

KEY SUCCESS FACTORS AND CHALLENGES  
THAT AFFECT SMALL-MEDIUM ENTERPRISES  
(SMES) TOWARD INTERNATIONALIZATION IN  
MALAYSIA

BY

KAM MEI JENG  
LEONG YU KANG

A final year project submitted in partial fulfilment of  
the requirement of the degree of

BACHELOR OF INTERNATIONAL BUSINESS  
(HONS)

UNIVERSITI TUNKU ABDUL RAHMAN

FACULTY OF ACCOUNTANCY AND  
MANAGEMENT

DEPARTMENT OF INTERNATIONAL BUSINESS

APRIL 2019

Copyright @ 2019

ALL RIGHTS RESERVED. No part of this paper may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, graphic, electronic, mechanical, photocopying, recording, scanning, or otherwise, without the prior consent of the authors.

## DECLARATION

We hereby declare that:

- (1) This undergraduate FYP is the end result of our own work and that due acknowledgement has been given in the references to ALL sources of information be they printed, electronic, or personal.
- (2) No portion of this FYP 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.
- (3) Equal contribution has been made by each group member in completing the FYP.
- (4) The word count of this research report is 13, 609.

Name of Student:

Student ID:

Signature:

1. KAM MEI JENG

1505481

\_\_\_\_\_

2. LEONG YU KANG

1503468

\_\_\_\_\_

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

## ACKNOWLEDGEMENTS

Firstly, we would like to acknowledge, with gratitude, our debt of thanks to our research project supervisor, Dr Mohammad Falahat for his valuable advice and aid. Working under his guidance make us learn much. Without his expert and great insightful advice, we could not have finished this thesis research in time.

Besides, we are thankful to all the respondents who had spent their precious time answering our questionnaires. Without their cooperation and contribution, we will not have the opportunity to obtain the information needed in completing the research.

Also, we would like to express our appreciation to the facilities that University Tunku Abdul Rahman has provided. Without these facilities, we would not be able to make this research project a success.

We also take this opportunity to record our sincere thanks to all our family and friends for their unceasing encouragement, help and support.

We also place on record, our sense of gratitude to one and all who, directly or indirectly, have lent their helping hand in this venture. We truly appreciate the assistance, encouragement, advice, and suggestions on every stage in completing this project.

Thank You.

## DEDICATION

We wish to dedicate this research study to our parents who continually provided their support, encouragement, motivation and understanding throughout this research study. We appreciate everything that they had given to us and playing the role of our strength and inspiration.

Besides that, researchers also wish to dedicate this research study to our beloved and respectable supervisor, Dr Mohammad Falahat who provided us valuable guidance and assistance throughout the completion of this research project.

Lastly, we dedicate this research study to all our dear friends for their immense help, support, encouragement and invaluable feedback to make our research success.

TABLE OF CONTENTS

	Page
Copyright .....	ii
Declaration.....	iii
Acknowledgements.....	iv
Dedication.....	v
Table of Contents.....	vi
List of Tables .....	x
List of Figures.....	xi
List of Appendices.....	xii
List of Abbreviations .....	xiii
Preface .....	xiv
Abstract.....	xv
CHAPTER 1: INTRODUCTION.....	1
1.0 Introduction.....	1
1.1 Research Background .....	1
1.2 Research Problems.....	3
1.3 Research Objectives.....	5
1.3.1 General Objectives .....	5
1.3.2 Specific Objectives.....	5
1.4 Research Questions.....	6
1.5 Hypotheses of the Study .....	6
1.6 Research Significance.....	7
1.6.1 Managerial Implications: Small-Medium Enterprises (SMEs).....	8
1.6.2 Central Coordinating Agency (CCA): SME Corporation Malaysia .....	8
1.6.3 Policy Maker: Government .....	9
1.7 Chapter Layout .....	9
1.8 Conclusion .....	11
CHAPTER 2: LITERATURE REVIEW.....	12
2.0 Introduction.....	12
2.1 Review of the Literature .....	12

2.1.1 Dependent Variable: Internationalisation of SMEs Operation Based on Export Performance.....	12
2.1.1.1 Theoretical Foundations of Firm Export Performance.....	12
2.1.1.2 Definitions, Determinants and Measures of Export Performance .....	16
2.1.2 Independent Variable .....	17
2.1.2.1 Government Assistance: Financial Support .....	17
2.1.2.2 Government Assistance: Marketing Support.....	19
2.1.3 Mediator Variable .....	20
2.1.3.1 Competitive Capabilities .....	20
2.2 Review of Relevant Theoretical Models .....	22
2.3 Proposed Research Framework .....	24
2.4 Hypotheses Development .....	25
2.4.1 Relationship between Government Assistance: Financial Support and Export Performance.....	25
2.4.2 Relationship between Government Assistance: Financial Support and Competitive Capabilities .....	26
2.4.3 Relationship between Government Assistance: Marketing Support and Export Performance.....	27
2.4.4 Relationship between Government Assistance: Marketing Support and Competitive Capabilities .....	28
2.4.5 Relationship between Competitive Capabilities and Export Performance	29
2.5 Conclusion .....	30
CHAPTER 3: METHODOLOGY .....	31
3.0 Introduction.....	31
3.1 Research Design .....	31
3.2 Data Collection Methods .....	32
3.2.1 Primary Data .....	32
3.3 Sampling Design.....	32
3.3.1 Target Population .....	32
3.3.2 Sampling Frame and Sampling Location .....	33
3.3.3 Sampling Elements.....	33
3.3.4 Sampling Technique.....	33
3.3.5 Sampling Size.....	34
3.4 Research Instrument .....	34
3.4.1 Questionnaire Survey .....	34
3.4.2 Design of the Questionnaire .....	34

3.5 Construct Measurement .....	36
3.5.1 Origin of Construct.....	36
3.5.2 Scale of Measurement .....	36
3.5.2.1 Nominal Scale.....	36
3.5.2.2 Ordinal Scale .....	36
3.5.2.3 Interval Scale .....	37
3.6 Data Processing .....	37
3.6.1 Questionnaire Checking .....	37
3.6.2 Data Editing.....	37
3.6.3 Data Coding.....	38
3.6.4 Data Transcribing.....	38
3.6.5 Data Cleaning.....	38
3.7 Data Analysis.....	38
3.7.1 Descriptive Analysis .....	38
3.7.2 Measurement Model.....	39
3.7.2.1 Individual Item Reliability.....	39
3.7.2.2 Internal Consistency Reliability .....	39
3.7.2.3 Convergent Validity .....	40
3.7.2.4 Discriminant Validity .....	41
3.7.2.5 Structural Model .....	41
3.8 Conclusion .....	42
CHAPTER 4: DATA ANALYSIS .....	43
4.0 Introduction.....	43
4.1 Descriptive Analysis.....	43
4.1.1 Respondent's Demographic Profile .....	43
4.1.1.1 Job Position.....	44
4.1.1.2 Industry Sector of Business .....	45
4.1.1.3 Year of Company Establishment.....	47
4.1.1.4 Number of Employees .....	48
4.1.1.5 Year of First Exporting.....	50
4.1.1.6 First Exporting Country of Company Entered .....	52
4.1.1.7 Factors that Allows Company to Enter First Exporting Country .....	54
4.1.1.8 Total Annual Sales Turnover.....	56
4.1.1.9 Choice of Mode of Entry into First Exporting Market.....	58
4.2 Measurement Scale .....	60



4.2.1 Data Reliability .....	60
4.2.2 Internal Consistency Reliability Analysis .....	62
4.2.3 Convergent Validity .....	63
4.2.4 Discriminant Validity .....	63
4.2.4.1 Heterotrait-Monotrait Ratio of Correlations (HTMT).....	63
4.3 Structural Model .....	64
4.4 Hypotheses Testing.....	65
4.5 Conclusion .....	66
<b>CHAPTER 5: DISCUSSION, CONCLUSION AND IMPLICATIONS .....</b>	<b>67</b>
5.0 Introduction.....	67
5.1 Discussions of Major Findings .....	67
5.2 Implications of the Study .....	69
5.2.1 Managerial Implications: Small-Medium Enterprises (SMEs).....	69
5.2.2 Policy Maker .....	69
5.3 Limitations of the Study .....	70
5.3.1 Insufficient independent Variables.....	70
5.3.2 Limited Geographical Coverage of Target Respondents .....	70
5.3.3 Time and Financial Constraints .....	71
5.4 Recommendations for Future Research.....	71
5.4.1 Improve Distribution Method for the Questionnaire.....	71
5.4.2 Using Bilingual Languages in the Questionnaire.....	71
5.4.3 Broaden the Research Setting .....	72
5.5 Conclusion .....	72
References.....	73
Appendices .....	85

LIST OF TABLES

	Page
Table 3.1 Origin of Constructs.....	36
Table 3.2 Rules of Thumbs About Cronbach’s Alpha Coefficient Size.....	40
Table 4.1: Job Position of the Respondents .....	44
Table 4.2 Industry Sector of Business .....	45
Table 4.3 Year of Company Establishment .....	47
Table 4.4 Number of Employees .....	48
Table 4.5 Year of First Exporting .....	50
Table 4.6: First Exporting Country of Company Entered.....	52
Table 4.7: Factors that Allows Company to Enter First Exporting Country .....	54
Table 4.8: Total Annual Sales Turnover.....	56
Table 4.9: Choice of Mode of Entry into First Exporting Market .....	58
Table 4.10: Outer Loadings for Each Variable .....	60
Table 4.11: Summary of Reliability Statistics for Each of the Variable .....	62
Table 4.12: Result of Average Variance Extracted (AVE).....	63
Table 4.13: Heterotrait-Monotrait Ratio of Correlations (HTMT).....	63
Table 4.14: Hypotheses of the Variables .....	65
Table 5.1: Summary of Hypotheses Result.....	67

LIST OF FIGURES

	Page
Figure 2.1: Theoretical Framework: Financial Assistance, Marketing, Assistance and Export Commitment to Improve Export Performance.....	22
Figure 2.2: Proposed Research Framework: Study on the Key Success Factors that will Affect Small Medium Enterprises (SMEs) Moving towards Internationalization in Malaysia .....	24
Figure 4.1: Job Position of the Respondents.....	44
Figure 4.2: Industry Sector of Business .....	46
Figure 4.3: Year of Company Establishment.....	47
Figure 4.4: Number of Employees .....	49
Figure 4.5: Year of First Exporting.....	50
Figure 4.6: First Exporting Country of Company Entered .....	53
Figure 4.7: Factors that Allows Company to Enter First Exporting Country .....	55
Figure 4.8: Total Annual Sales Turnover .....	57
Figure 4.9: Choice of Mode of Entry into First Exporting Market.....	59
Figure 4.10: Result of Structural Model .....	64

LIST OF APPENDICES

	Page
Appendix 1.1.: SME's Definition in Malaysia .....	85
Appendix 1.2: Percentage Share of SMEs GDP and Malaysia 's GDP for 2017 .....	85
Appendix 1.3: Summary of SMEs Involvement in Malaysia.....	85
Appendix 3.1: Questionnaire .....	86
Appendix 3.2: Discriminant Validity of Construct.....	94
Appendix 4.2: Loadings for Each Variable .....	94
Appendix 4.3: Loadings and Cross Loadings.....	96

## LIST OF ABBREVIATIONS

AVE	Average Variance Extracted
CCA	Central Coordinating Agency
CGC	Credit Guarantee Corporation
CEO	Chief Executive Officer
HTMT	Heterotrait-Monotrait ratio of Correlations
MATRADE	Malaysia External Trade Development Corporation
MED	Ministry of Entrepreneur Development Malaysia
MITI	Ministry of International Trade and Industry
MOF	Ministry of Finance
SEM	Structural Equation Modelling
SMARTPLS	SMART Partial Least Square
SMEs	Small Medium Enterprises
SMEEF	SME Emergency Funds
SMIDEC	Small and Medium Industries Development Corporation
SPSS	Statistical Package for Social Sciences
WTO	World Trade Organization

## PREFACE

This research project unit UKMZ3016 Research Project is done by two Bachelor of International Business students to complete their degree program. The title of the thesis is “Key Success Factors and Challenges that Affect Small Medium Enterprises (SMEs) toward Internationalization in Malaysia”. It is also a project that assembles the intellectual interest and critical thinking among the undergraduates besides their regular responsibilities. This enhances the integration of capabilities and abilities of the undergraduates in the application of theoretical elements.

This study is conducted to investigate the factors that can influence Small Medium Enterprises (SMEs) toward Internationalization in Malaysia. The contributors toward internalisation for SMEs in Malaysia are identified in this research study to be government support in marketing and financial support. The emerging number of SMEs toward internationalization into various parts of the world has given a chance for the researchers to conduct this study to comprehend this area and wider context.

Finally, with hope, this research study can provide a better understanding of the key success factors and challenges that affect Small Medium Enterprises (SMEs) toward internationalization.

## ABSTRACT

In current world globalisation, small-medium enterprises (SMEs) are moving toward internationalisation. SMEs had played a vital role in the country's economic development where it improves the economic growth and industrial development in Malaysia's economy. However, SMEs may confront rivalry from foreign competitors, may involve in worldwide supply chains, and be hoping to expand their market place internationally due to the effects of globalisation. In Budget 2019, the government is designing a development plan to assist SMEs to meet the business challenges in the competitive global business environment. This research draws the essential government support needed in assisting SMEs in Malaysia. These include marketing assistance, financial assistance and the competitive capabilities of the assistance in helping the SMEs to face the challenges in the competitive environment. Furthermore, this research also highlights the critical challenges of SMEs will be faced if they are moving toward internationalization.

## **CHAPTER 1: INTRODUCTION**

### **1.0 Introduction**

This research is conducted to analyse the critical factors that will influence Small-Medium Enterprises (SMEs) moving towards internationalisation, in which Malaysia has been picked among the nations for explicit studies. This part sketched out the exploration through different sections, for example, research background, research problems, research objectives, research questions, hypotheses of study, the significance of research, chapter layout and a brief summarised conclusion for this part.

### **1.1 Research Background**

Customer's consumption patterns are changing quickly from time to time following the trend of globalisation due to the innovation advancement. Internationalisation is one of the most significant forces in our contemporary financial condition (Etemad, 2004). In almost every nation, it expanded the quantities of large, medium and even small companies going international, and a growing percentage of company income is derived from the overseas market. Such companies including small-medium enterprises (SMEs) that may confront rivalry from foreign competitors may involve in worldwide supply chains, and be hoping to expand their market place internationally due to the impacts of globalisation.

In current world international trade, economic activities are moving in the direction of globalisation. International trade had played an imperative role in connecting nations around the world as the system of production and distribution is evolving around the world. This help to creates new structures and new connections where the result that business actions in one part of the world will have significant impacts in other places. Through internationalisation, companies can design a product in a way that will address the needs of clients in numerous



countries or can be easily adapted to do so (Bose, 2016). This demonstrates that the company finds a way to build its customer base outside of its nation and into global markets. In a nutshell, the global corporate trend toward internationalisation has pushed the economy of the world into a state of globalisation, where economies across the globe are highly interconnected due to cross-border trade.

Small and Medium Enterprises (SMEs) play a vital role in one nation's economic development. As indicated by Small and Medium Industries Development Corporation (SMIDEC), SME in each of the representative sectors can be characterised based on the annual sales or number of full-time workers (SME Definition, 2015). The incomes and number of workers are kept up below a specific standard. In Malaysia, the new definition of SME is supported in July 2013. The description has been simplified under two classifications, specifically: for manufacturing part, sales turnover not surpassing RM50 million or full-time employees not exceeding 200 workers; while services and other segments, sales turnover not exceeding RM20 million or full-time workers not surpassing 75 employees (SME Statistics, 2015). SMEs are often affected directly or indirectly from the remarkably same issues faced by those large organisations. Typically, SMEs will, in general, tend to have fewer assets and resources than their large competitors with which to plan, respond and recover. As a result, SMEs have limited opportunities to recuperate or shielded from any adverse condition and their ability to turn around their business quickly from a loss to profit.

Generally, SMEs contributed RM453.1 billion in the year 2017 to Malaysia's economy with a real gross domestic product growth of 7.2% compared with 2016's 5.2%. As a result, SME commitment to Malaysia's GDP has risen to 37.1% in 2017 contrasted with 36.6% in 2016 (Jaafar, 2018). In terms of exporting, SMEs exports in Malaysia had additionally achieved an increment growth of 7.9% in 2017 compared to 7% in 2016 due to the higher exports in commodities such as palm oil, rubber and manufactured products (Jaafar, 2018).

However, it appears that SMEs confronted challenges of going international because of the absences of assets or abilities to resources or capabilities to exploit competitive advantage beyond domestic markets. Some may be successful internationally, yet there are still many

come up fails. Those small firms, especially not presently involved in exporting are probably going to see going worldwide as a hazardous endeavour. Result had demonstrated that SMEs in developed countries frequently confronted increasingly stiff competition in their local markets, which has put the survival of a significant number of them in danger. To examine the factors that influence the movement of SMEs towards internationalisation, research has to be carried out.

## **1.2 Research Problems**

As indicated by SME Statistics Data (2015), there are 98.5% from the aggregate of 907,065 of business establishments in Malaysia are SMEs cut across all sizes and sectors. The SMEs are categories into three groups which are Medium SMEs, Small SMEs, and Microenterprises which possessed 2.3%, 21.2% and 76.5% respectively in the total establishments. According to Economic Census (2016), the majority of the SMEs in Malaysia associated with involved in Services sector (89.2%) and followed by Manufacturing sector (5.3%), Construction sector (4.3%), Agriculture sector (1.1%), and Mining and Quarrying sector (0.1%). Even though the percentage of business establishments in the form of SME is high in Malaysia, there are still challenges faced by SMEs in conducting their businesses locally. SMEs are often confronted with those emerging issues that restrained the high potential of growth and competitive advantage of business operation (Hashim, 2008).

SMEs are frequently facing difficulties in obtaining capital core credit resources in the early start-up phase (Armstrong et al., 2010; Falahat, Migin, Chuan, & Kong, 2015). These difficulties in acquiring assets have likewise reduced access to new technologies or innovation. Although SMEs have a key role in building up the nation's economies, they are frequently restricted by the absence of development support in financing business (Badulescu, 2010). At the point when SMEs are no longer having its competitiveness in the domestic market, it will be replaced by those big multinational companies that are currently expanding their brands into the foreign market. This will cause the losses of a market share of SMEs in the domestic market.

Therefore, a majority of the Small Medium Enterprises (SMEs) are currently compelled to compete side-by-side with multinationals and trying to gain attention from the target customers to gain back their market shares. SMEs must at least become regionally, if not globally competitive to survive in the increasingly competitive markets (Etemad, 2004; Lee, Falahat, Sia, 2019). It is no longer only a substantial corporate brand can expand into a foreign market, but also SMEs is driving the global business forward in Malaysia.

To become regionally and globally competitive firms, SMEs must develop both the necessary and adequate resources and conditions for achieving the essential competitiveness for worldwide development of SMEs (Fahy, 2002; Etemad, 2004; Grant, 1991; Mathew, 2003). In today's globalisation era, more and more different sizes of the firm are striving to have a presence in the international market even though there are pressing challenges in going internationally (Zain & Ng, 2006).

In the KOF globalisation index, Malaysia was listed in the top 50 countries in the globalisation index 2018 (KOF Index of Globalization – 100 Most Globalized Countries 2018, 2018). The index for Malaysia was at 79.28 points in the globalisation index 2018 based on three dimensions of indicators including economic, social and political to erodes the national boundaries. SMEs in Malaysia that are involved in cross-border trade or international business activities and number of SMEs worldwide conducting international business activities is expected to expand from 14.3% to 20% by 2020 (Digital News Asia, 2018).

It is recommended that SMEs that are looking for internationalization need to build up their very own distinctive, unique and dynamic competencies to empower equally distinctive competitive strategies that can lead to strong competitiveness which enabling them to compete against different organizations particularly when confronting bigger and better enriched MNEs (Eisenhardt and Martin, 2000; Etemad, 2004; Falahat, Mohamad, & Migin, 2013). Maintaining top competitiveness and expanding business internationally are getting challenging especially in the global market. This competition in the worldwide market and rising expectation from the global customers will continue to drive transformation in SMEs

industries to become more technology-savvy, efficient and resilient, and later sustain the momentum (Chiara and Minguzzi, 2002). Therefore, it is significant for SMEs to be equipped for perceiving its core strengths and weaknesses, opportunities and that threats to respond for survival, growth and development across the national border through the assistance of different variables.

## **1.3 Research Objectives**

SMEs play an essential role in the country's economic development which makes it so important and significant to gain useful insights into the critical success factors that will influence their future achievement and advancement. Therefore, the primary purpose of this research is to examine and analyse the essential factors that affect firms' competitive capabilities and performance in the international market. This research also aims to solve the problem statement as stated below which will further explain from general objective into individual specific objectives.

### **1.3.1 General Objectives**

The main objective of this research is to examine and analyse the essential factors that affect firms' competitive capabilities and performance in the international market.

### **1.3.2 Specific Objectives**

- (i) To affirm the relationship between SMEs' financial support and export performance.

- (ii) To study the relationship between SMEs' financial support and competitive capabilities.
- (iii) To determine the relationship between SMEs' marketing support and export performance.
- (iv) To examine the relationship between SMEs' marketing support and competitive capabilities.
- (v) To identify the relationship between SMEs' competitive capabilities and export performance.

## **1.4 Research Questions**

As the reason for this research is to determine the critical factors that contributed to Malaysian SMEs competitive capabilities and performance in the international market, this research was meant to respond to answer the following questions:-

- (i) What is the relationship between SMEs' financial support and export performance?
- (ii) What is the relationship between SME's financial support and competitive capabilities?
- (iii) What is the relationship between SMEs' marketing support and export performance?
- (iv) What is the relationship between SMEs' marketing support and competitive capabilities?
- (v) What is the relationship between SMEs' competitive capabilities and export performance?

## **1.5 Hypotheses of the Study**

In this research, the following hypotheses that are corresponding to the research questions are shaped to be tested:

**Hypothesis 1:**

H<sub>1</sub>: There is a significant positive relationship between financial support and export performance.

**Hypothesis 2:**

H<sub>2</sub>: There is a significant positive relationship between financial support and competitive capabilities.

**Hypothesis 3:**

H<sub>3</sub>: There is a significant positive relationship between marketing support and export performance.

**Hypothesis 4:**

H<sub>4</sub>: There is a significant positive relationship between marketing support and competitive capabilities.

**Hypothesis 5:**

H<sub>5</sub>: There is a significant positive relationship between competitive capabilities and export performance.

## **1.6 Research Significance**

This research is conducted for better comprehension of factors that affect Small-Medium Enterprises (SMEs) moving toward internationalization. This research may provide better understanding and knowledge for the managerial implications, Central Coordinating Agency (CCA) and policymaker on what drive SMEs' acceptance and perception towards internationalization by figuring out which variable has the hugest association with them.

### **1.6.1 Managerial Implications: Small-Medium Enterprises (SMEs)**

From the SMEs perspective, this study can contribute to the management level of the organisations with information regarding the critical factors and challenges that influence the SMEs export performance. Hence, companies can understand the critical factors that affect their businesses to international trade and improve their company's strategy to successfully having an international presence. Since this research is focused on the key factors of SMEs toward internationalisation, it also provides information about the challenges that will hinder the successfulness of SMEs having a breakthrough toward internationalisation. This may help SMEs utilize the result of this study as a kind of reference to learn the key factors that might be faced in the ways for their business to have a favourable international presence.

### **1.6.2 Central Coordinating Agency (CCA): SME Corporation Malaysia**

SME Corporation Malaysia (SME Corp. Malaysia) acted as a central coordinating agency (CCA) under the Ministry of Entrepreneur Development Malaysia (MED) that coordinates the implementation of development programmes for SMEs (Central Coordinating Agency, 2015). This agency acts as the central point of reference for research and data dispersal on SMEs and entrepreneurs, as well as for SMEs and entrepreneurs throughout the country providing advisory services. This research will likewise act as a guideline for the agency in giving them a superior comprehension of the critical factors and difficulties towards internationalisation. The agency can use the data obtained from this research to explain and provide advisory services for SMEs and entrepreneurs that want to do their businesses to have an international presence.

### **1.6.3 Policy Maker: Government**

Through this study, the government will understand more by observing the assistance needed by the small-medium enterprises (SMEs) in Malaysia. The outcomes from this research may go about as a proposal to the Ministry of Finance Malaysia, Ministry of Entrepreneur Development Malaysia (MED), Ministry of International Trade and Industry (MITI) and other party that involve in the development of SMEs towards internationalisation regarding the most appropriate assistance that should be implement in order to improve contribution of SMEs toward economic growth. Thus, this research could help the government to identify the best alternative or success factors for SMEs to further moving towards internationalisation.

## **1.7 Chapter Layout**

This research comprises of five sections, which are an introduction, literature review, research methodology, data analysis, research results, discussion and conclusions. These chapters are linked to one another and in a flow that allows the audience to understand better. The chapters are as follow:

### **Chapter 1: Introduction**

Part 1 is an initial section that provides a brief overview and precise information of entire thesis. It also outlined the overview of the research through various sections such as research background, research problems, research objectives to be accomplished, research questions to be answered, hypotheses of study to be tested, the significance of research that contribute to various parties and chapter layout. Lastly, a brief summarised conclusion has been drawn for this chapter.



## **Chapter 2: Literature Review**

In Chapter 2, it comprises of introduction and comprehensive review of information from the relevant literature, journals and articles based on past researchers related to the research topic will be examined. Next, this part comprises of review of two conceptual frameworks from past researchers and a proposed conceptual framework. The proposed conceptual framework shaped a clearer image of the overall study. Also, hypotheses were developed to study the relationship between the independent and dependent variables that have been established in the proposed conceptual frameworks. Lastly, the conclusion of this section will be given.

## **Chapter 3: Research Methodology**

Chapter 3 outlined the description of procedures and methodology used on how this research is carried out. It will start by indicating the research design and data collection methods used for this research. Next, it will be followed by sampling design which is defined further in terms of target population, sampling frame, sampling location, sampling elements, sampling technique and sampling size to identify the most appropriate ways to determine the qualified respondents. Besides, this chapter also included descriptions about research instrument, constructs measurement used in the questionnaire, data processing and the methods of data analysis. Taking everything into account, this part demonstrates the ways on how the research is conducted and how the information is gathered from the respondents. The adjustment of the questionnaire was reported and will end with the conclusion of the section.

## **Chapter 4: Data Analysis**

In Chapter 4, it presents the interpretation and findings of the finalised output which is related to the research questions and hypotheses. All the information collected from the respondents was examined, processed and interpreted. Gathered information was presented as diagrams, figures, and tables and deciphered the outcomes to give a superior comprehension to the readers. This section likewise incorporates data about descriptive analysis, for example, respondent demographic profile and central tendencies, the result of reliability analysis, scale measurement, and inferential analysis to test the individual variables and its relationships with other variables. All the data output is processed with the guide of Statistical Package for Social Sciences (SPSS) software and Smart PLS.

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

The whole research study context is concluded in this chapter. Statistical analysis of complete descriptive and inferential analyses is summarised and discussion on the significant findings to validate the research objective and hypotheses is provided. The implication of the study provides the practical implications for practitioners and theoretical implications from the academic perspective. In addition, limitations of this study as well as appropriate recommendations for future research have been discussed in this chapter. Lastly, a conclusion is made to end the whole research project.

### **1.8 Conclusion**

In conclusion, a brief introduction to the current trend that caused Small Medium Enterprises (SMEs) to move towards internationalisation has been presented. To succeed and keep up their competitiveness in the market, SMEs need to needs and wants of global consumers and also the requirements for going to the international market. The purpose of this study was justified in this chapter to determine the crucial factors of SMEs toward internationalisation. Elements such as research background, problem statements, research objectives, hypotheses of the study, significance of the study as well as chapter layout for each chapter are clearly defined in this chapter. In chapter 2, the issues discussed in this chapter will be further extended with a comprehensive review of information from the relevant literature, journals and articles based on previous researchers and a proposed conceptual framework is provided.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.0 Introduction**

Secondary data such as data from journals, articles and books have been gathered and summarised in this part. These data have been studied and evaluated to support the research conducted. In this chapter, it will start by reviewing and defining each possible independent variable that could affect the successfulness of SMEs moving toward internationalisation based on relevant past studies and literature. The definition and explanation of dependent and independent variables will also be included in this chapter. In addition, a suggested conceptual framework will be presented as well as hypotheses, which will be used to examine the association between independent variables and dependent variable.

### **2.1 Review of the Literature**

#### **2.1.1 Dependent Variable: Internationalisation of SMEs Operation Based on Export Performance**

##### **2.1.1.1 Theoretical Foundations of Firm Export Performance**

In the process of creating research thoughts and binds those ideas to the existing knowledge, the theory has acted as the most useful tool in this process. Few principles are used by theories to explain and summarise a large number of facts which are then become a source of hypotheses that stimulate discoveries (Falahat, Tehseen, and Van Horne, 2018; Mitchell and Jolly, 1996). There are few broad theories of international marketing trade that act as the foundation for the development of firm export performance are briefly discussed below.

### **(i) International Trade Theory**

The increasingly growing internationalisation of the world economy had increased the concern regarding export performance (Donthu and Kim, 1993). To better understanding, the phenomenon of export trade, a platform of scholarly contributions has been constructed (Shamsuddoha, 2004). The most recognised trade theories are Absolute Advantage (Smith, 1776), Comparative Advantage (Ricardo, 1817), Factor of Endowment (Hecksher, 1919; Ohlin, 1933; Samuelson, 1948), and Product Life Cycle (Vernon, 1966; Wells, 1968). These theories are focus on how trade brings increment in national income through specialisation and proficiency of productivity.

The Wealth of Nations wrote by Adam Smith (1776), countries should only produce goods that they have an absolute advantage. This means that countries should export goods and services which is more productive than other countries while importing those goods and services for which other countries are more productive than it is. In this theory, trade is referred as “an exchange of surplus commodities that above their domestic demand”. However, Smith found that when “one country was able to produce every commodity at a lower cost than others”, there will be no possibility in trading between two countries.

When there is an issue of no possibility in trading, there is another researcher, David Ricardo (1817) propelled Adam Smith’s Theory of Absolute Advantage with his concept of Relative Cost Advantage. Ricardo contends that nations tend to export commodities which they have a relative cost advantage through product specialisation and import commodities that they have a comparable cost disadvantage. Although this theory has been used for many years to trade both commodities and factors of production, this theory proved to be too simple for the real world. Therefore, the neoclassical model of exchange created by Hecksher (1919), Ohlin (1933) and Samuelson (1948) demonstrated a portion of the weaknesses of Smith and Ricardo’s classical theories (Shamsuddoha, 2004).

The Heckscher-Ohlin-Samuelson (H-O-S) theory clarified that a nation's comparative advantage is determined by the relative abundance of its factors of production, such as capital and labour (Shamsuddoha, 2004). In this theory, the country should export the country's relatively abundant factors and import the country's relatively scarce factors. In this model, the world only consists of two countries, two factors of production (in fixed amounts) and two goods. Next, each of the countries owns identical preferences (demand patterns) and technology, and the factors are fully mobilized within the countries while immobilize between the countries. Lastly, this model assumed perfect competition exists in all markets and zero transportation costs in the country.

In the 1960s, another clarification for international trade and investment patterns known as Product Life Cycle (PLC) theory had been introduced by the inquiries about from Harvard Business School (Vernon, 1966; Wells, 1968). In this model, four phases in the life cycle of a product had been identified known as introduction stage, growth stage, maturity stage and decline stage. This theory suggests that a product that is located at the introduction stage is initially produced and consumed in an advanced country and then gradually shifted its production to less-developed countries (LDCs) as the product reaches its mature stages. Finally, the product that is produced in LDCs is exported to advanced countries at the maturity stages of its PLC due to the reasons that LDCs are better endowed for its production compared to advanced countries. PLC theory is a prominent theory in explaining the shifts in the production of a commodity across countries and the direction of trade in terms of endowments of skills and technology.

In a nutshell, even though these theories are helpful for the research of broad issues about international trade, but their value is limited as they can only partially explain the export behaviour of an individual firm while the international trade, in reality, is far more complex than the limited assumptions of the theories discussed.

## **(ii) Internationalization Processes/ Stages Theory**

The internationalization procedure/stages theory demonstrate that a firm's export activities developed through a gradual process where experience and confidence in one stage help a firm move to the next stage, eventually reaching the final stage of global operations (Albaum et al., 1998). Moving from one stage to the other is certainly a deliberate strategy of the firm based on its organizational and managerial capabilities. There are two well-known models in clarifying the internationalization process which is the Uppsala Internationalization Process Model (Johanson & Wiedersheim-Paul, 1975; Johnson and Vahlne, 1977), and the Innovation Related Internationalization Models (Cavusgil, 1980; Bilkey & Tesar, 1977; Naidu & Rao, 1993; Reid, 1981; Czinkota, 1982).

The Uppsala Internationalization model (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975) implies four distinctive stages of gradually increasing foreign involvement to becoming fully internationalised which are no regular export activities, export via independent representatives; establishment of an overseas sales subsidiary; and finally, foreign processing and production. This process model hinges on two aspects: knowledge possessed by a firm about the specific foreign markets and commitment of firm resources to these markets. This model assumes that management will only commit high levels of resources to a market when it has acquired increasing levels of experiential knowledge through unsolicited exporting (lower level commitment). The external environmental factors such as the domestic market condition, the industry environment and the government policy of promoting internationalisation will affect the strategic decision of entering internationalisation and gain further knowledge toward increasing commitment.

The Innovation model (Bilkey & Tesar, 1977; Cavusgil, 1980; Crick, 1995; Naidu and Rao, 1993; Reid, 1981) recommends that internationalisation is an incremental sequence of market-targeting innovations within the firm. It will then slowly be evolved as the firm gradually acquires relevant knowledge and experience similar to

the Uppsala model. In summary, the process theory cannot be understood clearly without understanding the impact of strategy and structure on the internationalisation process.

### **2.1.1.2 Definitions, Determinants and Measures of Export Performance**

Export performance can be characterised as the degree to which a company's targets in both monetary and key for sending out an item into a foreign market are accomplished through the arranging and execution of fare promoting procedure (Cavusgil & Zou, 1994). The perception of stakeholder groups (investors, employees and customers) vary toward the relevance and importance of performance dimensions and also the focus on the firm's short term or long-term performance (Walker & Ruekert, 1987).

Researchers have highlighted three performance dimensions that will be the most interesting factors to the business unit managers. The first dimension is effectiveness in terms of a firm's products and programs which can be measured through indicators such as sales growth. Next, the second dimension is efficiency where it focuses more on the outcomes of the firm programs relative to the inputs employed to implement them. In this dimension, the key measure used is profitability. The third dimension is adaptability that indicate the ability of the firm responds to changing conditions and opportunities in the environment (Walker & Ruekert, 1987). This dimension tested on the ability on how the firm response to its competitors through the degree to which the firm has capitalized on new product/market opportunities.

There are many researchers have identified numerous of studies which included export promotion programs as an independent variable in the export performance models. Identification of qualified studies is based on bibliographic search which using both manual and computerised methods. The determinants of export performance can be classified into two groups, which are internal and external determinants to the firm (Reid, 1981). The internal determinants are focused more on

the management's discrete decision-making power such as firm characteristics, managerial characteristics, management support, and export marketing strategy.

Apart from internal determinants, external determinants are derived from external environmental factors. These factors are not directly controlled by the firm because it is an environmental context that considers "given" and shape the context in which the firm has to operate (Shamsuddoha, 2004). The external environmental context generally affects the firm's operation by increasing the availability of the resources or withholding them. The eligible studies identified external determinants of export performance as government assistance which acts as the external sources that provide help for the early-internationalization firm.

Although researchers have a consensus that the several internal and external determinants that positively affect export performance, there are some empirical studies that have shown insignificant results. Therefore, this research is conducted to identify the potential relationship between government assistance in financial support, marketing support and export commitment in influencing export performance (Gencturk & Kotabe, 2001).

## **2.1.2 Independent Variable**

### **2.1.2.1 Government Assistance: Financial Support**

According to Durmusoglu (2012), financial assistance can be measured with factors such as lower taxes, export loans at lower than market rates, duty-free import/ export provisions and cash incentives. Financial related information and knowledge are important to enable the firm to adapt to its export market environment and impact its strategic goal accomplishment (Cavusgil & Zou, 1994; Morgan et al., 2004).



According to Hoque (2018), when SMEs is compared to larger firms, SMEs generates cost disadvantage due to its smaller size and do not have the same capability to motivate a favourable environment in the market as the larger firms do (Oboreh et al., 2013). Moreover, SMEs also cannot bear with the costly support services such as human resources and training, financial and legal activities (Egena et al., 2014). Thus, the growth of SME largely depends on the government assistance to allows the SMEs grow smoothly and overcome the crises and survive in the competitive globalized business world (Iweka et al., 2016).

Based on the research of Kotabe and Czinkota (1992), the availability of export financing assistance is crucial for early internationalising SMEs in their exporting involvement. Unfortunately, many of the SMEs are unable to seize capital from commercial banks due to their firm size and lack of experiences (Beck et al., 2008; Tannous, 1997). Therefore, this caused SMEs to shifted their financial dependency towards government aids (Zia, 2008).

According to Ahmad and Xavier (2002), studies have shown that SMEs are normally more aware of financial assistance than non-financial assistance. Such financial support assistance programs for SMEs have been established in many countries. In the case of Malaysia, in the year 2017, a total of 2,836 companies were approved for financial assistance amounting to RM2.44 billion (National SME Development Council, 2015). SME Corporation Malaysia also launched “SME Emergency Funds (SMEEF)” to support SMEs affected by the bankruptcy. With the collaboration of SME Corporation with Malaysia government by allocating RM10 million, SMEEF provides financing of up to a maximum of RM100,000 per company, in a hybrid form comprising both grants and soft loans which depending on the needs and capacity of the SMEs (SMEs Financing, n.d.).

Other than capital loans, financial assistance from the government is also provided through direct and indirect subsidies, for example, exchange rate, fiscal incentives, and value-added tax exemption (Baumann and Braga, 1988; Chen et al., 2006). In

Malaysia, financial assistance includes credit consultancy, financial advice, and tax incentives provided by CGC, MITI and MATRADE.

### **2.1.2.2 Government Assistance: Marketing Support**

Export assistance refers to all public policy measures that actually or potentially enhance exporting activity either from a firm, industry, or national perspective (Seringhaus, 1986). According to Gencturk et al. (2001), stated that export marketing assistance could be classified into two categories: financial and marketing support. Marketing support can then be classified as either standardized or customized marketing (Diamantopoulos & Hart, 1993). According to Gencturk et al. (2001), standardized information is general in nature and available in print form from those government agencies, embassies, or trade missions.

Next, customised marketing such as market information relating to exporting firms' customers, competitors, channels and broader environment in the industry is an essential knowledge resource for the early internationalising firm in exporting (Katsikeas, 1994; Souchon, 1996; Yeoh, 2000). These two types of knowledge are different in their accumulation process where standardised marketing knowledge is most explicit and easier to codify and communicate, while customised marketing-experiential knowledge assets are tacit and thus difficult to codify and communicate (Kogut & Zander, 1992; Nonaka, 2007).

As indicated by Morgan and Vorhies (2005), government assistance in marketing implementation for SMEs is imperative where it helps the routines by which export ventures transform intended export marketing strategy into acknowledged activities and asset arrangements.

In summary, marketing support was measured based on building up contact with foreign buyers and informational assistance regarding the market, global trends in the apparel business, major global trade agreements, and WTO guidelines, participating

in international trade fairs, government-sponsored trade missions to export markets, and government-organized local trade fairs of international (Durmusoglu, 2012).

### **2.1.3 Mediator Variable**

#### **2.1.3.1 Competitive Capabilities**

According to Porter (1980), competitive capabilities means developing a broad strategy for how a business is going to compete, what its goal should be and what policies will be needed to carry out those goals. Penrose (1959) stated that The widely accepted frameworks on describing how a firm can develop a competitive advantage are the resource-based theory of firm strategy.

The resource-based theory views a firm as a unique bundle of resources either in the form of tangibles and intangible that enable the firm to implement strategies that aimed at improving its efficiency and effectiveness (Barney, 1991; Wernerfelt, 1984). According to Barney (2012) based on RBT, permanent competitive advantage is attained only when resources are valuable, rare, inimitable, and the firm's organisation enables exploitation (VRIO) of the resources' potential. According to Freeman (2007), RBT offers a richer theoretical perspective to understand the value of the uniqueness of the resources and capabilities of early internationalising firms. Usually, these firms are smaller and start their internationalisation activities early in the life cycle. This will cause the firms to look for externally available resources to overcome their internal resource scarcity.

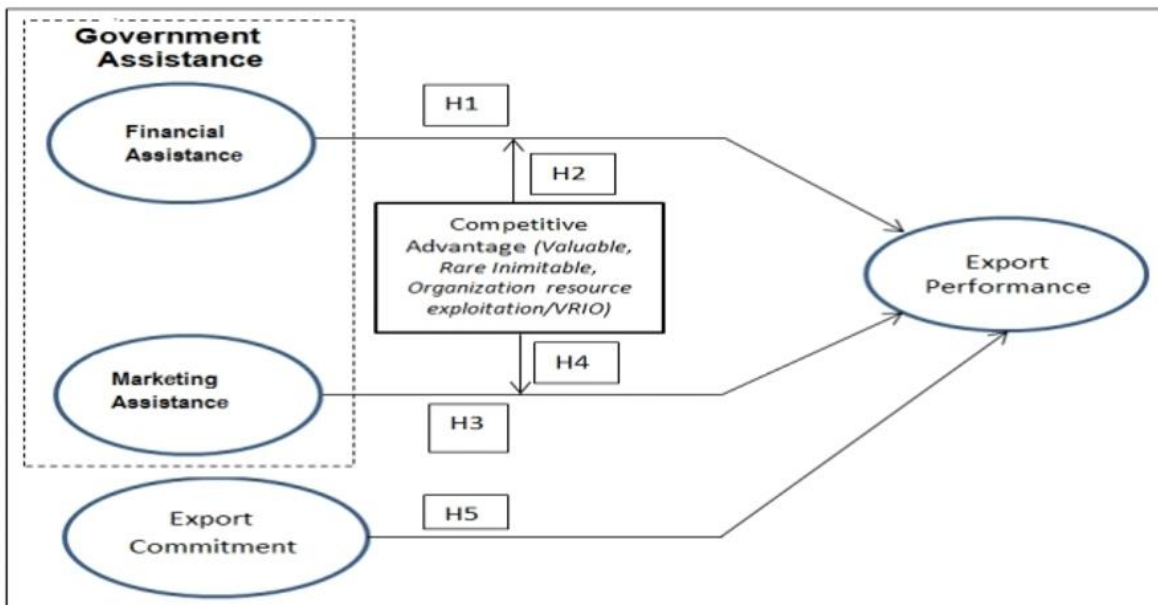
Managers willingness and favourable attitude toward exporting and the export environment tend to find that through strategic alliances with other domestic or foreign firms, and outsource some of those resources from private (e.g., research organisations for export market-related information and public organizations (e.g.,

government assistance on export market information, foreign trade mission, trade show and sales lead) can fill their firms' resources gap (Indrawati et al., 2018). This shows that a manager not only utilises internal resources for better firm's performance but also looks for opportunities through collaboration with the use of appropriate government assistance arrangements to exploit the international market opportunities.

In general, competitive strategy is a strategic factor that not only focuses on internal resource utilisation but also fosters resource mobilisation from external sources. When the competitive advantage of a firm achieves VRIO resources perspective, it is a long-lasting positive disposition held by managers toward exporting (Navarro, 2010). According to Al-Ali (2014), in today world, resource ownership is optional while resource mobilisation is mandatory especially for those resource-constrained early internationalising firms. Government agencies often become the most readily available external resources for early internationalising firms.

## 2.2 Review of Relevant Theoretical Models

Figure 2.1: Theoretical Framework: Financial Assistance, Marketing Assistance and Export Commitment to Improve Export Performance



Source: Indrawati, N. K., Purwanto, S., Rohman, F., & Setiawan, M. (2018). Financial Assistance, Marketing Assistance and Export Commitment to Improve Export Performance. *European Research Studies Journal*, 21(4), 69-91.

Figure 2.1 shows the theoretical framework that examines the variables including government assistance on financial assistance, government assistance on marketing assistance and export commitment that affect the performance of early internationalising firms in a developing country's low-tech industry, Indonesia. This research explained the relationship between government export assistance (financial and marketing assistance) and performance as direct (positive). This research also argues that the relationship between the two-government export assistance is contingent on the level of competitive advantage.

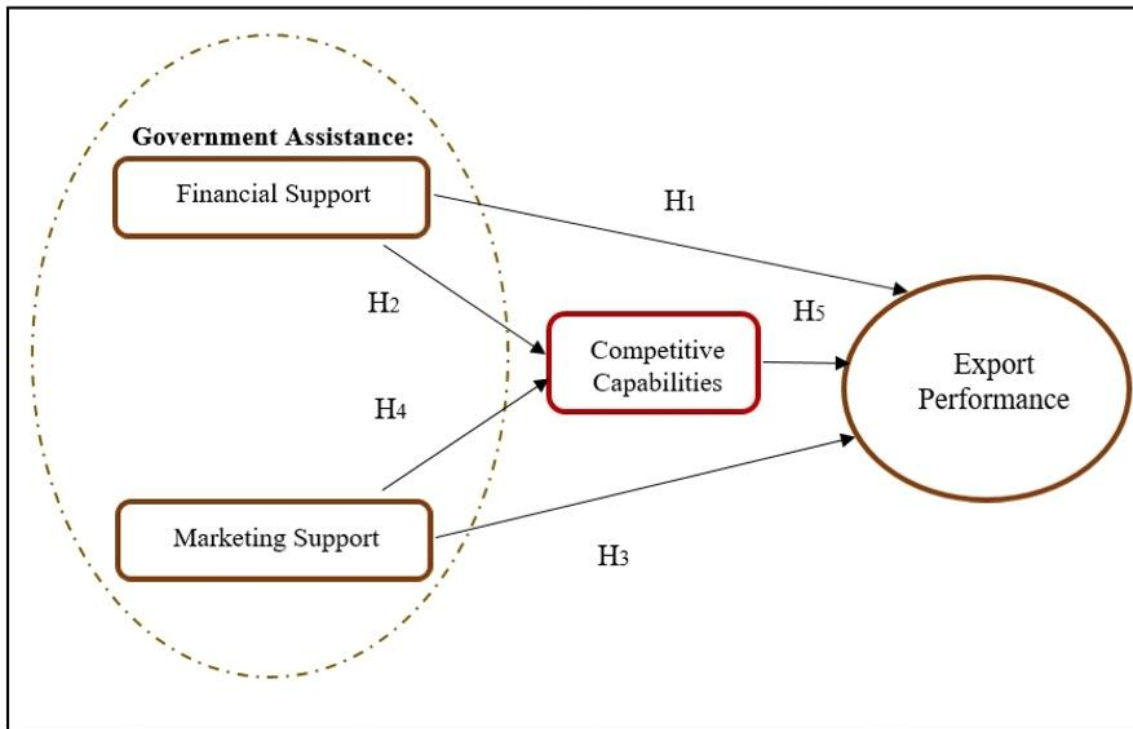
In this research, Indrawati et al. (2018) found that financial assistance and marketing assistance are directly related to export performance. The relationship between financial assistance and export commitment to export performance are significantly positive. The

effect of marketing assistance is positive, but only marginally, moderated by competitive advantage.

Next, this research also investigates the moderation on the relationship between financial assistance and marketing assistance, and early internationalising firm's performance in a developing country's low-tech industry setting (Indrawati et al., 2018). Competitive advantage is used as the moderator which acts as one of the most important internal determinants of export performance and extremely relevant in early internationalising firms.

## 2.3 Proposed Research Framework

Figure 2.2: Proposed Research Framework: Study on the Key Success Factors that will Affect Small Medium Enterprises (SMEs) Moving towards Internationalization in Malaysia



Source: Developed for the research

A proposed research framework on the study of the on the key factors that will affect Small Medium Enterprises (SMEs) moving toward internationalisation in Malaysia has been constructed based on the literature review as shown in figure 2.2.

This framework illustrates the connection between the variables which are to be tested in this research paper visually. It is used to verify the relationship among three variables which included two independent variables (namely government assistance on financial support and government assistance on marketing support) and one dependent variable (export performance of the early internationalising firm), while competitive capabilities are served as the mediator between the dependent variable and independent variables.

The relationship between the independent variables and dependent variable will be determined in this research to identify whether there is a significant relationship between the variables.

## **2.4 Hypotheses Development**

### **2.4.1 Relationship between Government Assistance: Financial Support and Export Performance**

The fundamental to export success that had been found by the researchers is accessibility to financial resources (Ling-yee & Ogunmokun, 2001; Leonidou, 2002; Morgan et al., 2004). When the exporter can access to the financial resources, this indicates that they had fulfilled the need of working capital and financial liquidity for export operations (Morgan et al., 2004; Griffith, 2011; Kaleka, 2011; Griffith and Czinkota, 2012).

Lengler (2013) additionally demonstrates that the higher the level of financial resources committed to supporting exporting activities, the higher the export performance of the firm. Furthermore, Wiklund & Shepherd (2005) argue that financial resources seem to have a significant importance impact to smaller firms such as SMEs and they have also found that entrepreneurial and learning strategies as the factors of competitive capabilities require considerable financial resources to have success.

Therefore, this research proposed the following hypothesis to be tested:

#### **Hypothesis 1:**

H<sub>1</sub>: There is a significant positive relationship between financial support and export performance of SMEs towards internationalisation.



### **2.4.2 Relationship between Government Assistance: Financial Support and Competitive Capabilities**

According to Lengler (2013), a major conclusion drawn from the previous research is that financial support does not appear in the existing literature dealing with the export performance of SMEs. However, a paper dealing with the competitive advantage and export performance from Ling-Yee and Ogunmokun (2001) bolsters that send out financing assets positively affect the competitive advantage and thus on superior export performance.

Aside from that, Sousa et al. (2008) distinguished a positive effect of programs sponsored by governments and non-governmental agencies on the export performance. When these resources are sponsored to the firms, the firm can use it as extra resources to cope with their exporting expenses. One of the few empirical studies had illustrated that the availability of financial resources for export activities would have a significant impact on export venture performance outcomes (Morgan et al., 2004). The main reason for this is because firms that gained financial support from the government are able to produce products for exportation, which make the firms better positioned to improve the level of exports.

Therefore, this research proposed the following hypothesis to be tested:

#### **Hypothesis 2:**

H<sub>2</sub>: There is a significant positive relationship between financial support and competitive capabilities of SMEs towards internationalisation.

### **2.4.3 Relationship between Government Assistance: Marketing Support and Export Performance**

According to Indrawati et al. (2018), export marketing strategy, the firm and management characteristics are the most prominent internal determinants observed by Sousa (2008). In the most developing country, smaller firms might not be able to afford expensive means of acquiring those experienced international marketing managers and therefore required the government's experiential marketing assistance. These assistances can be in a different forms such as through various trade mobility programs, local and international trade exhibitions and other offers (Kotabe, 1992; Leonidou, 2011).

Based on the research, the expensive means of acquiring exporting related marketing knowledge is not affordable by most developing country firms such as hiring internationally experienced managers or sending managers abroad to study the target market (Egan, 1992). Government's marketing assistance such as arranging trips abroad and taking part in foreign trade missions, local and international trade exhibitions could provide the firms with the platform to be recognized internationally (Riddle, 2003).

Therefore, this research proposed the following hypothesis to be tested:

#### **Hypothesis 3:**

H<sub>3</sub>: There is a significant positive relationship between marketing support and export performance of SMEs towards internationalisation.

#### **2.4.4 Relationship between Government Assistance: Marketing Support and Competitive Capabilities**

Resources cannot be transformed into value offerings in the foreign marketplace without any marketing implementation capabilities. According to Fang & Zou (2009), marketing implementation capabilities are directly related to the firm's success in adapting to its unfamiliar foreign market environment.

Chen et al. (2016) proposed that superior export performance can be driven by enhancing a firm's marketing implementation capabilities. Managers have little information about how to alter the resource base when firm steps into unfamiliar and also potentially more challenging foreign markets. With the assistance of the information-related Export Promotion Programs provided by the government, managers get a better understanding of the target export market for now and in the near future (Chen et al., 2016). This will also then contribute to the better allocation of organizational resources for implementing marketing decisions with effectiveness and efficiency. Thus, based on Chen et al. (2016) research, the authors proposed that the relationship between the marketing information capabilities and export performance is mediated by the implementation of competitive capabilities.

In conclusion, various empirical studies have specifically asserted there is a positive direct relationship between export marketing assistance as a competitive advantage and the export performance of early internationalizing firms (Indrawati et al., 2018). Moreover, the relationship between export market assistance as the competitive advantage and export performance is moderated positively by competitive advantage.

Therefore, this research proposed the following hypothesis to be tested:

##### **Hypothesis 4:**

H4: There is a significant positive relationship between marketing support and competitive capabilities.

### **2.4.5 Relationship between Competitive Capabilities and Export Performance**

Based on Indrawati et al. (2018), the authors had explicitly incorporated the moderation of competitive advantage on the relationship between export marketing assistance and export performance. In the research, the firms that want to go for internationalisation must be able to arrange their resources such as information and knowledge from non-government sources, as well as physical and human resources from internal sources and other external sources to improve competitive advantage.

Gencturk (2001) was the first to provide a positive explanation for the relationship between the usage of export assistance and export performance. In search of theoretical support for the relational capability of a firm, the resource-based view of the firm (Barney, 1986; Morgan & Hunt, 1999), the knowledge-based view of the firm (Connor & Prahalad, 1996; Grant, 1991), and the export channel literature (Ambler et al., 1999; Jap & Ganesan, 2000) put forward their explanations on how interfirm relationships build up potential competitive advantages.

Following the resource-based view of the firm (Barney, 1986), for resources to result in a truly competitive advantage, the cost of acquiring them must be lower than the gains. These resources can be obtained from the external determinants such as government assistance for both marketing support and financial support. According to Ling-Yee (2001), relational capabilities in an export channel setting can be translated into low-cost advantages both before (Barney, 1995; Hennart, 1988; Keller, 1993; Kogut, 1988; Varadarajan & Cunningham, 1995), and after entry into foreign markets (Bharadwaj, Varadarajan, & Fahy, 1993). The firm can view exporting as a low-cost entry into new foreign markets when the firm owns overseas dealers' relational resources and capabilities with consumers from the assistance of government (Morgan & Hunt, 1999).

Government marketing assistance will be more fruitful when combined with and activated by the competitive advantage of owner managers of early internationalizing

firms. This is because information will be better internalized through the moderation of competitive advantage in internationalizing the firm (Knight, 2002).

Therefore, this research proposed the following hypothesis to be tested:

**Hypothesis 5:**

H<sub>5</sub>: There is a significant positive relationship between competitive capabilities and export performance.

## **2.5 Conclusion**

In this chapter, we had reviewed two related conceptual frameworks for our research through the literatures on past studies. Two suitable independent variables and one mediator variable had been identified from related conceptual frameworks as the foundation base, which are financial support from government assistance, marketing support from government assistance, and competitive capabilities as the key success factors for SMEs moving toward internationalization.

For the ease of better understanding, a greater number of past studies based on literature review had been collected to support the independent variables. A proposed theoretical / conceptual framework and several hypotheses were formed to look at the connection between every independent variable and dependent variable. In the following section of philosophy, a few tests will be run in order to justify the hypothesis developed in this chapter.

## **CHAPTER 3: METHODOLOGY**

### **3.0 Introduction**

This chapter consisted step-by-step approach for data collection and analysis. This chapter provided well-defined picture on the research methodologies' procedures applied to conduct the research. This topic start off with design of the research, method that used for data collection, sampling design, research instrument, constructs measurement, data processing, analysis of data and conclusion. The collection of the primary data is practiced to get the findings of key success elements that will affect SMEs move towards internationalization and followed by using questionnaires as research instrument for data collection.

### **3.1 Research Design**

Parahoo (2006) states that research design can be defined as a plan that describe the collection and analysis of data through the questions of when, where and how. In this study, quantitative research was used in order to identify the variables that will affect the SMEs moving toward internalization. According to Zikmund et al. (2009), "quantitative research can be defined through the empirical assessments that contain numerical measurement and analysis".

Descriptive analysis is a study that used to describe the characteristics of person, events or situations (Sekaran & Bougie, 2012). This involves the data collection to examine the hypothesis or to answer the questions concerning the subjects of the study. The best approach in this study is to rely on the questionnaire that consists of specific questions for the respondents to select from a fixed number of choices.

## **3.2 Data Collection Methods**

Collection of data is an essential phase in the research. The accuracy and validity of the data collected can be ensured through the choice of data collection where it provide useful data that are accurate for decision making and reference purpose. In this study, there is only one type of data collection used which is primary data.

### **3.2.1 Primary Data**

Primary Data is the preliminary raw data collected through survey, observation or experimentation for a purpose of study (Jan & Colin, 2009). Primary data is also served as purpose of assisting the researcher in deal with the problem and question at hand (Malhotra& Peterson, 2009). Survey questionnaires in this research were distributed to respondents for data collection. Questionnaires is able to provide a wider range of respondents' information collection in a shorter time range. Furthermore, a total of 280 sets of questionnaires were distributed to the target respondents in this research for data accuracy purpose.

## **3.3 Sampling Design**

According to Zikmund (2003), sampling can be defined as “the process of using small number of items of a large population to make a conclusion about the whole population”.

### **3.3.1 Target Population**

“Target population is known as a group of people that able to provide an answer to the question that researcher interested in order to develop required data information” (Hair and Bush, 2006). In this study, the population will be targeting on top management of SMEs in Malaysia such as owner, CEO, managing director, and others more.

### **3.3.2 Sampling Frame and Sampling Location**

Sampling frame can be defined as the content source in which the population sample is selected for a research paper (Zikmund et al., 2010). However, sampling frame will not be included for this research as non-probability method was implicated and due to limited resources. According to Zikmund et al. (2013), the location where the target population can be found is known as sampling location. In this study, the survey was conducted around the Kuala Lumpur, Klang Valley and Selangor areas. A total number of 280 questionnaires were dispersed to the top management of the SMEs such as CEO, managing director and owners to answer the questionnaire.

### **3.3.3 Sampling Elements**

The targeted respondents in this research are only qualified to respondents who are working as the top management of the SMEs such as CEO, managing director and owners. This is because most of the people in this group have a better understanding on the operation and performance of their SMEs businesses toward internationalization. In this research, face-to-face distribution method was used to distributed the questionnaires in hardcopies to the management of SMEs who are qualified in the study.

### **3.3.4 Sampling Technique**

Non-probability technique has been applied in this study to obtain the information. According to Zikmund and Babin (2010), non-probability sampling technique is defined as “sampling technique in which researchers select units of the sample based on their personal judgment or convenience”. Judgment sampling which is a type of non-probability sampling method that “used to judge and select anyone who might be the suitable respondents that fulfilled the criteria of the samples” (Zikmund et al., 2010). Under these sampling methods, a group of respondents are selected deliberately by the researchers according to the own judgment regarding the sample characteristics that suitable for this research. This is because this method is considered cheap and effective where it allowed the researchers to obtain a representative sample from whole population within a shorter time frame.



### **3.3.5 Sampling Size**

Roscoe (1975) states that the rules of thumb were proposed to discover the sample size. “The sample sizes in the range between 30 to 500 are adequate and sufficient for the research.” (Roscoe, 1975). In this research, a total of 250 respondents will be used as the sampling size because it can provide a required amount of information needed for this research and thus, increase the credibility of the research. However, a total of 280 sets of questionnaires had been sent out and only 217 set of questionnaires were collected back. The rest of the 63 questionnaires were terminated for no response received from the respondents.

## **3.4 Research Instrument**

### **3.4.1 Questionnaire Survey**

Questionnaire is “a set of structure questions that have been selected after considerable testing to receive reliable responses from a particular group” (Collis and Hussey, 2009). According to Zikmind and Babin (2010), self-administered questionnaires are known as “the survey in which respondent takes the responsibility for reading and answering the questions on the form of papers or via Internet”. This method is relatively cost-saving and efficient in collecting information and could cover large sample sizes and large geographic areas.

### **3.4.2 Design of the Questionnaire**

In this research, the structure of the questionnaire is designed and provided in a simple pattern for better understanding. There are total of four parts in the questionnaire.

**Part 1:** Government Support Information consists of questions related to the key success factor that affecting the preparedness and awareness of SMEs towards

internationalisation in Malaysia. Questions are set and measured in 5 (five)-Point Likert-Scale where 1 indicates “Not Useful at All” and 5 indicates “Very Useful”.

**Part 2:** This section focuses on the internal factors that affect the export commitment of the company. The questions are required to be answered in 5 (five)-Point Likert Scale questions ranging from where 1 indicates “Strongly Disagree” and 5 indicates “Strongly Agree”.

**Part 3:** This section obtains information such as the competitive capability and international performance of the firms in main export market. Questions are also set in the form known as Five-Point Likert scale where 1 indicates “Very Poor” and 5 indicates “Very Good”. Under this part, respondents are required to rate the statement that represent the respondents view and opinion.

**Part 4:** This section required respondents to fill up few general questions such as job position, industry sector, year of establishment, number of employees, factors that allow to enter first exporting country, total annual sales turnover and mode of entry. It consists of nominal, ordinal and open-ended questions in this section. Multiple choices questions are prepared and required respondents to select one answer from the given alternatives.

## 3.5 Construct Measurement

### 3.5.1 Origin of Construct

Table 3. 1 Origin of Constructs

Constructs	Sample Measurement	Source(s)
	Items	
Government Support (Part 1)	6	Leonidou et al. (2011)
Export Commitment (Part 2)	6	Faroque & Takahashi (2015)
Competitive Capability (Part 3)	16	Pham et al. (2017)
International Performance (Part 4)	11	Falahat et al. (2018)

Source: Developed for the Research

### 3.5.2 Scale of Measurement

#### 3.5.2.1 Nominal Scale

According to Saunders et al. (2012), “nominal measurement scales are used to distinguish the categories of a given variable”. Nominal scales are used for labelling the variables that do not have any quantitative value. Questions that used nominal scale are type of industry sector, first exporting country of company in Part 4 (General Questions).

#### 3.5.2.2 Ordinal Scale

Ordinal scale allowing the “use as ranking-order for the variables to clarify differences among various categories” (Zikmund et al., 2013). The ordinal scale determines measurements that are not in numerical form, such as from excellent to worst, and from top to last. In our research, based on job position are ranked by categories, which is from manager to CEO level.

### **3.5.2.3 Interval Scale**

Interval scale collects information about differences in quantities of a concept (Zikmund et al., 2013). Zero do not provide any meaning in this scale and only act as the quantity measures. Likert scale was applied in this research to measure questions for variables in part 1, 2 and 3 which set on a 5 (five)-Point scale range from “Strongly Agree, Agree, Neutral, Disagree and Strongly Disagree” to allow the identification of respondents’ agreeableness or disagreeableness.

## **3.6 Data Processing**

In order to ensure accuracy and value information collected from targeted respondents, data preparation process must take place before the raw data covert to information content to be used in this research (Zikmund et al., 2009).

### **3.6.1 Questionnaire Checking**

The checking of the questionnaire in the first phase involves screening all questionnaires collected for accuracy, reviewing or quality upon completion. All data collected are being double checked to detect error to maintain the reliability of the tests.

### **3.6.2 Data Editing**

Raw data must be edited first in order to create value from the collected data. “Editing is the review of the data collected with the objective of increasing accuracy and precision” (Zikmund et al., 2009). This included screening questionnaires to identify any incomplete and inconsistent responses from the respondents.

### **3.6.3 Data Coding**

Data coding is the “process of assigning numerals or other symbols to each question so that responses can be put into limited number of categories or classes” (Zikmund et al, 2009). Therefore, this could help in analysing the information where the data is standardised and numerically converted.

### **3.6.4 Data Transcribing**

Once the data is checked, edited and coded, data transcribing will be taken place. Data transcribing means “transferring the coded data from the questionnaires into the computers” (Malhotra & Peterson, 2009). Next, it will be analysed by using “Statistical Package for Social Science (SPSS)” version 25.0 and “SmartPLS” 3.2.1.

### **3.6.5 Data Cleaning**

Data cleaning involves the “process where raw data are verified and checked for missing data and illogical or inconsistent entries” (Bajpai, 2011). SmartPLS software is used to check the consistency and correction for the unknown responses of the data collected which are values but ambiguous.

## **3.7 Data Analysis**

### **3.7.1 Descriptive Analysis**

Descriptive analysis was applied in this study to describe the sample’s characteristics. Descriptive analysis involves “organizing the data into form of charts or tables in order to compare and describe the data collected” (Saunders, et.al, 2009). Each variable’s frequency and percentage are calculated and presented in the form of chart, table and graph.

### **3.7.2 Measurement Model**

Partial Least Square (PLS) was adopted to analyse the data in this study to verify the structural relationship as proposed in the conceptual framework. The main reason of this program was applied because it requires lesser demands for sample size and distribution for residual (Barclay et al., 1995).

The measurement model was tested by assessing reliability and validity of the items and constructs in the model. It is to ensure validity and reliability of constructs used in assessing the correlation in the model. According to Barclay et al. (1995), the items of the measurement model were tested by “individual item reliability, internal consistency, and discriminant validity”.

#### **3.7.2.1 Individual Item Reliability**

According to Hullan (1999), the “assessment of the individual item reliability was examined by the loadings of respective items on the respective latent constructs”. Loadings with value above 0.7 indicated that there will be more variance shared between the construct while low value loadings which less than 0.7 indicates very little explanation of the model will be contributed and little estimation for the parameters associating constructs.

#### **3.7.2.2 Internal Consistency Reliability**

The internal consistency reliability was assessed by Cronbach’s alpha and composite reliability of the measurement model. As indicated by Hair et al. (2010), “the worthy incentive for Cronbach's alpha esteem must surpass the base limit of 0.70”. Cronbach's alpha estimates the reliability between connections of the observed indicator variables.

Table 3. 2 Rules of Thumbs About Cronbach's Alpha Coefficient Size

<b>Alpha Coefficient Range</b>	<b>Strength of Association</b>
Less than 0.6	Poor
0.6 to < 0.7	Moderate
0.7 to < 0.8	Good
0.8 to < 0.9	Very Good
0.9 and above	Excellent

Source: Developed for the Research

The estimation of Cronbach's alpha unwavering quality coefficient will increase when the inter-correlations among test items increase which as a rule goes somewhere in the range of 0 and 1 (Bajpai, 2011). The dependability test estimation of 0.6 or underneath is viewed as poor. In the meantime, the esteem scopes of 0.7 thought about adequate unwavering quality, those more than 0.8 to 0.9 is viewed as great. The closer the Cronbach's alpha incentive to 1 the more prominent the inside consistency.

Similarly, the composite reliability ranges between 0 and 1. According to Hair et al. (2013), higher values indicate higher levels of internal reliability. Fornell and Larcker (1981) proposed that composite reliability values should exceed 0.60. According to Bernstein and Nunally (1994), composite reliability values of 0.60 to 0.70 are acceptable in exploratory research, while values greater than 0.70 and less than 0.90 can be considered as satisfactory in advanced stage of research. Values exceed 0.90 (and definitely  $> 0.95$ ) indicate that all the indicator variables are redundant and measuring the similar phenomenon (Hair et al., 2013). In contrast, composite reliability values less than 0.60 indicate a lack of internal consistency reliability.

### 3.7.2.3 Convergent Validity

The convergent validity test is used to examine if the scale items converge on a single construct in the model (Garver and Mentzer, 1999). Fornell and Larcker (1981) proposed two conditions to access the convergent validity of the scales. Firstly, all outer loadings of indicators need to exceed 0.70 to be significant. Second, the

average variance extracted (AVE) for each construct must greater than 0.50. Hair et al. (2013) suggested in line with Fornell and Larcker (1981) that an indicator's outer loading must above 0.70, due to the number squared equals to 0.50. According to Hair et al. (2013), a higher outer loading of the construct indicates means the associated indicators have more in common which captured by the construct.

#### **3.7.2.4 Discriminant Validity**

Discriminant validity is the degree to which items are distinguished between constructs by empirical standards (Hair et al., 2013). The Heterotrait-Monotrait ratio of correlations (HTMT) is considered new method for assessing discriminant validity in partial least squares structural equation modelling. If discriminant validity is not established, researchers cannot ensure that the results confirming hypothesized structural paths are real, or whether the result is statistical discrepancies. For highly positive correlations, the authors suggested the value of 0.85 and above (Clark & Watson 1995; Kline 2011), while others proposed a value of 0.90 and above (Gold et al. 2001; Teo et al. 2008).

#### **3.7.2.5 Structural Model**

The structural model is essential to determine the relationship between the research model and the latent constructs. It also helps to determining how well the empirical data support the concept or theory. The structural model is assessed by estimating the paths of coefficients ( $\beta$ ) between the constructs, coefficients of determination ( $R^2$  value), and path significant (p-value).

According to Hair et al. (2013), the path coefficients ( $\beta$ ) values are ranged between -1 to +1. Values close to +1 indicates stronger relationship while -1 indicates negative relationship. When the estimated coefficients closer to 0, and it is usually not significant and has weak relationship. The empirical t-value enable significant of statistic to be measured on each coefficient ( $\beta$ ).



The coefficients of determination ( $R^2$  values) is used to measure the structural model's predictive accuracy. The values indicate the variance of the construct in the structural model, while the path coefficient measure the strength of correlation between constructs.  $R^2$  value ranges from 0 to 1. The higher the value of  $R^2$  which closer to 1 illustrates higher level or predictive accuracy. According to rule of thumb proposed by Hair et al. (2013), the  $R^2$  values of 0.75 indicates substantial; 0.50 indicates moderate and 0.25 indicates weak.

### **3.8 Conclusion**

In this chapter, design of research, data collection methods, sampling design, research instrument, construct measurement, data processing, and methods of data analysis are discussed in this chapter. The next chapter will be on the result interpretation of the statistical analysis and hypotheses.

## **CHAPTER 4: DATA ANALYSIS**

### **4.0 Introduction**

In this chapter, data collected from the respondents will be analysed using Statistical Package Society Science (SPSS) version 25.0 and SmartPLS version 3.2.1. This chapter involved descriptive analysis, inferential analysis, individual item reliability, internal consistency reliability, convergent validity, discriminant validity and structural model to verify the relationship between the variables. Tabulation and figure will be used to present the analysis for ease understanding. At last, there will be a conclusion for this chapter by summarized on the hypothesis findings.

### **4.1 Descriptive Analysis**

Descriptive analysis is used to illustrates the central tendency, distribution and variability of data. This includes the analysis of frequency distribution, percentage distribution and cumulative percentage of 217 respondents' demographic information.

#### **4.1.1 Respondent's Demographic Profile**

In this section, the demographic information being asked in the Part 4 of questionnaire including job position of the respondent, industry sector, year of business establishment, number of employees, year of first exporting, country of first exporting, factor(s) that allow company to enter first exporting country, total annual sales turnover and type of mode of entry to first export markets (countries) will be explained below.

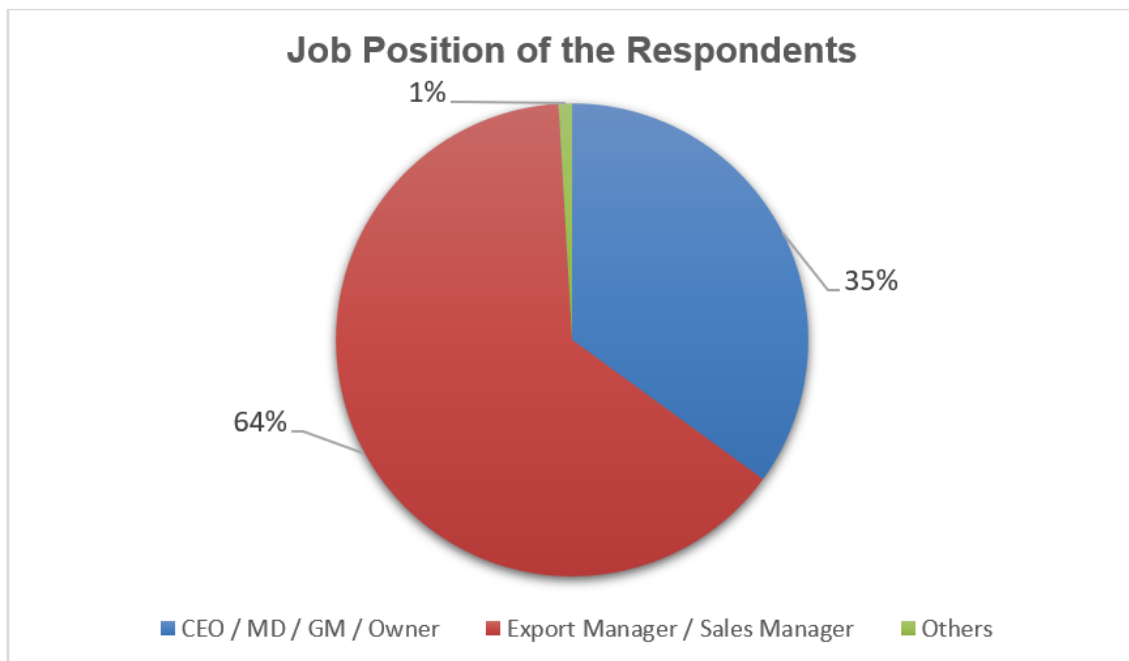
#### 4.1.1.1 Job Position

Table 4. 1: Job Position of the Respondents

		Frequency	Percentage (%)	Valid Percentage (%)	Cumulative Percentage (%)
Job Position	CEO/ MD/ GM/ Owner	76	35.02	35.02	35.02
	Export Manager / Sales Manager	139	64.06	64.06	99.08
	Others	2	0.92	0.92	100
Total		217	100	100	

Source: Developed for the research

Figure 4. 1: Job Position of the Respondents



Source: Developed for the research

According to figure 4.1, it indicated the job position of respondents in the businesses. Research shows that most of the respondents are having a position as “Export Manager” and “Sales Manager” which consists of 64.06% of total respondents with the head count of 139 persons. The least number of respondents came from other job position which is only 0.92% of the total respondents with the head count of 2 persons. The category of others includes operating manager. The remaining of 35.02% respondents with head count of 76 persons are at the position of CEO, Managing Director, General Manager and Owner.

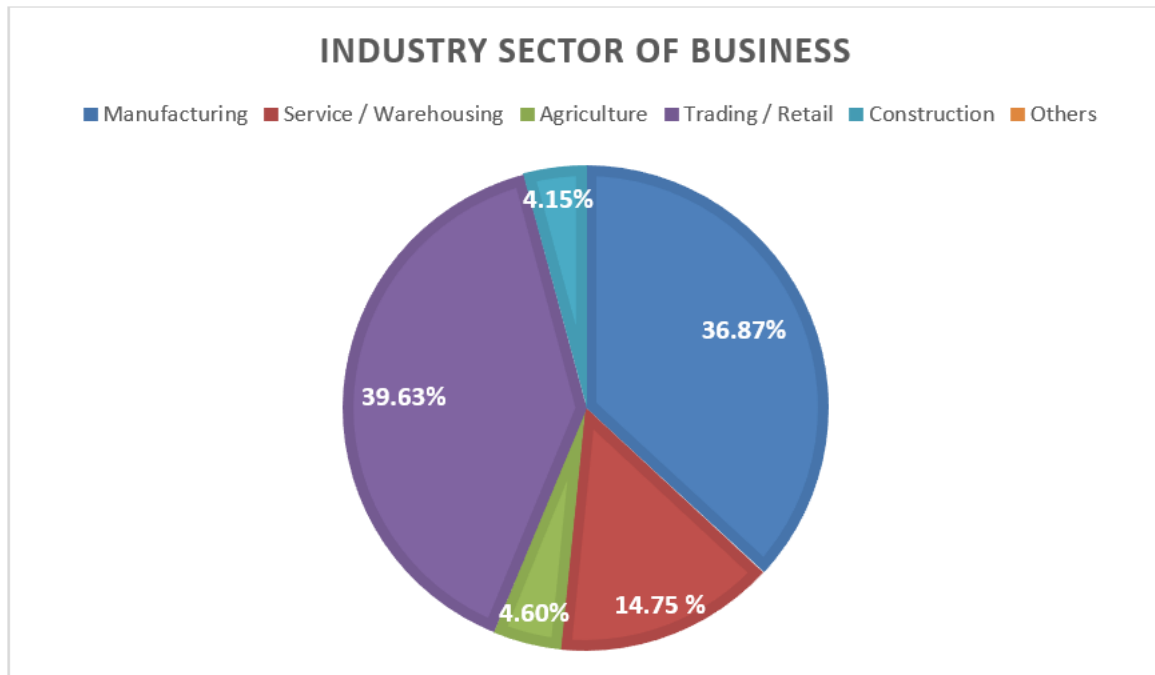
#### 4.1.1.2 Industry Sector of Business

Table 4. 2 Industry Sector of Business

		Frequency	Percentage (%)	Valid Percentage (%)	Cumulative Percentage (%)
Industry Sector	Manufacturing	80	36.87	36.87	36.87
	Service / Warehousing	32	14.75	14.75	51.62
	Agriculture	10	4.60	4.60	56.22
	Trading / Retail	86	39.63	39.63	95.85
	Construction	9	4.15	4.15	100
	Others	0	0	0	
Total		217	100	100	

Source: Developed for the research

Figure 4. 2: Industry Sector of Business



Source: Developed for the research

Figure 4.2 presented the details of the respondents' involvement in industry sector of their businesses. The majority of respondents is in trading and retail sector, which is 86 respondents (39.63%). The least number of respondents came from other construction sector and agriculture sector which represent 4.15 % with the head count of 9 respondents and 4.60% with the head count of 10 respondents respectively. The remaining of 36.87% respondents with head count of 80 respondents are from the manufacturing sector and 14.75% of respondents with head count of 32 respondents are from service and warehousing sector.

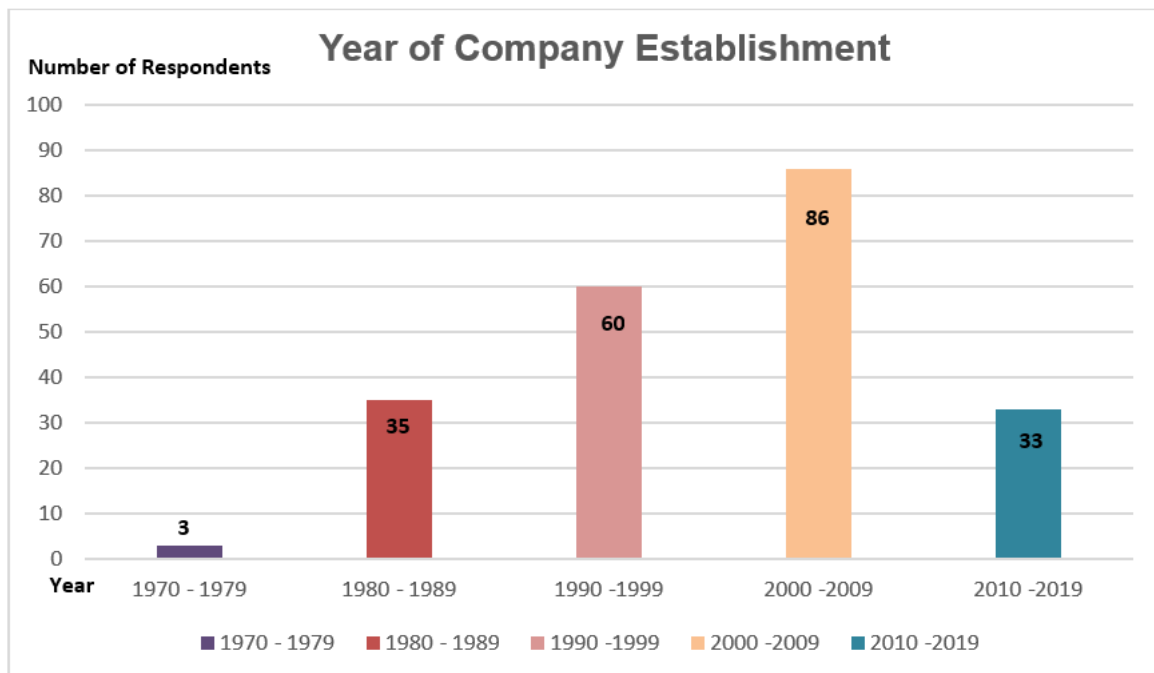
### 4.1.1.3 Year of Company Establishment

Table 4. 3 Year of Company Establishment

		Frequency	Percentage (%)	Valid Percentage (%)	Cumulative Percentage (%)
Year of Company Establishment	1970 - 1979	3	1.38	1.38	1.38
	1980 - 1989	35	16.13	16.13	17.51
	1990 - 1999	60	27.65	27.65	45.16
	2000 - 2009	86	39.63	39.63	84.79
	2010 - 2019	33	15.21	15.21	100
Total		217	100	100	

Source: Developed for the research

Figure 4. 3: Year of Company Establishment



Source: Developed for the research

Figure 4.3 indicated that the year of the respondent's company establishment. Most of the respondents' company established their business during year 2000 to 2009 with 86 companies (39.63%) whereas the least number of company establishment is between the year 1970 to 1979 which is only 3 companies (1.38%). 60 respondents (27.65%) have their companies established in year between 1990 to 1999 and 35 respondents (16.13%) have their companies established between the year 1980 to 1989 which then followed by 33 respondents (15.21%) established their company between the year 2010 to 2019.

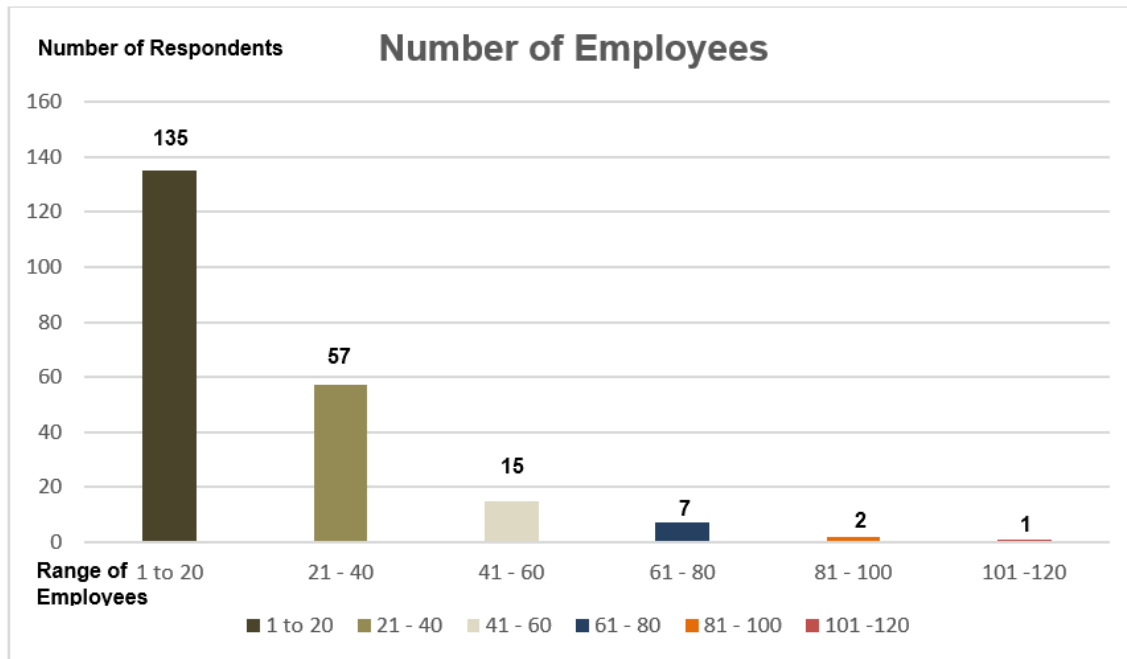
#### 4.1.1.4 Number of Employees

Table 4. 4 Number of Employees

		Frequency	Percentage (%)	Valid Percentage (%)	Cumulative Percentage (%)
Number of Employees	1 - 20	135	62.21	62.21	62.21
	21 - 40	57	26.27	26.27	88.48
	41 - 60	15	6.91	6.91	95.39
	61 - 80	7	3.23	3.23	98.62
	81 - 100	2	0.92	0.92	99.54
	101 - 120	1	0.46	0.46	100
Total		217	100	100	

Source: Developed for the research

Figure 4. 4: Number of Employees



Source: Developed for the research

Figure 4.4 illustrated the number of employees the respondent's company owned. Category from 1 to 20 employees consists the highest number of respondents with 135 respondents which takes up to 62.21%. Meanwhile, category of 101 to 120 employees owned by the company only consists of 1 respondent which take up to 0.46%. Category of 21 to 40 employees consists of 57 respondents (26.27%). The remaining is followed by category 41 to 60 employees, 61 to 80 employees and 81 to 100 employees which consists of 15 (6.91%), 7 (3.63%) and 2 (0.92%) respondents respectively.



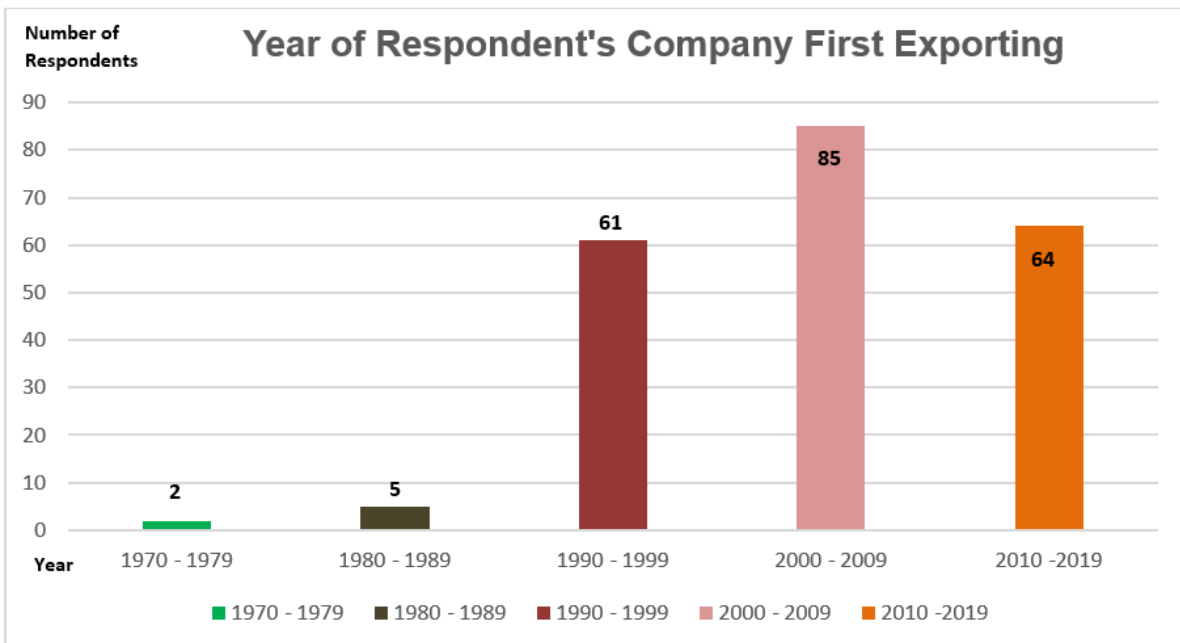
#### 4.1.1.5 Year of First Exporting

Table 4. 5 Year of First Exporting

		Frequency	Percentage (%)	Valid Percentage (%)	Cumulative Percentage (%)
Year of First Exporting	1970 - 1979	2	0.92	0.92	0.92
	1980 - 1989	5	2.30	2.30	3.22
	1990 - 1999	61	28.11	28.11	31.33
	2000 - 2009	85	39.17	39.17	70.5
	2010 - 2019	64	29.50	29.50	100
Total		217	100	100	

Source: Developed for the research

Figure 4. 5: Year of First Exporting



Source: Developed for the research

Figure 4.5 indicated the year of the respondent's company first exporting. Most of the respondents' company first exporting their business during the year 2000 to 2009 with 85 respondents (39.17%) whereas the least number of companies first exporting year is between the year 1970 to 1979 which consists only two companies (0.92%). Sixty-four respondents (29.50%) have their companies first exporting in the year between 2010 to 2019 and 61 respondents (28.11%) have their companies first exporting between the year 1990 to 1999 which then followed by five respondents (2.30%) had their company first exporting between the year 1980 to 1989.

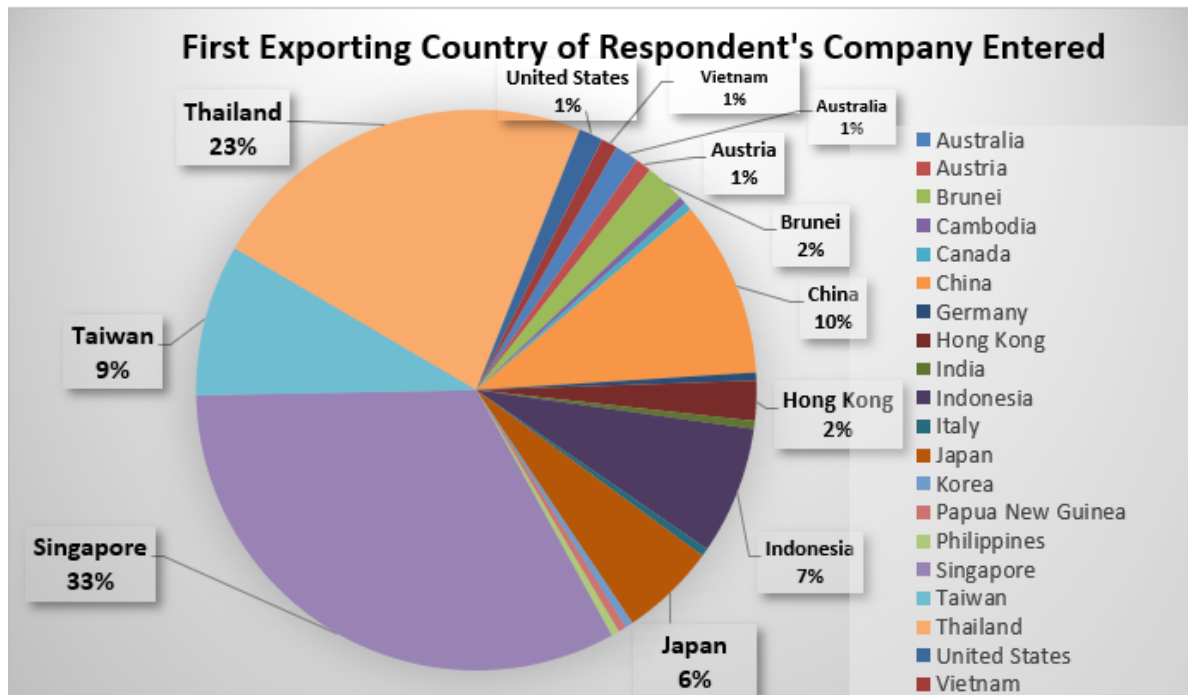
#### 4.1.1.6 First Exporting Country of Company Entered

Table 4. 6: First Exporting Country of Company Entered

		Frequency	Percentage (%)	Valid Percentage (%)	Cumulative Percentage (%)
First Exporting Country of Company Entered	Australia	3	1.38	1.38	1.38
	Austria	2	0.92	0.92	2.30
	Brunei	5	2.31	2.31	4.61
	Cambodia	1	0.46	0.46	5.07
	Canada	1	0.46	0.46	5.53
	China	22	10.14	10.14	15.67
	Germany	1	0.46	0.46	16.13
	Hong Kong	5	2.31	2.31	18.44
	India	1	0.46	0.46	18.90
	Indonesia	16	7.37	7.37	26.27
	Italy	1	0.46	0.46	26.73
	Japan	12	5.53	5.53	32.26
	Korea	1	0.46	0.46	32.72
	Papua New Guinea	1	0.46	0.46	33.18
	Philippines	1	0.46	0.46	33.64
	Singapore	71	32.72	32.72	66.36
	Taiwan	19	8.76	8.76	75.12
	Thailand	49	22.58	22.58	97.70
	United States	3	1.38	1.38	99.08
	Vietnam	2	0.92	0.92	100
Total		217	100	100	

Source: Developed for the research

Figure 4. 6: First Exporting Country of Company Entered



Source: Developed for the research

Figure 4.3 showed that first exporting country of respondent's company entered. Singapore is mostly the company first exporting country involved in, showing the result of 71 companies (32.72%). The least country as the respondent's company first exporting involved is Cambodia, Canada, Germany, India, Italy, Korea, Papa New Guinea and the Philippines which result shows that there is only one company entered (0.46%) respectively. There are 49 companies (22.58%) entered Thailand as their first exporting country, followed by 22 companies (10.14%) entered China as their first exporting country. 19 companies (8.76%) entered Taiwan as their first exporting country, 16 (7.37%) of them involved Indonesia as their exporting country and 12 (5.53%) entered Japan market.

Both Brunei and Hong Kong markets consist of the same number of 5 companies (2.31%) followed by Australia and United States which consists of 3 companies (1.38%). Lastly, both Austria and Vietnam consist of 2 companies (0.92%) involving in their countries.

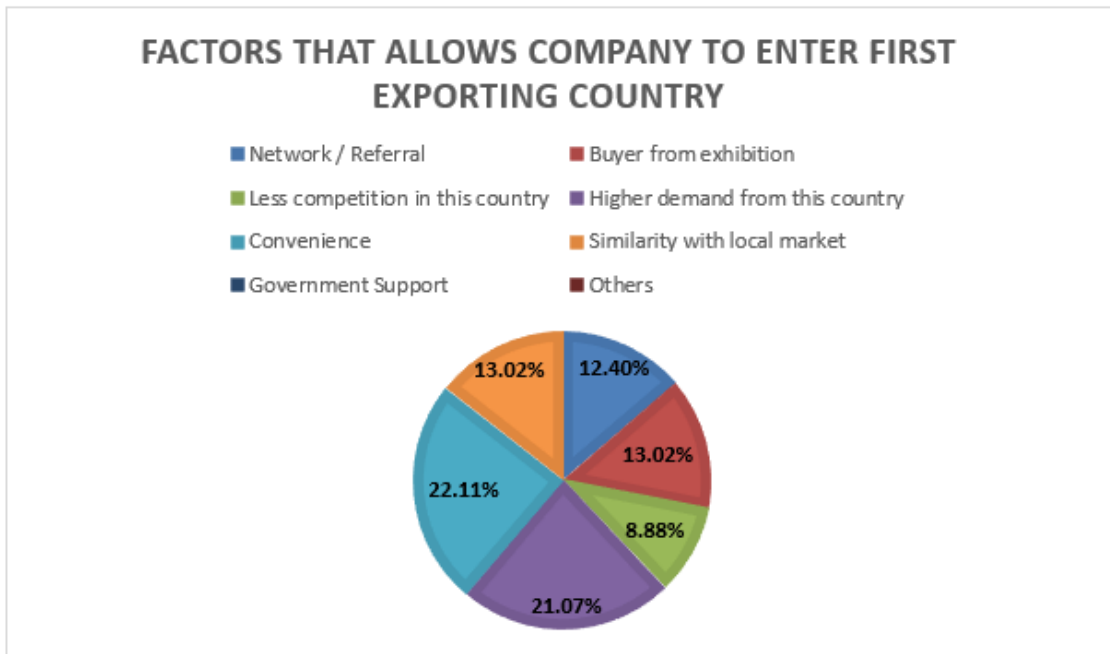
#### 4.1.1.7 Factors that Allows Company to Enter First Exporting Country

Table 4. 7: Factors that Allows Company to Enter First Exporting Country

		Frequency	Percentage (%)	Valid Percentage (%)	Cumulative Percentage (%)
Factors that Allows Company to Enter First Exporting Country	Network / Referral	60	12.40	12.40	12.40
	Buyer from exhibition	63	13.02	13.02	25.42
	Less competition in this country	43	8.88	8.88	34.30
	Higher demand from this country	102	21.07	21.07	55.37
	Convenience	107	22.11	22.11	77.48
	Similarity with local market	63	13.02	13.02	90.50
	Government Support	46	9.50	9.50	100
	Others	0	0	0	100
	Total	484	100	100	

Source: Developed for the research

Figure 4. 7: Factors that Allows Company to Enter First Exporting Country



Source: Developed for the research

Figure 4.7 illustrated factors that allow the company to enter the first exporting country. Convenience is the highest factor which takes up to 22.11% of the 107 respondents whereas the least number of factors that allows the company to enter first exporting country is less competition in the exporting country consists only 43 respondents (8.88%). Higher demand from the exporting country consists of 102 respondents (21.07%). Meanwhile, factors of similarity with local market and buyer from exhibition consists of the same 63 respondents (13.02%) respectively. The remaining network and referral factor consist of 60 respondents (12.40%) followed by government support factor take up to 46 respondents (9.50%).

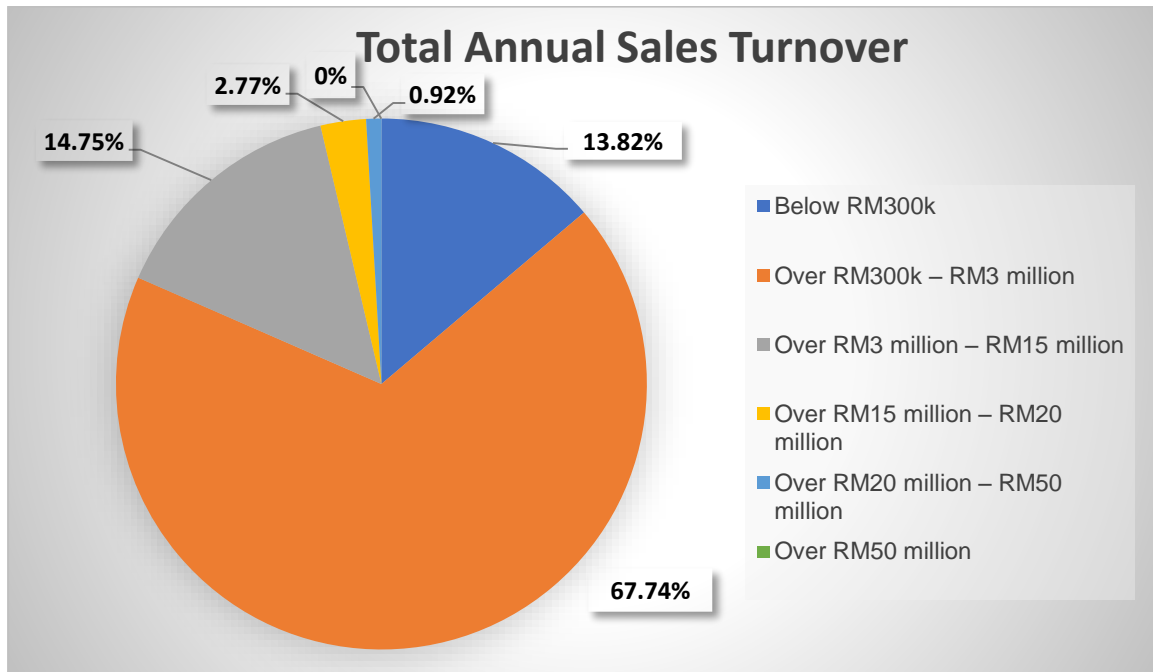
#### 4.1.1.8 Total Annual Sales Turnover

Table 4. 8: Total Annual Sales Turnover

		Frequency	Percentage (%)	Valid Percentage (%)	Cumulative Percentage (%)
Total Annual Sales Turnover	Below RM300k	30	13.82	13.82	13.82
	Over RM300k – RM3 million	147	67.74	67.74	81.56
	Over RM3 million – RM15 million	32	14.75	14.75	96.31
	Over RM15 million – RM20 million	6	2.77	2.77	99.08
	Over RM20 million – RM50 million	2	0.92	0.92	100
	Over RM50 million	0	0	0	100
	Total	217	100	100	

Source: Developed for the research

Figure 4. 8: Total Annual Sales Turnover



Source: Developed for the research

Figure 4.8 illustrated the total annual sales turnover of the respondents' companies. Most of the respondents' total annual sales turn over are over RM300k to RM 3 million, which is 67.74% with headcount of 147 respondents. However, the lowest percentage of total annual sales in this research is over RM20 million to RM 50 million consists of 0.92% with headcount of 2 respondents. Next, 14.75% of respondents' total annual sales turnover falls into the range of over RM3 million to RM15 million with headcount of 32 respondents, 13.82% of respondents in the range of below RM300k with headcount of 30 respondents. The remaining 2.77% of the respondents have their total annual sales turnover in the range of over RM15 million to RM20 million with head count of 6 respondents.



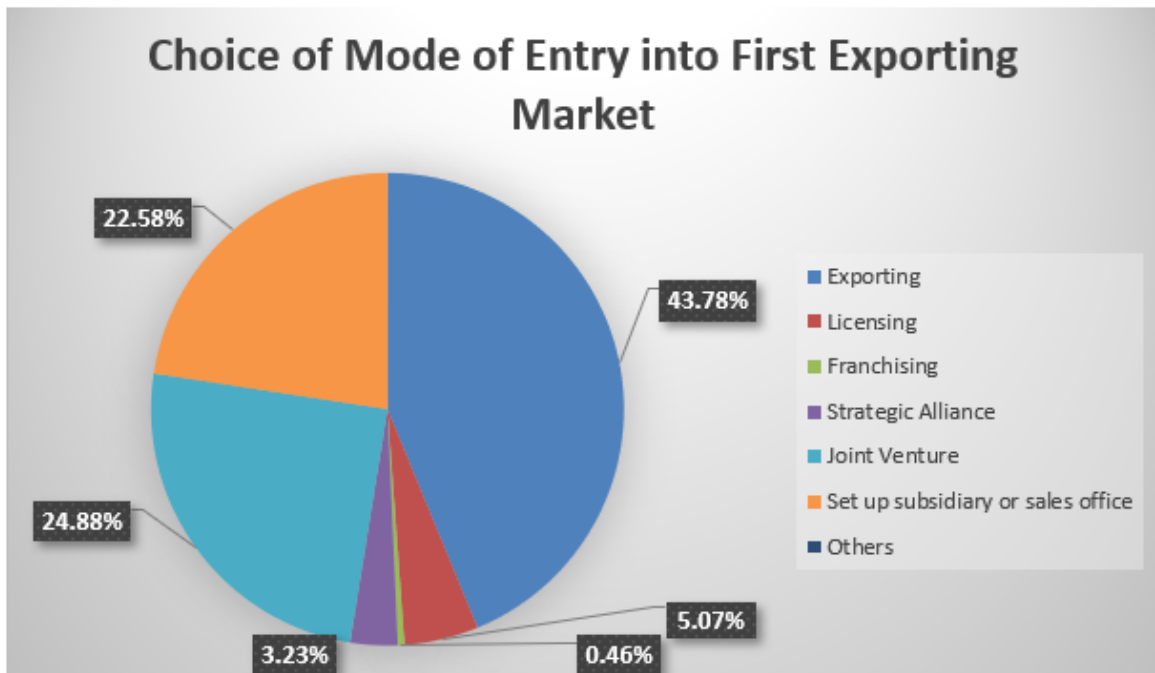
#### 4.1.1.9 Choice of Mode of Entry into First Exporting Market

Table 4. 9: Choice of Mode of Entry into First Exporting Market

		Frequency	Percentage (%)	Valid Percentage (%)	Cumulative Percentage (%)
Choice of Mode of Entry into First Exporting Market	Exporting	95	43.78	43.78	43.78
	Licensing	11	5.07	5.07	48.85
	Franchising	1	0.46	0.46	49.31
	Strategic Alliance	7	3.23	3.23	52.54
	Joint Venture	54	24.88	24.88	77.42
	Set up subsidiary or sales office	49	22.58	22.58	100
	Others	0	0	0	100
	Total	217	100	100	

Source: Developed for the research

Figure 4. 9: Choice of Mode of Entry into First Exporting Market



Source: Developed for the research

Figure 4.9 illustrated the choice of mode of entry into the first exporting market. Most of the respondents' choice of mode of entry into the first exporting market is exporting, which consists 43.78% with head count of 95 respondents. However, the least percentage of respondents' choice of mode of entry in this research is franchising, which consists of 0.46% with head count of 1 respondent. Next, 24.88% of respondents' choice of mode of entry used joint venture with headcount of 54 respondents, while 22.58% of respondents used to set up subsidiary or sales office as their choice of mode of entry with head count of 49 respondents. The remaining 5.07% of the respondents used licensing with head count of 11 respondents and 3.23% of the respondents used strategic alliance with head count of 7 respondents.

## 4.2 Measurement Scale

### 4.2.1 Data Reliability

Table 4. 10: Outer Loadings for Each Variable

Constructs	Items	Description	Loadings
Marketing Support	A1	Information about export market opportunities	0.942
	A2	Specific information about doing business with a particular company (such as business matching)	0.924
	A3	General information about doing business in a specific country (such as market overview)	0.898
Financial Support	A13	Provide soft loan	0.926
	A14	Provide grant or export related fund	0.935
	A15	Give Tax incentives	0.944
Competitive Capabilities	D1	Changes in regulations of export markets	0.841
	D2	Changes in export customers' preferences	0.939
	D3	Changes in competitors' strategies	0.930
	D4	Changes in distribution channels	0.845
	D5	Changes in demand and tastes in export markets	0.939
	D6	Modify products to fit export markets' demands and tastes	0.907
	D7	Develop new products / services for export markets	0.837
	D8	Successfully manage new product development for export markets.	0.852
	D9	Adjust the prices in export markets	0.865
	D10	Respond quickly to export competitors' pricing actions	0.864
	D11	Respond quickly to customers' demands in terms of price considerations	0.919
	D12	Effectively communicate pricing information to customers	0.839
	D13	Develop effective export promotion programs	0.873
	D14	Launch export marketing communication programs	0.875

	D15	Manage export marketing communication programs	0.869
	D16	Skilfully use marketing communication programs	0.900
Export Performance	E1	Profits from export sales	0.926
	E2	Export sales	0.916
	E3	Contribution of export sales to total sales	0.900
	E4	Expanding market coverage	0.913
	E5	Entering new market segments in international market	0.930
	E6	Establishing product presence in international market	0.911
	E7	Improving knowledge on international markets	0.923
	E8	Speed of customers' product acceptance	0.927

Source: Developed for the research

Table 4.10 shows that the factor loadings result from the PLS measurement model. All of the items are having loadings above 0.50 and exceeded 0.7 cut-off value that is recommended. Factor loadings that exceeded 0.5 are considered practically significant (Hair et al., 2010).

## 4.2.2 Internal Consistency Reliability Analysis

Table 4. 11: Summary of Reliability Statistics for Each of the Variable

<b>No.</b>	<b>Variables</b>	<b>Cronbach's Alpha</b>	<b>Composite Reliability</b>
1	Marketing Support	0.981	0.982
2	Financial Support	0.928	0.930
3	Competitive Advantage	0.973	0.974
4	Export Performance	0.911	0.931

Source: Developed for the research

Based on Table 4.10, the value of Cronbach's Alpha for marketing support, financial support, competitive advantage and export performance are 0.981, 0.928, 0.973 and 0.911 respectively. The alpha values for all of the variables are greater than 0.7 which indicates that they are strongly reliable and consistent to measure the reliability of the data research.

In Table 4.11, all composite reliability values of the variables are above 0.60, which achieved the acceptable level for the research (Bernstein, 1994). The composite reliability values of 0.982 (Marketing Support), 0.930 (Financial Support), 0.974 (Competitive Capabilities) and 0.931 (Export Performance) explained that the evaluation of indicator variables is reliable and internally consistent.

### 4.2.3 Convergent Validity

Table 4. 12: Result of Average Variance Extracted (AVE)

Construct	Average Variance Extracted (AVE)
Financial Support	0.874
Marketing Support	0.849
Competitive Capabilities	0.777
Export Performance	0.843

Source: Developed for the research

The AVE value for each construct demonstrated in table 4.12 exceeded the thumb of rule of 0.50. When the AVE has a value above 0.5, this show that the latent variable in the model able to explain more than the indicator's variance. When the AVE value is below 0.50, this show that there will be errors occurred in the items described by the variance (Hair, et al., 2013).

### 4.2.4 Discriminant Validity

#### 4.2.4.1 Heterotrait-Monotrait Ratio of Correlations (HTMT)

Table 4. 13: Heterotrait-Monotrait Ratio of Correlations (HTMT)

Items	Competitive Capabilities	Financial Support	Export Performance	Marketing Support
Competitive Capabilities				
Financial Support	0.723			
Export Performance	0.947	0.736		
Marketing Support	0.807	0.925	0.849	

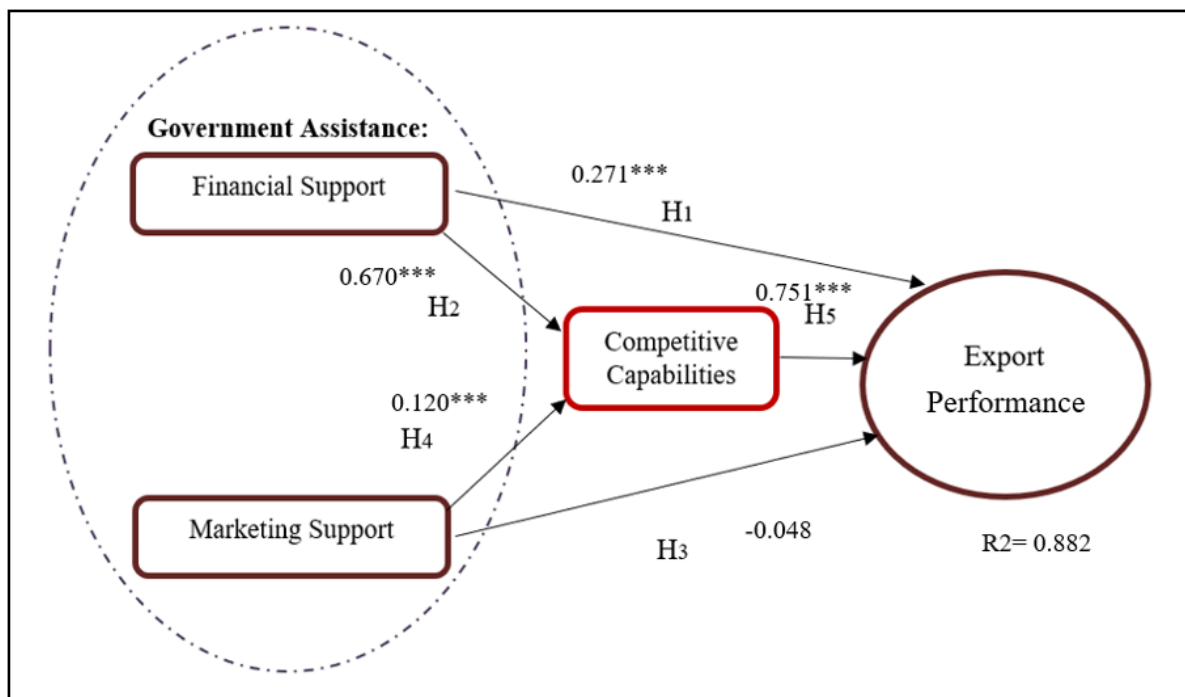
Source: Developed for the research

According to table 4.13, all the value of Heterotrait-Monotrait Ratio of Correlations for marketing support, financial support and export performance with competitive advantage are 0.807, 0.723 and 0.947 respectively. Besides, the value for export performance and marketing support for financial support are 0.736 and 0.925 respectively. Lastly, marketing support and export performance has HTMT value of 0.849. The HTMT value for all the variables is greater than 0.7 which indicates that these variables in the model provide a sufficient level of reliable and valid data for the research.

### 4.3 Structural Model

According to figure 4.10, the structural equation model in this study was determined by testing the hypothesis's relationship among the variables. A bootstrapping procedure was used to analyse the path coefficients to access the statistical significance. The significance level of the results depends on the particular study's field, and objective and 10% is used as the level of significance for the study (Hair et al., 2013).

Figure 4. 10: Result of the Structural Model



Note. \* Sig at 0.10, \*\* Sig at 0.05, \*\*\* Sig at 0.01

Source: Developed for the research

Figure 4.10 presented the result for the structural model. The results show that all relationship path was supported except H3. The R2 value is 0.882. This concludes that 88.2% variance in export performance is explained towards the independent variables.

## 4.4 Hypotheses Testing

Table 4. 14: Hypotheses of the Variables

Hypotheses	Std. Beta	Std. Error	t-value	p-value
H1	-0.048	0.045	1.058	0.291
H2	0.120	0.087	1.379	0.168
H3	0.271	0.053	5.137	0.000***
H4	0.670	0.081	8.328	0.000***
H5	0.751	0.034	22.177	0.000***

Note. \* Sig at 0.10, \*\* Sig at 0.05, \*\*\* Sig at 0.01

Source: Developed for the research

### Hypothesis 1

H1: There is a significant positive relationship between financial support and export performance.

Based on Table 4.14, financial support has a significance value of 0.291, which has a p-value above 0.05. Thus, **H1 is rejected**, which indicates that there is no significance relationship between financial support and export performance.

### Hypothesis 2

H2: There is a significant positive relationship between financial support and competitive capabilities.

Based on Table 4.14, financial support has a significance value of 0.168, which has a p-value above 0.05. Thus, **H2 is rejected**, which indicates that there is no significance relationship between financial support and competitive capabilities.



### **Hypothesis 3**

H3: There is a significant positive relationship between marketing support and export performance.

Based on Table 4.14, marketing support has a significance value of 0.000, which has a p-value below 0.05. Thus, **H3 is accepted**, which indicates that there is positive significance relationship between marketing support and export performance.

### **Hypothesis 4**

H4: There is a significant positive relationship between marketing support and competitive capabilities.

Based on Table 4.14, marketing support has a significance value of 0.000, which has a p-value below 0.05. Thus, **H4 is accepted**, which indicates that there is positive significance relationship between marketing support and competitive capabilities.

### **Hypothesis 5**

H5: There is a significant positive relationship between competitive capabilities and export performance.

Based on Table 4.14, competitive capabilities have a significance value of 0.000, which has a p-value below 0.05. Thus, **H5 is accepted**, which indicates that there is positive significance relationship between competitive capabilities and export performance.

## **4.5 Conclusion**

In conclusion, the analysis and summarisation respondent's general information had been done through descriptive analysis. Besides, internal reliability analysis and discriminant validity are used to test all the independent and dependent variables. Last but not least, the structural model is used to examine the association among those variables. The hypotheses testing concluded that H1 and H2 are not supported while H3, H4 and H5 are supported.

## **CHAPTER 5: DISCUSSION, CONCLUSION AND IMPLICATIONS**

### **5.0 Introduction**

Based on the data analysed and explained in Chapter 4, this chapter will begin with result summarisation and provide a depth discussion of the research results. The next part of this chapter is the discussion of significant findings, with the summary of the hypotheses testing results. Furthermore, the limitation of the study during the progress of research will also be discussed, and recommendations will be provided in this chapter to generate more platforms in future research. Lastly, there will be a conclusion of the whole research.

### **5.1 Discussions of Major Findings**

Table 5. 1: Summary of Hypotheses Result

<b>Hypotheses</b>	<b>Values Scored</b>	<b>Decision</b>
H1: There is a positive significance relationship between financial support and export performance.	P-value= 0.291	Not Supported
H2: There is a positive significance relationship between financial support and competitive capabilities.	P-value= 0.168	Not Supported
H3: There is a positive significance relationship between marketing support and export performance.	P-value= 0.000	Supported
H4: There is a positive significance relationship between marketing support and competitive capabilities.	P-value= 0.000	Supported
H5: There is a positive significance relationship between competitive capabilities and export performance.	P-value= 0.000	Supported

Source: Developed for the research

According to Table 5.1, the hypotheses testing concluded that H1 and H2 are not supported while H3, H4 and H5 are supported. According to Hypothesis 1, shows that the relationship between financial support and export performance is not significant. This is because the value

of significance for financial support is 0.291, which has p-value above 0.05. According to the research by Joo and Suh (2017), the researchers indicated that the government support on training for certificates assistance, new technologies development, and exemption in taxes have no significant influences due to the complexity of application process for the loans from the government.

For hypothesis 2, the relationship between financial support and competitive capabilities is not significant. The value of significance for financial support is 0.168, which has a p-value above 0.05. According to Lengler (2013), the study suggested that the export financing constraints faced due to the complex trade instruments, lack of organisational resources and the operation size of exporters will only partly affect the performance of the SMEs. This is because there is still discrimination against non-state SMEs existing in the country and the processing time in releasing the loans from the government is longer compared to those financial institutions such as banker.

For hypothesis 3, the relationship between marketing support and export performance is positively significant. The value of significance for marketing support is 0.000, which has a p-value below 0.05. Government's marketing assistance such as an arrangement for overseas trips and organization of foreign trade missions and international trade exhibitions could provide the firms with the platform to be recognized internationally (Riddle, 2003).

For Hypothesis 4, the relationship between marketing support and competitive capabilities is positively significant. The value of significance for marketing support is 0.000, which has a p-value below 0.05. Based on Chen et al. (2016) research, the authors proposed that marketing information capabilities have a relationship with the export performance which is mediated by the implementation of competitive capabilities. This is because marketing support acted as an important resource for efficient and effective decision making.

For hypothesis 5, the relationship between competitive capabilities and export performance is positively significant. The value of significance for competitive capabilities is 0.000, which

has a p-value below 0.05. According to Knight (2002), the combination of marketing assistance provided by the government with the competitive advantage of early international phase firms will be more powerful.

## **5.2 Implications of the Study**

### **5.2.1 Managerial Implications: Small-Medium Enterprises (SMEs)**

The outcome of this study provides knowledge and information regarding the critical factors and challenges that will affect the SMEs toward internationalisation through export performance. Hence, companies are able to understand the critical factors that will affect their businesses to international trade and improve their company's strategy to successfully having an international presence. The research results showed that marketing support is more significant compared to financial support which will then act as the competitive capabilities to the SMEs. This is because marketing support acted as an important resource for efficient and effective decision making. Since this research is focused on the critical factors of SMEs toward internationalisation, it also provides information about the challenges that will hinder the successfulness of SMEs having a breakthrough toward internationalisation. This may help SMEs to use the outcome of this research to understand the critical factors and challenges that might be faced in the ways for their business to have a favourable international presence.

### **5.2.2 Policy Maker**

Through this study, the policy maker will understand more by observing the assistance needed by the SMEs operated in Malaysia. The firms' government support acted as an essential role in the improvement of the SMEs' financial performance. Private SMEs in Malaysia are small in size and cancellation of support in both marketing and financial will hurt the growth towards internationalisation. Our

research showed that marketing supports compared to financial supports has a positive impact on the firm's export performance. This showed that government is very important on providing information more specifically about export market opportunities, organising export seminars, conferences, training programs and counselling advice since it may help the private SMEs in Malaysia to improve the growth towards internationalisation especially the discrimination against non-state SMEs still existing in Malaysia.

## **5.3 Limitations of the Study**

### **5.3.1 Insufficient independent Variables**

There are only two independent variables, and one mediator variable is explored and examined throughout this research project. There are more independent variables such as export commitment, political risks and cultural differences factors are suggested to be applied or adopted in this research to analyse the acceptance of SMEs toward internationalisation in Malaysia for a broader perspective. This would help to leads to a better understanding of SME's thoughts towards acceptance of internationalisation.

### **5.3.2 Limited Geographical Coverage of Target Respondents**

The sample used in this research is wholly based on the Malaysian's SMEs. The respondents other than Malaysian's SMEs might have potential differences in results between one country and another country. The differences in government support in various countries may influences SME's perception from one to another. This will not generalize the result to be successful as different countries might have a different outcome of the result.

### **5.3.3 Time and Financial Constraints**

Time and financial constraints faced in this research restricted the conducting of the survey to a larger geographical coverage of the target respondents. The high travelling costs to other states had restricted this research can only be conducted in Klang Valley and Selangor areas. Besides, the total number of survey questionnaires that can collect is only 217 as the period used to conduct this research is insufficient to access a wider area of respondents such as top management in the organisation. The data collected may not sufficient to represent the total number of SMEs in Malaysia and unable to explore more deeply to the issues faced by the SMEs in whole of Malaysia.

## **5.4 Recommendations for Future Research**

### **5.4.1 Improve Distribution Method for the Questionnaire**

Face-to-face and door-to-door distribution method have been used to distribute a questionnaire to the SMEs around Kuala Lumpur, Klang Valley and Selangor area. Although the success rate of questionnaires collection is high, however, these types of methods are relatively time-consuming and costly. Besides, it also restricts the area of distribution due to high transportation cost and time-consuming. The methods and locations of distribution for questionnaires should cover an entire Malaysia to avoid potential biases by distributing questionnaires online or interview using Internet application which will help to reduce the time and financial constraints. Thus, this could provide a more accurate analysis of the outcome.

### **5.4.2 Using Bilingual Languages in the Questionnaire**

The understanding and the depth of information collected can be increased by using bilingual languages to replace a specific language in the questionnaire. This change can provide an accurate and reliable result when the survey can be fully

understandable by the target respondents. When the target respondents are able to answer the questionnaires by fully understand the objectives and question of the research, the researchers will be able to receive quality data in exchange. By doing so, the results of the research will be precise and useful with the detailed and specific answers are provided.

### **5.4.3 Broaden the Research Setting**

In this research, the research setting is only focusing on the two independent variables and one mediator variable. Researchers can do more research and findings regarding export commitment, political risks, currency risks and cultural differences factors to understand better the factors and challenges will be faced by the SMEs. It is also suggested that the result will be better when it is incorporating with a larger sample size of respondents from different regions rather than just targeting Malaysian's SMEs.

## **5.5 Conclusion**

Through this research, the results showed the critical factors that will influence Small-Medium Enterprises (SMEs) moving towards internationalisation. Marketing support and competitive capabilities found to be essential in the export performance of SMEs in the international market. While the findings indicate that financial support is not crucial in gaining competitive capabilities and export performance. This research also identified some limitations encountered that should be improved to make future research more accurate and reliable.

## REFERENCES

- Ahmad, S. Z., & Xavier, S. R. (2002). Entrepreneurial Environments and Growth: Evidence from Malaysia GEM Data. *Journal of Chinese Entrepreneurship*, 4(1), 50-69.
- Albaum, G., Strandkov, J. & Duerr, E. (1998). *International Marketing and Export Management*. Harlow, UK: Addison-Wesley.
- Al-Ali, N. (2014). Reflections On (Counter) Revolutionary Processes in Egypt. *Feminist Review*, 106(1), 122-128.
- Ambler, T., Styles, C., & Wang, X. C. (1999). The Effect of Channel Relationships and Guanxi On the Performance of Inter-Province Export Ventures in The People's Republic of China. *International Journal of Research in Marketing*, 16 (1), 75-87.
- Armstrong, C. E., Craig, B. R., Jackson, W. E., III, & Thomson, J. B. (2010). *The Importance of Financial Market Development on The Relationship Between Loan Guarantees for SMEs And Local Market Employment Rates*. Federal Reserve Bank of Cleveland, Working Paper: 1020.
- Badulescu, D. (2010). SMEs Financing: The Extent of Need and the Responses of Different Credit Structures. *Theoretical and Applied Economics*, 17(7), 25-36.
- Bajpai, N. (2011). *Business Research Methods*. Pearson Education India.
- Barclay, D., Higgins, C., & Thompson, R. (1995). The Partial Least Square (PLS) Approach to Casual Modeling: Personal Computer Adoption and Use as an Illustration. *Technology Studies*, 2, 285-309.
- Barney, J. B. (1986). Organizational Culture: Can It Be A Source of Sustained Competitive Advantage? *The Academy of Management Review*, 11(3), 656-665.
- Barney, J. B. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 99-120.



- Barney, J. (1995). Looking inside for Competitive Advantage. *The Academy of Management Executive (1993-2005)*, 9(4), 49-61.
- Barney, J. B. (2012). Purchasing, Supply Chain Management and Sustained Competitive Advantage: The Relevance of Resource-Based Theory. *Journal of Supply Chain Management*, 48(2).
- Bartolacci, F, Trong, C. N., & Van, H. V. (2017). *Government Support and Firm Financial Performance: New Evidence from A Transitional Economy*. MPRA, Paper No. 81752.
- Baumann, R., & Braga, H. C. (1988). Export Financing in LDCs: The Role of Subsidies for Export Performance in Brazil. *World Development*, 16(7), 821-833.
- Beck, T., Demirguc-Kent, & Maksimovic, V. (2008). Financing Patterns Around the World: Are Small Firms Different? *Journal of Financial Economics*, 89(3), 467-487.
- Bernstein, I., & Nunally, J. C. (1994). *Psychometric Theory*. New York: McGrawHill.
- Bharadwaj, S. G., Varadarajan, P. R., & Fahy, J. (1993). Sustainable Competitive Advantage in Service Industries: A Conceptual Model and Research Propositions. *Journal of Marketing*, 57(4), 83-99.
- Bilkey, W. J., & Tesar, G. (1977). The Export Behavior of Smaller Wisconsin Manufacturing Firms. *Journal of International Business Studies*, 8(1), 93-98.
- Bose, T. K. (2016). *Critical Success Factors of SME Internationalization*. Retrieved April 2, 2019, from <https://www.questia.com/library/journal/1P3-4070811531/critical-success-factors-of-sme-internationalization>
- Burns, N. & Grove, S. K. (2003). *Understanding Nursing Research*. (3rd ed.). Philadelphia: Saunders Company.
- Cavusgil, S. T. (1980). On the Internationalization Process of Firms. *European Research*, 8(6), 273-281.
- Cavusgil, S. T., & Zou, S. (1994). Marketing Strategy-Performance Relationship: An Investigation of the Empirical Link in Export Market Ventures. *Journal of Marketing*, 58(January), 1-21.

- Central Coordinating Agency (CCA). (2015). *SME Corporation Malaysia*. Retrieved April 2, 2019, from <http://www.smecorp.gov.my/index.php/en/about/2015-12-21-08-40-32/cca>
- Chen, C. H., Mai, C. C., & Yu, H. C. (2006). The Effect of Export Tax Rebates on Export Performance: Theory and Evidence from China. *China Economic Review*, 17(2), 226-235.
- Chen, J. K., Sousa, C. M. P., He, X. M. (2016). Export Performance Research: A Review of Literature 2005 – 2014. *International Marketing Review*, 5.
- Chiara, A. D. & Minguzzi, A. (2002). Success Factors in SMEs' Internationalization Process: An Italian Investigation. *Journal of Small Business Management*, 40 (2), 144-153.
- Clark, L. A., & Watson, D. (1995). Constructing Validity: Basic Issues in Objective Scale Development. *Psychological Assessment*, 7(3), 309–319.
- Collis, J., & Hussey, R. (2009). *Business Research: A Practical Guide for Undergraduate & Postgraduate Students*. (3rd ed.). New York: Palgrave Macmillan.
- Connor, K. R., & Prahalad, C. K. (1996). A Resource-Based Theory of the Firm: Knowledge Versus Opportunism. *Organization Science*, 7(5), 477-501.
- Crick, D. (1995). An Investigation into the Targeting of U.K. Export Assistance. *European Journal of Marketing*, 29(8), 76-94.
- Cronbach, L. J. (1951). Coefficient alpha and the internal structure of tests. *Psychometrika*, 16, 297-334.
- Czinkota, M. R. (1994). A National Export Assistance Policy for New and Growing Businesses. *Journal of International Marketing*, 2(1), 91-101.
- Diamantopoulos, A., & Hart, S. (1993). Marketing Research Activity and Company Performance: Evidence from Manufacturing Industry. *European Journal of Marketing*, 27(5), 54-72.
- Donthu, N., & Kim, S. H. (1993). Implications of Firm Controllable Factors on Export Growth. *Journal of Global Marketing*, 7(1), 47-63.

- Durmusoglu, S. S. (2012). The Effect of Government-Designed Export Promotion Service Use on Small and Medium-Sized Enterprise Goal Achievement: A Multidimensional View of Export Performance. *Industrial Marketing Management*, 41(4), 680-691.
- Economic Census 2016. (2016). *Department of Statistics Malaysia (DOSM)*. Retrieved April 2, 2019, from [https://www.dosm.gov.my/v1/index.php?r=column/cone&menu\\_id=UlyTnF2UTJM M1R1VhmlTTIZVbk5Wdz09](https://www.dosm.gov.my/v1/index.php?r=column/cone&menu_id=UlyTnF2UTJM M1R1VhmlTTIZVbk5Wdz09)
- Egan, M. L. (1992). Buyer-Seller Links in Export Development. *World Development*, 20(3).
- Egena, O., Wombo, D. N., Theresa, E. E., & Bridget, M. N. (2014). Institutional Support for Small and Medium Enterprises in Nigeria: An Empirical Investigation. *International Journal of Economy, Management and Social Sciences*, 3(9), 481–489.
- Etemad, H. (2004). Internationalization of Small and Medium-sized Enterprises: A Grounded Theoretical Framework and An Overview. *Wiley Online Library*. Retrieved April 2, 2019, from <https://onlinelibrary.wiley.com/doi/10.1111/j.1936-4490.2004.tb00319.x>
- E-Trade Programme: Digital Free Trade Zone (DFTZ). (2017). *MATRADE*. Retrieved April 2, 2019, from <http://www.matrade.gov.my/en/for-foreign-buyers/industry-capabilities/trade-statistics/138-malaysian-exporters/etrade-programme>
- Fahy, J. (2002). A Resource-Based Analysis of Sustainable Competitive Advantage in A Global Environment. *International Business Review*, 11, 57-78.
- Falahat, M., Knight, G., & Alon, I. (2018). Orientations and Capabilities of Born Global Firms from Emerging Markets. *International Marketing Review*.
- Falahat, M., & Migin, M. W. (2017). Export performance of international new ventures in emerging market. *International Journal of Business and Globalization*, 19(1), 111-125. <https://doi.org/10.1504/IJBG.2017.085119>
- Falahat, M., Migin, M. W., Chuan, C. S., & Kong, P. F. (2015). Conceptualising the early and rapid internationalizing firms. *Procedia - Social and Behavioral Sciences*, 211(September), 612–618. <https://doi.org/10.1016/j.sbspro.2015.11.080>
- Falahat, M., Mohamad, O., & Migin, M. W. (2013). Born global firms in developing economies: the case of Malaysia. *Australian Journal of Basic and Applied Sciences*, 7(4), 586-594.

- Falahat, M., Tehseen, S., & Van Horne, C. (2018). Entrepreneurial Innovativeness and Its Impact on SMEs' performances. *International Journal of Entrepreneurship*, 22(3), 1-9.
- Fang, E., & Zou, S. (2009). Antecedents and Consequences of Marketing Dynamic Capabilities in International Joint Ventures. *Journal of International Business Studies*, 40, 742-761.
- Faroque, A. R., & Takahashi, Y. (2015). Export Marketing Assistance and Early Internationalizing Firm Performance: Does Export Commitment Matter? *Asia Pacific Journal of Marketing and Logistics*, 27(3), 421- 443.
- Fornell, C. & Larcker, D. F. (1981). Evaluating Structural Equation Models with Unobservable Variables and Measurement Error. *Journal of Marketing Research*, 18(1), 39-50.
- Freeman, R. E. (2007). The Resource-Based View: Origins and Implications. *Handbook of Strategic Management*, 124-188. Oxford, UK: Blackwell.
- Garver, M., & Mentzer, J. (1999). Logistics Research Methods: Employing Structural Equation Modeling to Test for Construct Validity. *Journal of Business Logistics*, 20(1), 33-57.
- Gencturk, E. F., & Kotabe, M. (2001). The Effect of Export Assistance Program Usage on Export Performance: A Contingency Explanation. *Journal of International Marketing*, 9(2), 51-72.
- George, D., & Mallery, P. (2003). *Using SPSS for Windows Step by Step: A Simple Guide and Reference (4th ed.)*. London: Pearson Education.
- Gold, A. H., Malhotra, A., & Segars, A. H. (2001). Knowledge Management: An Organizational Capabilities Perspective. *Journal of Management Information Systems*, 18(1), 185–214.
- Grant, R. M. (1991). The Resource-Based Theory of Competitive Advantage: Implications for Strategy Formulation. *California Management Review*, 33 (3), 14-135.
- Griffith, D. A. (2011). Insights into Gaining Access to Export Financing: Understanding Export Lenders' Ideal Exporter Profile. *Journal of World Business*, 46, 84–92.
- Griffith, D. A., & Czinkota, M. R. (2012). Release the Constraints: Solving the Problems of Export Financing in Troublesome Times. *Business Horizons*, 55, 251-260.

- Hair, J. F., Bush, R. P., & Ortinau, D. J. (2006). *Marketing Research: Within A Changing Information Environment*. Boston: McGraw-Hill Education.
- Hair, J., Hult, G., Ringle, C., & Sarstedt, M. (2013). *In A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)*. Thousand Oaks: Sage.
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). *Multivariate Data Analysis*. (7th ed.). Prentice Hall.
- Hashim, M. K. (2008). *Emerging Issues in Small and Medium-sized Enterprises*. Penerbit Universiti Utara.
- Heckscher, E. (1919, reprint 1950). *The Effects of Foreign Trade on Distribution and Income*. Ellis, H. S. & Metzler, L. A (eds.). Readings in the Theory of International Trade, London, Allen and Unwin.
- Hennart, J. F. (1988). A Transaction Cost theory of Equity Joint Ventures. *Strategic Management Journal*, 9(4).
- Hoque, A. S. M. M. (2018). Does Government Support Policy Moderate the Relationship Between Entrepreneurial Orientation and Bangladeshi SME Performance? A SEM Approach. *International Journal of Business Economics and Management Studies*, 6(3), 37-59.
- Hullan, J. (1999). Use of Partial Least Square (PLS) in Strategic Management Research: A Review of Four Recent Studies. *Strategic Management Journal*, 20, 195-204.
- Indrawati, N. K., Purwanto, S., Rohman, F., & Setiawan, M. (2018). Financial Assistance, Marketing Assistance and Export Commitment to Improve Export Performance. *European Research Studies Journal*, 21(4), 69-91.
- Iweka, H., Babajide, A., & Olokoyo, F. O. (2016). Dynamics of Small Business in an Emerging Market: Challenges and Opportunities. *3rd International Conference on African Development Issues*, 91-99.
- Jaafar, S. S. (2018). SME Contribution to Malaysia's Economy Rose to 37% in 2017. *The Edge Markets*. Retrieved April 2, 2019, from <http://www.theedgemarkets.com/article/sme-contribution-malaysias-economy-rose-37-2017>

- Jan, W., & Colin, D. (2009). *Collection Secondary Data*. Marketing Research, 71-73. Cape Town, South Africa: Juta and Company Ltd.
- Jap, S. D., & Ganesan, S. (2000). Control Mechanisms and the Relationship Lifecycle: Implications for Safeguarding Specific Investments and Developing Commitment. *Journal of Marketing Research*, 37(2), 227-245.
- Jonson, J., & Vahlne, J-E. (1977). The Internationalization Process of the Firm: A Model of Knowledge Development and Increasing Foreign Commitments. *Journal of International Business Studies*, 8(1), 23-32.
- Johnson, J., & Vahlne, J-E. (1990). *The Mechanism of Internationalization*. *International Marketing Review*, 7(4), 11-24.
- Johnson, J., & Wiedersheim-Paul, F. (1975). The Internationalization of the Firm: Four Swedish Cases. *Journal of Management Studies*, October, 305-322.
- Joo, H. Y., & Suh, H. (2017). The Effect of Government Support on Corporate Performance Hedging against International Environmental Regulation. *Sustainability* 2017, 9.
- Kaleka, A. (2011). When exporting manufacturers compete on the basis of service: Resources and marketing capabilities driving service advantage and performance. *Journal of International Marketing*, 19(1), 40-58.
- Katsikeas, C. S. (1994). Export Competitive Advantages: The Relevance of Firm Characteristics. *International Marketing Review*, 11(3), 33-53.
- Kay, J. (1993). *The Foundations of Corporate Success*. New York, Oxford University Press.
- Keller, K. L. (1993). Conceptualizing, Measuring, and Managing Customer-Based Brand Equity. *Journal of Marketing*, 57(1), 1-22.
- Kline, R. B. (2011). *Principles and Practice of Structural Equation Modeling*. New York: Guilford Press.
- Knight, G. A. (2002). Information Internalisation in Internationalising the Firm. *Business Research*, 55(12), 14-21.
- KOF Index of Globalization – 100 Most Globalized Countries 2018. (2018). *Statista*. Retrieved April 2, 2019, from <https://www.statista.com/statistics/268168/globalization-index-by-country/>

- Kogut, B. (1988). Joint Ventures: Theoretical and Empirical Perspectives. *Strategic Management Journal*, 9(4).
- Kogut, B., & Zander, U. (1992). Knowledge of the Firm, Combinative Capabilities, and The Replication of Technology. *Management of Technology*, 3(3), 383-397.
- Kotabe, M., & Czinkota, M. R. (1992). State Government Promotion of Manufacturing Exports: A Gap Analysis. *Journal of International Business Studies*, Fourth Quarter, 637-658.
- Lee, Y. Y., Falahat, M., & Sia, B. K. (2019). Impact of Digitalization on the Speed of Internationalization. *International Business Research*, 12(4).
- Lengler, J. F. B. (2013). The Antecedents of Export Performance of Brazilian SMEs: The Non-Linear Effects of Customer Orientation. *International Small Business Journal*, 4.
- Lengler, J., & Moura, I. S. D. (2013). The Impact of Financial Resources on the Export Performance-The Case of Portuguese Exporting Firms. *9<sup>th</sup> Iberian International Business Conference*.
- Leonidou, L. C., Katsikeas, C. S., & Hadjimarcou, J. (2002). Executive Insights: Building Successful Export Business Relationships: A Behavioral Perspective. *Journal of International Marketing*, 10(3), 96-115.
- Leonidou, L.C., Palihawadana, D., & Theodosiou, M. (2011). National Export-Promotion Programs as Drivers of Organizational Resources and Capabilities: Effects on Strategy, Competitive Advantage, and Performance. *Journal of International Marketing*, 19(2), 1-29.
- Ling-ye, L., & Ogunmokun, G. O. (2001). The Influence of Interfirm Relational Capabilities on Export Advantage and Performance: An Empirical Analysis. *International Business Review*, 10, 399-420.
- Mahalingam, E. (2018). Opportunities in E-commerce. *The Star Online*. Retrieved April 2, 2019, from <https://www.thestar.com.my/business/smebiz/2018/08/20/opportunities-in-ecommerce/>

- Malaysia on Track to Achieve 21% Ecommerce Growth by 2020. (2018). *Malaysia Digital Economy Corporation*. Retrieved April 2, 2019, from <https://www.mdec.my/news/malaysia-on-track-to-achieve-21-ecommerce-growth-by-2020>
- Malhotra, N. K., & Peterson, M. (2009). *Basic Marketing Research: A Decision Making Approach*. Pearson Education.
- Mathew, J. A. (2003). *Competitive Dynamics and Economic Learning: An Extended Resource-Based View*. *Industrial and Corporate Change*, 12 (1), 115-145.
- Mitchell, M., & J. Jolley. (1996). *Research Design Explained*. Fort Worth, USA: Harcourt Brace Publishers.
- MITI, Alibaba Host Panel to Explore Cross-Border Opportunities for Malaysian Businesses (2018). *Digital News Asia*. Retrieved April 2, 2019, from <https://www.digitalnewsasia.com/digital-economy/miti-alibaba-host-panel-explore-cross-border-opportunities-malaysian-businesses>
- Morgan, N. A., Kaleka, N., & Katsikeas, C. S. (2004). Antecedents of Export Venture Performance: A Theoretical Model and Empirical Assessment. *Journal of Marketing*, 68(1), 90-108.
- Morgan, N. A., & Hunt, S. (1999). Relationship-Based Competitive Advantage: The Role of Relationship Marketing in Marketing Strategy. *Journal of Business Research*, 46(3), 281-290.
- Morgan, N. A., & Vorhies, D. W. (2005). Benchmarking Marketing Capabilities for Sustainable Competitive Advantage. *Journal of Marketing*, 69(1), 80-94.
- Naidu, G. M., & Rao, T. R. (1993). Public Sector Promotion of Exports: A Needs Based Approach. *Journal of Business Research*, 27, 85-101.
- National SME Development Council. (2015). *SME Corporation Malaysia*. Retrieved April 2, 2019, from <http://www.smecorp.gov.my/index.php/en/about/2015-12-21-08-40-32/nsdc>
- Navarro, A. (2010). Antecedents and Consequences of Firms' Export Commitment: An Empirical Study. *Journal of International Marketing*, 18(3), 41-61.



- Nonaka, I. (2007). *Foreword*. International Marketing in The Network Economy, Florian Kohlbacher, Palgrave Macmillan, Basingstoke.
- Oboreh, J. S, Francis, U. G. & Ogechukwu, A. D. (2013). SMEs in Nigeria and the Use of Relationship Marketing Strategy: A Survey Study of IGBO SMEs in Nigeria. *Global Journal of Management and Business Research Marketing*, 13(7), 49-75.
- Ohlin, B. (1933). *Interregional and International Trade*, Oxford, U.K. The University Press.
- Parahoo, K. (2006). *Nursing Research: Principles, Process, And Issues*. Basingstoke, Hampshire, [England]; New York: Palgrave Macmillan.
- Penrose, E. T. (1959). *The Theory of the Growth of the Firm*. Oxford University Press: New York.
- Pham, T. S. H., Monkhouse, L. Le, & Barnes, B. R. (2017). The Influence of Relational Capability and Marketing Capabilities on The Export Performance of Emerging Market Firms. *International Marketing Review*, 34(5), 606–628
- Porter, M. E. (1980). *Competitive Strategy*. New York: Free Press.
- Reid, S. D. (1981). The Decision-Maker and Export Entry and Expansion. *Journal of International Business Studies*, 12(3), 101-112.
- Ricardo, D. (1817, reprint 1981). *The Principles of Political Economy and Taxation*. Cambridge, U.K. Cambridge University Press.
- Riddle, L. A. (2003). Information Sources for New Ventures in the Turkish Clothing Export Industry. *Small Business Economics*, 20(1), 15.
- Samuelson, P. A. (1948). International Trade and The Equalization of Factor Prices. *Economic Journal*, 58, 163-184.
- Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research Methods for Business Students*. (5<sup>th</sup> ed.). Harlow, England: Prentice Hall.
- Sekaran, U., & Bougie, R. (2012). *Research Methods for Business: A Skill Building Approach*. (6th ed.). Chichester, West Sussex: John Wiley & Sons, Inc.
- Sekaran, U., & Bougie, R. (2013). *Research Methods for Business: A Skill Building Approach*. (6th ed.). Chichester, West Sussex: John Wiley & Sons, Inc.

- Seringhaus, F. H. R. (1986). The Impact of Government Export Marketing Assistance. *International Marketing Review*, 3(2), 55-66.
- Shamsuddoha, A. K. (2004). *Antecedents of Firm Export Performance: The Role of Export Promotion Programs*. Retrieved April 2, 2019, from [https://www.researchgate.net/publication/27475214\\_Antecedents\\_of\\_firm\\_export\\_performance\\_the\\_role\\_of\\_export\\_promotion\\_programs](https://www.researchgate.net/publication/27475214_Antecedents_of_firm_export_performance_the_role_of_export_promotion_programs)
- SME Definition. (2015). *SME Corporation Malaysia*. Retrieved April 2, 2019, from <http://www.smecorp.gov.my/index.php/en/policies/2015-12-21-09-09-49/sme-definition>
- SME Statistics. (2015). *SME Corporation Malaysia*. Retrieved April 2, 2019, from <http://www.smecorp.gov.my/index.php/en/policies/2015-12-21-09-09-49/sme-statistics>
- SMEs Financing. (n.d.). *MIDF*. Retrieved April 2, 2019, from <http://www.midf.com.my/index.php/en/what-we-do-en/sme-financing>
- Smith, A. (1776, reprint 1963). *An Inquiry into the Nature and Causes of the Wealth of Nations*. Homewood, Ill, Irwin.
- Souchon, A. L. (1996). A Conceptual Framework of Export Marketing Information Use: Key Issues and Research Propositions. *Journal of International Marketing*, 4(3), 49-71.
- Sousa, C.M., Martínez-López, F.J., & Coelho, F. (2008). The Determinants of Export Performance: A Review of the Research in the Literature between 1998 and 2005. *Management Reviews*, 10(4), 31.
- Tannous, G. (1997). Financing Export Activities of Small Canadian Businesses: Exploring the Constraints and Possible Solutions. *International Business Review*, 6(4), 411-431.
- Teo, T. S. H., Srivastava, S. C., & Jiang, L. (2008). Trust and Electronic Government Success: An Empirical Study. *Journal of Management Information Systems*, 25(3), 99-132.
- Varadarajana, P. R., & Cunningham, M. H. (1995). Strategic Alliances: A Synthesis of Conceptual Foundations. *Journal of the Academy of Marketing Science*, 23, 282-296.
- Vernon, R. (1966). International Investment and International Trade in the Product Life Cycle. *Quarterly Journal of Economics*, 80(2), 190-207.

- Verónica, R. R. E. P. (2013). *Marketing Research Organization and Planning*. Business Research Methods: Theory and Practice. ESIC Editorial.
- Walker, O. C., & Ruekert, R. W. (1987). Marketing Role in the Implementation of Business Strategies. *Journal of Marketing*, 51(July), 15-33.
- Wells, L. T. (1968). A Product Life Cycle for International Trade. *Journal of Marketing*, 32(7), 1–6.
- Wernerfelt, B. (1984). A Resource-Based View of the Firm. *Strategic Management Journal*, 5(2), 171-180.
- Wiklund, J. and Shepherd, D. (2005) Entrepreneurial Orientation and Small Business Performance: A Configurational Approach. *Journal of Business Venturing*, 20, 71-91.
- Yeoh, P. L. (2000). Information Acquisition Activities: A Study of Global Start-Up Exporting Companies. *Journal of International Marketing*, 8(3), 36-60.
- Zia, B. (2008). Export Incentives, Financial Constraints, and the (Mis)allocation of Credit: Micro-level Evidence from Subsidized Export Loans. *Journal of Financial Economics*, 87(2), 498-527.
- Zikmund, W. G. (2003). *Business Research Methods*. (7<sup>th</sup> ed.). Ohio: Thomson South-Western.
- Zikmund, W. G., Babin, B. J., Carr, J. C., & Griffin, M. (2009). *Business Research Methods*. (8<sup>th</sup> ed.). Cengage Learning.
- Zikmund, W. G., Babin, B. J., Carr, J.C. & Griffin, M. (2010). *Business Research Methods*. (8<sup>th</sup> ed.). New York: South Western/ Cengage Learning.
- Zikmund, W. G., Babin, B. J., Carr, J.C. & Griffin, M. (2013). *Business Research Methods*. (9<sup>th</sup> ed.). New York: Australia/South Western
- Zain, M., & Ng, S. I. (2006). The Impacts of Network Relationships on SMEs' Internationalization Process. *Thunderbird International Business Review*, 48(2), 183-205.

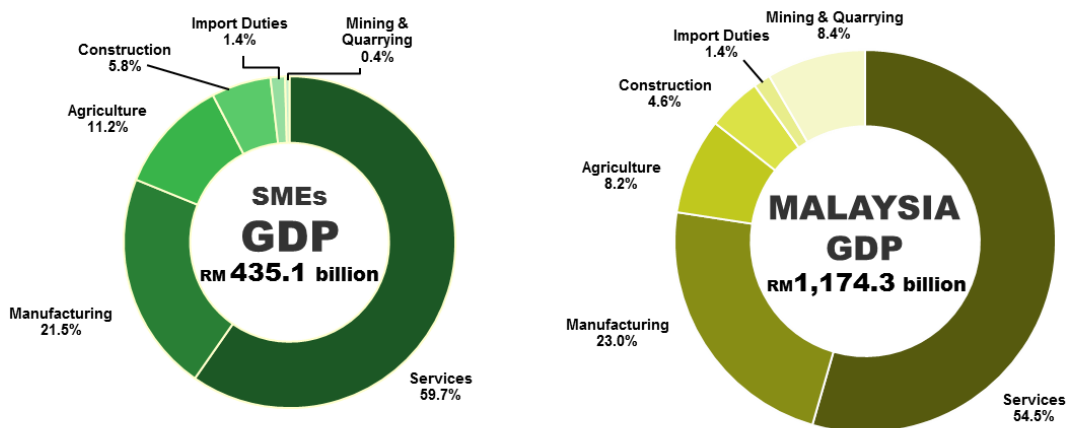
## APPENDICES

### APPENDIX 1.1: SME's Definition in Malaysia

Size	Micro		Small		Medium	
	Sales Turnover	Employees	Sales Turnover	Employees	Sales Turnover	Employees
Manufacturing	< RM300,000	< 5 employees	RM300,000 to < 15 Million	5 to < 75 employees	RM15 Million to ≤ 50 Million	75 to ≤ 200 employees
Services & Others			RM300,000 to < 3 Million	5 to < 30 employees	RM3 Million to ≤ 20 Million	30 to ≤ 75 employees

### APPENDIX 1.2: Percentage Share of SMEs GDP and Malaysia's GDP for 2017

**Chart 2** Percentage Share of SMEs GDP and Malaysia's GDP for 2017 at Constant 2010 Prices



### APPENDIX 1.3: Summary of SMEs Involvement in Malaysia

#### SMEs are the backbone of the economy

