motivation and job satisfaction. Thus, the issue of human resource management may provide a further explore to this field.

Based on our findings, when we were asking about the key factors to sustain competitive advantages, which we concluded as challenges in the future, surprisingly, we received the consistent responses from each case, that is “to find right peoples to join our team”. They basically classified human resources into two segments: right-skilled person and right-personality person. Two of the cases (Case E and I) emphasized that talent management is important, but the first place is, all founders claimed that searching for a source of team with similar cognitive capability or right personality/subjective characteristics, such as risk attitude, perception of costs, perception of benefits, commitment, overall approach and global mindset, is found to be more difficult to screen among Generation Y and Z

nowadays. They stressed that the human resource is one of the key success factor to build sustainable long-term performance.

As mentioned by Case P, skilled employees are the potential intangible assets that could empower firm innovativeness in typically to increase the efficiency of e-commerce. In addition, Case P also admitted the importance of technical skills is also increasingly fitted by the value of networks accumulation and sense of team-working. This undoubtedly reflects the organization culture have benefiting on knowledge creation and enhance absorptive capacity, indirectly affecting on R&D performance. In fact, the lack of human resources, time and expertise are the largest barriers to digital marketing usage in the industrial context (Michaelidou et al., 2011), this argument has lend a significant support to Case P,

*“We wish to find more skill-person in charge who have specific skill and knowledge to handle online marketplace setting up and transaction such as Amazon.”*

As result of our findings, respondents suggest that their employees easily stay or leave, they may or may not be trustable in keeping the knowledge as internal capability assets. This is particularly true in the situation of Case E and Case P, in which vital knowledge of organization resides in the key staff, and those key personnel are so-called talented staffs, as when they leave the organization, the specific knowledge embedded in mind may stimulate their growing to become new competitors in confronting their previous company. Indeed, it increases number of challenges to preserve core competitive knowledge and to prevent competitors from replicating and imitating the most valuable and interesting innovation knowledges and skills of the organization. Moreover, technology nowadays has made the job easily to track down and luring the best employees from competitors is more simple than ever before. Thus, since the market becomes more competitive, acquiring the right talent for any role presents a lot of challenges. Therefore, offering financial and non-financial rewards will influence their level of morale as well as job satisfaction, which in turn to transform their behavioural and substantial job performance, and eventually affects firms' export propensity, which is currently practicing by founders of Case P and Case I.

In conclusion, our overall result totally supports the findings of Knight and Cavusgil, (2004) suggest that born global firms, although they are smaller in size, but their performance is strongly relied on various advanced technology to develop their unique products or processes. In addition, born globals tend to nurture some unique organizational cultures that enabling their firm to success internationally. Consequently, the study demonstrated the uniqueness of an organizational culture is important for achieving superior international expansion, incorporated with a superior quality of product/service, and emphasis to create superior customer value by implementing strategic marketing concept, and so on focus on learning orientation and facilitate knowledge acquisition within the firm.

International marketers have been given importance to focus on e-commerce resources and capabilities development, surprisingly, our findings revealed the only one of the founder of Case P is using e-commerce tools, such as Amazon platform, as a channel to approach international market. While others are seldom using e-commerce, alternatively, they are using others digital marketing tools instead. Founder of Case E argued that e-commerce was not as useful as we observed in the market. We noticed that all cases without depending on e-commerce, are targeted majority business to business segment (B2B), and in a common ground, their global market presence are large enough, which each of the case exports to more than 20 countries. As mentioned, they are more rely on foreign distributors and utilizing traditional transaction. Case P is the only case targeted business to customer segment (B2C) in international market, while they currently focus on a few foreign markets, so they are able to skip over certain distributors and directly contacting with end consumers by manipulating electronic transaction operation using e-commerce platform, which is considered more straightforward.

Case P showing their successful in e-commerce platform among other cases. The founder stated that post-internet branding is about ‘soft selling’, co-creating value and managing customer relationships not attempting directly to drive sales, as parallel with the study of Hennig-Thurau et al. (2010). In line with this, the founder of Case P emphasized that she put a lot of effort at online brand marketing. Case P

mentioned their core activities is narrating their brand stories and history behind the unique design of the product collections.

Nowadays, SMEs able to engage in more cost-effective market research and communications with their limited resources, is resulting from the efforts of leveraging the application of digital technology. It is clearly to show that to fully utilize the potentiality of digital channels is important for increase brand awareness as well. Despite of using e-commerce platforms, apparently, our findings revealed all cases are currently using company website, Facebook, Instagram, and a few of B2B platform such as Alibaba, as their marketing and branding channels.

The sections as follows is the outline of the managerial and policy contributions of this dissertation, coupled with limitations acknowledgement of the study and directions for future research.

## **Chapter 6: Contribution and Implication**

Our findings add to the existing knowledge in various ways. First, the existing research on the topic of SME rapid internationalization is lack of common conceptual framework, as point out by Jones and Coviello, (2005). Thus, a conceptual model for conceptualizing and analysing the drivers of SME international rapid expansion is strongly recommended.

In addition, the study also suggests on certain of key managerial contributions. The study outcomes underscored the importance of a strong entrepreneurial orientation may facilitate the rapid international expansion of SMEs. Also, perseverance is perceived as a crucial role for our cases firms' international performance. According to the advice from the interviews indicates that success may not build overnight, but in a long-term perspective, hard-working and perseverance essential to succeed, following support by effective preparation.

On the other hand, the concepts of proactiveness and innovativeness derived from entrepreneurial orientation, representing as key drivers of rapid internalization for born globals. Proactiveness attitude always to be complementary with risk-taking behaviour of entrepreneur. Thus, it is important to suggest that it may benefits managers to embrace proactiveness to pursue international markets and positioned themselves on an important level of entrepreneurial innovativeness and creativeness, in further to develop an organization culture of pursuing improvements and organization innovativeness.

As mentioned in Chapter 4, firm innovativeness shows a direct result of quality focus. The study provided a strong focus on product or service quality, basically underlines the importance for born globals to success in rapid internationalization. Evidence from the qualitative interviews also suggests that born global firms strived on quality uniqueness as priority rather to compete with price war strategy. In sum,

born global firms may be advised to develop high quality products or services when running international business.

As results of qualitative research, customer orientation and international trade shows emergence were also among the crucial factors, especially in connecting customers with digital tools and channels, as well as participating in international trade shows were stressed as potential trigger for the born globals international success. The results recommended the management of born globals to focus on establishing strong market presence, by keeping in touch frequently with international customers including foreign distributors and joining international trade shows in a regular basis to enhance branding exposure in global marketplace. It reveals that nowadays due to the advanced technologies of communication tools such as Whatsapp, Wechat, Skype, have provided communication convenience, which managers are able serve overseas customer spontaneously regardless of regional and territory. In the same time, institutional network, such as government agencies has become the trigger of international trade show.

These practical contributions have covered different aspects of internationalisation so that the contributions are useful and relevant for top management in internationalising firms. In conclusion, the study findings highly recommend that born global managers pay attention on developing an international entrepreneurial orientation that drive innovativeness value. Managers are also encouraged to exploit market opportunities abroad in a bold manner, at the mean time to develop niche, quality focus products or services. Moreover, to build and cultivate strong relationships with customers, managers are well-advised to fully utilize the platforms of international trade shows, and always tend to establish a sense of trustworthiness within the global networks.

In addition, the findings in this research provide some indications to policy makers how to help SMEs. It cannot be denied that the Malaysian Government under its various plans has spent a large amount of public fund to support the sector, Nevertheless, 'Red Tape' barrier in Malaysia is a stumbling block to SMEs, especially will jeopardise the cash flow of the company. Therefore, government

should dismantle the bureaucracy issues during to conduct government operations and procedures, especially in providing financial support. Government agencies can also keep on implementing and improving and more tailor-made of public support programmes for the purpose to stimulate further development and transformation of SMEs in the presence of international market. Firms potentially can gain a lot of tangible advantages or benefits from various of government assistance programmes. From an educational system standpoint, the role of cultivating an entrepreneurial mindset and orientation is vital. Entrepreneurship is said to be encouraged from an early stage. The education system through institutional support such as government agencies should promote experience and exposure to situations that elicit and cultivate entrepreneurial characteristics such as innovativeness, proactiveness and autonomy, by designing corresponded policies and training programs.

## **Chapter 7: Limitations and Future Research**

As done by every empirical research, according to our study there are some limitations generated from this dissertation. The study is cross-sectional approach, and it captures a portion of the phenomena in born globals, rather than being a longitudinal research study. Conducting a longitudinal study in the future research may provide additional understandings into the dynamics performance, as well as to track the insight of survival and success rate for born global firms in international markets. Thus, this includes to examine, to which extent the factors should be considered to stimulate the progress of rapid internationalisation, and in the future of internationalization, who remain relevant as the firm are getting matures gradually. It is also useful to determine the born global firms development patterns.

In addition, according to March and Sutton (1997), the current firm performance and environmental status quo may have shaped the responses behaviour to the study in leading to cognitive biases., which means the study relies on recollections on the process of internationalisation by founders which may present a possibility of recall bias, postured by inaccurate recall by collecting information from key informants who were closely involved in the firm internationalisation process. Due to reduce the problems of potentially memory biases, the study suggests that to use an alternative approach would have been to combine information from multiple informants, instead of just using single informant, thereby also increasing validity and reliability.

In other hand, there is an obvious limitation in our study relates to the interview data from a small sample size of born global firms were collected. Our sample size for the study is only four samples, which is not large enough allowing us to strengthen the empirical results and firmly support the discussion of the study. Furthermore, it is noticeable that the findings cannot be statistically generalised to other similar contexts, if researchers merely focus on the largely qualitative nature of the study.

Finally, our study methodology is merely based on qualitative approach. These weaknesses provide directions for future research in a more general perspective to understand the connections between different factors likely calls for a large-scale quantitative study of factors that influence born global internationalisation. This will facilitate further analysis and validation of the factors derived from this study and enable to build a related significant model of born global internationalisation.

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## **APPENDICES**

Interview Question List for Respondents (Open-ended)	A
Endorsement Letter	B
Ethical Approval for Research Project	C
Personal Data Protection Statements	D

## **APPENDIX A**

### **Interview Question List for Respondents (Open-ended)**

#### **Section A**

- 1) What is the nature of your business and business activities?
- 2) What is your first entry mode strategies to foreign market? What is the first market and when did you start it?
- 3) How many foreign markets you have entered so far?

#### **Section B**

- 1) How many employees do you have?
- 2) What is the range of your business sales turnover?
- 3) Customer segment (Business to Business / Business to Customer)?

#### **Section C**

- 1) How is the performance of international sales growth (annually)?
- 2) Number of successful new product/ service in international market?

#### **Section D**

- 1) What are the reasons for you to go for internationalization (foreign markets) ?
- 2) What was the main challenge/ barrier that your company have met before?  
How did you overcome?
- 3) What are your competitive advantages for your customers? How did you keep ahead of your competition among rivals?
- 4) How would you describe your organization culture?
- 5) Overall, what do you think about the important factors to drive your business performance?
- 6) Have you use e-commerce/ digital platform to run your business? What were the benefits obtained?
- 7) What is your future plan for the next?

## APPENDIX B



### UNIVERSITI TUNKU ABDUL RAHMAN

Faculty of Accountancy and Management

Bandar Sungai Long Campus

Jalan Sungai Long, 43000 Kajang, Selangor Darul Ehsan

Phone: 03-90194722

Fax: 03-90197062

20 December 2017

#### TO WHOM IT MAY CONCERN

Dear Sir / Madam,

We hereby confirm that the following student is pursuing Master of Business Administration Programme at Universiti Tunku Abdul Rahman (UTAR):

1. Name: Lee Ting Yuen
2. Research Title: Success Factors for Rapid Expansion of Malaysian SMEs in Global Market
3. Student ID: 15UKM06474
4. E-mail address: [leetingyuen@gmail.com](mailto:leetingyuen@gmail.com)
5. Mobile number: 017-3476157
6. Supervisor and e-mail address: Dr. Mohammad Falahat  
([falahat@utar.edu.my](mailto:falahat@utar.edu.my))

As part of the programme requirements, they are required to conduct a research project and they have selected your organisation to assist in the said research.

In conjunction with the above matter, we would appreciate your support and assistance by allowing student to collect the necessary data/information.

Please do not hesitate to contact the named student or supervisor if you require further information. Thank you for your cooperation.

Yours sincerely,



-----  
**Dr Pok Wei Fong**

Assistant Professor

Head of Programme, MBA and MBA

(Corporate Governance) Faculty of

Accountancy and Management

[pokwf@utar.edu.my](mailto:pokwf@utar.edu.my) 017-3678863

**Administrative Address:** Jalan Sg Long, Bandar Sg Long, 43000 Kajang, Selangor Darul Ehsan, Malaysia

**Postal Address:** P O Box 11384, 50744 Kuala Lumpur,

Malaysia. **Tel:** (603) 90194722 **Fax:** (603) 90197062 **Homepage:** <http://www.utar.edu.my>

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## APPENDIX C



### UNIVERSITI TUNKU ABDUL RAHMAN

Wholly Owned by UTAR Education Foundation (Company No. 578227-M)

Re: U/SERC/14/2018

22 January 2018

Dr Mohammad Falahat Nejadmahani  
Department of International Business  
Faculty of Accountancy and Management  
Universiti Tunku Abdul Rahman  
Jalan Sungai Long  
Bandar Sungai Long  
43000 Kajang  
Selangor

Dear Dr Falahat,

#### **Ethical Approval For Research Project/Protocol**

We refer to your application dated 18 December 2017 for ethical approval for your research project (Master student's project) and are pleased to inform you that your application has been approved under expedited review.

The details of your research project are as follows:

<b>Research Title</b>	The Success Factors for Rapid Expansion of Malaysian SMEs Companies in Global Market: A Case Study Approach
<b>Investigator(s)</b>	Dr Mohammad Falahat Lee Ting Yuen (UTAR Postgraduate Student)
<b>Research Area</b>	Social Sciences
<b>Research Location</b>	Klang Valley
<b>No of Participants</b>	4 - 5 companies
<b>Research Costs</b>	Self-funded
<b>Approval Validity</b>	22 January 2018 - 21 January 2019

The conduct of this research is subject to the following:

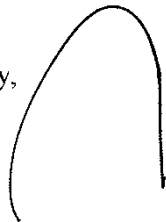
- (1) The participants' informed consent be obtained prior to the commencement of the research;
- (2) Confidentiality of participants' personal data must be maintained; and
- (3) Compliance with procedures set out in related policies of UTAR such as the UTAR Research Ethics and Code of Conduct, Code of Practice for Research Involving Humans and other related policies/guidelines.

Should you collect personal data of participants in your study, please have the participants sign the attached Personal Data Protection Statement for your records.

The University wishes you all the best in your research.

Thank you.

Yours sincerely,

A handwritten signature in black ink, consisting of a large, sweeping arch followed by a vertical line.

**Professor Ir Dr Lee Sze Wei**  
Chairman  
UTAR Scientific and Ethical Review Committee

c.c     Dean, Faculty of Accountancy and Management  
           Director, Institute of Postgraduate Studies and Research

## APPENDIX D

### PERSONAL DATA PROTECTION STATEMENT

Please be informed that in accordance with Personal Data Protection Act 2010 ("PDPA") which came into force on 15 November 2013, Universiti Tunku Abdul Rahman ("UTAR") is hereby bound to make notice and require consent in relation to collection, recording, storage, usage and retention of personal information.

#### Notice:


1. The purposes for which your personal data may be used are inclusive but not limited to:-
  - For assessment of any application to UTAR
  - For processing any benefits and services
  - For communication purposes
  - For advertorial and news
  - For general administration and record purposes
  - For enhancing the value of education
  - For educational and related purposes consequential to UTAR
  - For the purpose of our corporate governance
  - For consideration as a guarantor for UTAR staff/ student applying for his/her scholarship/ study loan
2. Your personal data may be transferred and/or disclosed to third party and/or UTAR collaborative partners including but not limited to the respective and appointed outsourcing agents for purpose of fulfilling our obligations to you in respect of the purposes and all such other purposes that are related to the purposes and also in providing integrated services, maintaining and storing records. Your data may be shared when required by laws and when disclosure is necessary to comply with applicable laws.
3. Any personal information retained by UTAR shall be destroyed and/or deleted in accordance with our retention policy applicable for us in the event such information is no longer required.
4. UTAR is committed in ensuring the confidentiality, protection, security and accuracy of your personal information made available to us and it has been our ongoing strict policy to ensure that your personal information is accurate, complete, not misleading and updated. UTAR would also ensure that your personal data shall not be used for political and commercial purposes.

#### Consent:

1. By submitting this form you hereby authorise and consent to us processing (including disclosing) your personal data and any updates of your information, for the purposes and/or for any other purposes related to the purpose.
2. If you do not consent or subsequently withdraw your consent to the processing and disclosure of your personal data, UTAR will not be able to fulfill our obligations or to contact you or to assist you in respect of the purposes and/or for any other purposes related to the purpose.
3. You may access and update your personal data by writing to us at \_\_\_\_\_.

#### Acknowledgment of Notice

- [ ] I have been notified by you and that I hereby understood, consented and agreed per UTAR above notice.
- [ ] I disagree, my personal data will not be processed.

  
Name: Yo BEE KIEW  
Date: 7/3/2018

## **PERSONAL DATA PROTECTION STATEMENT**

Please be informed that in accordance with Personal Data Protection Act 2010 ("PDPA") which came into force on 15 November 2013, Universiti Tunku Abdul Rahman ("UTAR") is hereby bound to make notice and require consent in relation to collection, recording, storage, usage and retention of personal information.

### **Notice:**

1. The purposes for which your personal data may be used are inclusive but not limited to:-
  - For assessment of any application to UTAR
  - For processing any benefits and services
  - For communication purposes
  - For advertorial and news
  - For general administration and record purposes
  - For enhancing the value of education
  - For educational and related purposes consequential to UTAR
  - For the purpose of our corporate governance
  - For consideration as a guarantor for UTAR staff/ student applying for his/her scholarship/ study loan
2. Your personal data may be transferred and/or disclosed to third party and/or UTAR collaborative partners including but not limited to the respective and appointed outsourcing agents for purpose of fulfilling our obligations to you in respect of the purposes and all such other purposes that are related to the purposes and also in providing integrated services, maintaining and storing records. Your data may be shared when required by laws and when disclosure is necessary to comply with applicable laws.
3. Any personal information retained by UTAR shall be destroyed and/or deleted in accordance with our retention policy applicable for us in the event such information is no longer required.
4. UTAR is committed in ensuring the confidentiality, protection, security and accuracy of your personal information made available to us and it has been our ongoing strict policy to ensure that your personal information is accurate, complete, not misleading and updated. UTAR would also ensure that your personal data shall not be used for political and commercial purposes.

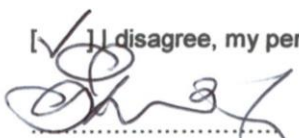
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### **Acknowledgment of Notice**

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[☒] I disagree, my personal data will not be processed.

  
Name: Andrew 001  
Date: 20/3/2018

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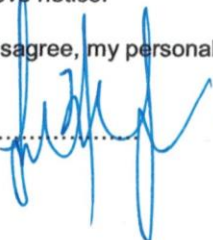
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☒ I have been notified by you and that I hereby understood, consented and agreed per UTAR above notice.

☐ I disagree, my personal data will not be processed.

Name: \_\_\_\_\_

Date: \_\_\_\_\_

  
Foo Bao Bao

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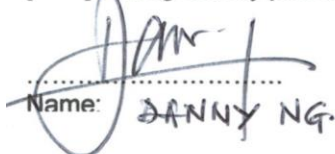
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- [ ☐ ] I disagree, my personal data will not be processed.

  
Name: **DANNY NG.**