

International Opportunity Recognition Through International Trade Intermediary Networks in Malaysian SMEs

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Abstract: This paper expatiates the role of International Trade Intermediary (ITI) to International Opportunities Recognition (IOR) in Malaysian Small and Medium sized Enterprises (SMEs). Thirty SMEs were selected for interview. The results illustrate that twenty five SMEs explored international opportunities through their relation with ITIs. This paper also highlighted ten reasons for IOR through ITIs in Malaysian SMEs. The most important reasons are social ties and business networks, familiarity with governmental support, and familiarity with diverse cultures. In addition, government agencies were found the most important intermediary for IOR in Malaysian SMEs.

Key words: International Entrepreneurship, International opportunity recognition, International Trade Intermediary, Network theory, SMEs, Malaysia

INTRODUCTION

International Entrepreneurship (IE) has basically captured the recognition and exploitation of opportunities for international exchange (Ellis, 2011). International Opportunity Recognition (IOR) is the fundamental step in SMEs internationalization, while it is also considered as one of the important barriers for moving to international market (OECD, 2008). Recently, researchers in IE field have shown an increased interest on IOR among SMEs.

Prior studies ignored the role of external factors and mostly focused on the role of individuals and firm characteristics (Arenius and De Clercq, 2005; Hessels and Terjesen, 2010; Terjesen and Hessels, 2007). Availability of favourable resources is important factor in influencing the internationalization of SMEs and allows firms to exploit international opportunities and reduce threats in competitive environments (Michalisin *et al.*, 1997; Jones, 1999) while they lack individual's cognitive and firms' resources for IOR and move to international market (Vandekerckhove and Dentchev, 2005). Yet is little known about the method used by entrepreneurs to compensate their individual and firms resources limitation for IOR (Terjesen and Hessels, 2007).

Regarding to the lack of resources in SMEs, recent evidences show that firms' internationalization is facilitated and influenced by their relationships with others in their network and involvement of entrepreneurs in business and social networks have influence on opportunity recognition and its exploitation (Aldrich and Zimmer, 1986; Arenius and De Clercq, 2005; Coviello and Munro, 1997; Ellis, 2011; Johanson and Mattson, 1988; Loane and Bell, 2006; Meyer and Shak, 2002; Oviatt and McDougall, 2005; Rutashobya and Jaensson, 2004; Singh, 2000).

Regarding to the importance of networks for SMEs internationalization in the recent decades and in parallel with the reality, recent studies also have shifted their focus from individuals and firms characteristics on firms' relationships and networks (Dana *et al.*, 2008).

Researchers have paid less attention on topic of international opportunity (Muzychenko, 2008) and this subject has never been considered relevant in the IE studies (Shook *et al.*, 2003; Dana *et al.*, 2008). Some studies (see. Loane and Bell, 2006; Meyer and Shak, 2002; Rutashobya and Jaensson, 2004; Zain and NG, 2006) also addressed the limitation that how entrepreneurial managers are able to compensate their personal networks to obtain information about international opportunities.

This paper intends to fill this gap, by examining the network of SMEs with International Trade Intermediary (ITI) to compensate the resources scarcities. The findings of this paper suggest that SMEs are able to overcome resource limitations and access to IOR, with their relation and networking with ITIs. Intermediaries can play an important role by providing them their resources such as their knowledge, language, culture, and their experience.

Previous studies on the relationship between SMEs and ITIs have focused on transactional cost theory (e.g. Peng and Ilinitich, 1998; Lau, 2008), agency theory (for example, Karunaratna and Johnson, 1997), institutional theory (e.g. DiMaggio and Powell, 1983) and resource dependency theory (e.g. Hessels and Terjesen, 2008),

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while internationalization is fundamentally affected by relationship and networks. Therefore, the relationships between intermediaries and SMEs have been studied through network theory in the current paper. This paper argues that a focus on network-based view is more appropriate to study the relation of SMEs and ITIs for IOR. Network ties among SMEs and export intermediaries seemed essential due to the limitation of resources and individuals cognitive especially for young and inexperienced SMEs. Nevertheless, it is not obvious; why SMEs recognize opportunities in foreign market with their relation with export intermediaries, and in particular, how different kinds of export intermediaries are used in identifying such opportunities. Therefore, this study is addressing the following questions to fill the gap in the literature; (1) What types of export intermediaries do SMEs employ for international opportunity recognition? (2) Which types of export intermediaries have more potential to affect the international opportunity recognition? (3) What are the reasons for using export intermediaries by SMEs to identify opportunities for international exchange?

In addressing these questions and based on qualitative research and drawing an insight from network-based theory and IE studies, this paper aimed to contribute to the network-based view derived from IE literature, and examines their applicability for IOR. Paper also respond to calls for more research on international opportunity recognition (Dimitratos and Jones, 2005; Ellis, 2011; Oviatt and McDougall, 2005; Zahra *et al.*, 2005; Kontinen and Ojala, 2010), as well as provide useful managerial application to export managers of Malaysian manufacturers SMEs and their intermediaries having business network to exchange the resources for recognizing more opportunities in international markets. In addition, the study aimed to contribute to export intermediaries' studies by investigating the network based theory.

Findings are obtained from manufacturers, which have export in the context of Malaysian SMEs and support the importance of network-based view in explaining international opportunity recognition and were using export intermediaries for their export activities.

The interview with SMEs' managers revealed that there are four types of ITIs including; 1) government agency, (2) foreign intermediary based in foreign market, (3) Malaysian private intermediary based in Malaysia, and (4) foreign private intermediary based in Malaysia. The findings also expose ten reasons for IOR through export intermediaries by SMEs. The most important reason for IOR in SMEs has known as the social ties and business networks of export intermediaries. The results substantiate the empirical link between resources exchanges between export intermediary and SMEs on international opportunity recognition in Malaysian manufacturer SMEs. Results proposed that SMEs are able to compensate their resource scarcities with their networking with export intermediaries.

Theoretical Background:

This section looks at the importance of resources for IOR, and introduces network theory related to IOR. Thereafter, it briefly discusses the relationship between ITIs and SMEs, the important role of ITIs for IOR and Malaysian SMEs.

Resources and International Opportunity Recognition:

SMEs success in IOR depends on the favourable resources (Andersen and Kheam, 1998; Bloodgood *et al.*, 1996; Wilkinson and Brouthers, 2006). Availability of favourable resources allows firms to exploit international opportunities and neutralize threats in competitive environments (Michalisin *et al.*, 1997). Unique resources could change firms to become efficient and effective in their marketplace (Barney *et al.*, 2001; Chiao and Yang, 2011). Several studies have discovered that there is direct relationship between firm resources and export performance (Bloodgood *et al.*, 1996; Morgan *et al.*, 2004; Wilkinson and Brouthers, 2006).

Firms' resources are mixture of intangible and tangible resources (Barney, 2001; Ruppenthal and Bausch, 2009). Tangible resources are relatively obvious and are not necessarily scarce, because they are often purchasable in the open market (Michalisin *et al.*, 1997) while intangible resources are less easy to recognize, understand and replicate and they usually have more effect on higher export performance (Fahy *et al.*, 2000; Peteraf, 1993).

A number of studies have found that acquiring intangible resources for SMEs such as experience, specific knowledge about international market, marketing skills, and information to operate in international markets are necessary for internationalization regarding to their scarcities in SMEs (Eriksson *et al.*, 1997; Ohmae, 1989; Acs *et al.*, 1997; Alvarez, 2004; Ramaswami and Yang, 1990; Wolf and Pett, 2000).

Lack of such resources in SMEs is considered great barrier in IOR especially for going into international markets (Serिंगhaus and Rosson, 1998) and they prefer to stay as 'homebodies', because if they just rely on their own resources, they would not tolerate the uncertainties and risks of overseas markets and they would fail in international market (Acs and Preston, 1997). Therefore, without intangible resources, attempts to export and compete in international markets, in comparison to large firms, are doomed to failure (Alvarez, 2004; Coviello and McAuley, 1999; Hollenstein, 2005; Karagozoglu and Lindell, 1998; Knight, 2000; Wolf and Pett, 2000) and they face high risk to move into international market (Burpitt and Rondinelli, 2000).

As a result, the resource limitations of SMEs for IOR in internationalization forced them to rely on their networking with other individuals or firms to compensate their resource scarcities. Therefore, internationalization studies have moved backward to the past and networks have become more important again in a new economy (Dena *et al.*, 2008) and these days, opportunity identification is fundamentally affected by network structure (Ellis, 2011).

Networking and International Opportunity Recognition:

Based on Network theory, network involves “sets of two or more connected exchange relationships” (Axelsson and Johanson, 1992). Therefore, markets are the systems of industrial and social relationships among suppliers, customers, competitors, friends, family, and others. Members involve in the network are able to exchange resource (Sharma and Blomstermo, 2003). Internationalization in the network model is developing network ties with other firms belonging to a network in a foreign market (Johanson and Mattson, 1988; Kontinen and Ojala, 2010) which facilitates foreign market entry as the bridges between firms in different markets (Chetty and Holm, 2000; Johanson and Vahlne, 1990; Kontinen and Ojala, 2010). The network model suggests that to compensate resource scarcities, a firm can develop its position in an existing network or by establishing new ties (Johanson and Mattson, 1988, Kontinen and Ojala, 2010). Developing networks could be between a firm and different types of actors in foreign markets, for example with distributors, customers, competitors, suppliers, non-profit organizations, and bodies in public administration (Kontinen and Ojala, 2010).

Advantages of Networking:

Networking has some advantages for SMEs internationalization. Through networking, SMEs have more chances of meetings and gatherings with other parties to exchange information (Meyer and Shak, 2002). They are able to spread their business from domestic to global markets by introducing them to new partners and positions within those markets (McNaughton, 2000). Therefore, there is no need to follow a staged progression of internationalization compared to large firms (Coviello and Munro, 1997). Networking help SMEs to provide information and necessary strategy to internationalization and it increases flexibility when the market is highly unpredictable (Kogut and Kulatilaka, 1994; Peng and Ilinitich, 1998). It provides safeguard against market instability (Achrol and Kotler, 1999) and reduces risk and uncertainty in the foreign markets (Root, 1994). Accordingly, SMEs are able to get quick decision through networking (Johnston and Lawrence, 1988). Therefore, networking acts like a bridge to enter in foreign markets, which help firms to expose themselves to new opportunities, learn from experiences, attain knowledge, make advantages from pooled resources, providing firms with the opportunity and motivate to internationalization (Chetty and Holm, 2000).

Different Types of Network Ties:

Numerous studies have argued that focus of networking is on inter-organizational network (Easton and Hakansson, 1996; Johanson and Vahlne, 1992) and inter-personal relation; (Johanson and Vahlne, 1992; Meyer and Shak, 2002). It has conclusively been discussed that both inter-personal and inter-organizational networks are able to affect on international opportunities (Arenius and De Clercq, 2005; Butler *et al.*, 2003; Coviello and Munro, 1997; Loane and Bell, 2006; Meyer and Shak, 2002; Rutashobya and Jaensson, 2004; Singh, 2000). Inter-personal network as one of the important factors in opportunity recognition is a channel in getting market information and going into foreign market (Singh *et al.*, 1999). Through inter-personal networks, entrepreneurs are able to exchange knowledge and information, which is currently not available (Arenius and De Clercq, 2005; Nahapiet and Ghoshal, 1998). In China, interpersonal connections are called ‘Guanxi’, which is important network for sharing resources (Redding, 1990; Yang, 1994). “Guanxi” means a relationship between objects, forces, or persons. It refers to relationships between people on mutual interest and benefit (Yang, 1994). Since Guanxi is the source of sustained competitive advantage for doing business in foreign countries it is worthwhile for managers to assess their company's Guanxi with outside stakeholders, such as customers, suppliers, and government bodies (Tsang, 1998).

Social and business networks also are the important resources of the firm (Johanson and Mattson, 1988; Ellis, 2011) and have a positive relation with IOR, information collection, and cost reduction (Aldrich and Zimmer, 1986; Arenius and De Clercq, 2005; Loane and Bell, 2006; Rutashobya and Jaensson, 2004; Sharma and Blomstermo, 2003; Singh, 2000; Weerawardena and Mort, 2006). Firms and entrepreneurs that have developed social and business networks have better advantages for IOR and providing a way of access to new and different types of information that would not otherwise be encountered (Wilkinson *et al.*, 2005). The quality and scope of entrepreneurs’ social networks, affect its recognition and development of the opportunities. Entrepreneurs will have better chance of opportunities recognition, if they were located at valuable positions inside a network (Aldrich and Zimmer, 1986).

In addition, weak ties also as one type of inter-personal networks, have found as the important resource for SMEs in the IOR process in the several studies (Crick and Spence, 2005; Dimitratos and Jones, 2005; Harris and Wheeler, 2005; Komulainen *et al.*, 2006; Zain and NG, 2006; Ellis, 2011).

Previous studies have reported a positive relationship between IOR and types of networks such as previous customers, friends and relatives living in foreign markets (Rutashobya and Jaensson, 2004), stakeholder managers (Vandekerckhove and Dentchev, 2005), previous employees and the managers who have foreign market experience (Loane and Bell, 2006), personal ties with extended family (Kotkin, 1993; Rauch, 1996), local government (Barrett, 1997), and even military, distribution channels for collecting information (Hsing, 1999), that can give valuable market opportunities information to the exporters (Peng and Ilinitch, 1998).

Inter-firm relations are also important sources for IOR in order to overcome resource limitation (Agndal *et al.*, 2008; Coviello and Munro, 1997). Inter-firm relations with others in the network may provide the intermediary for resources accessing at the right time. The result of that could be mutual interdependence, commitment and trust building over time, exchanging knowledge and information (Ha'kansson and Snehota, 1995). For example, information about foreign markets is the important source for IOR, which SMEs can acquire through external parties (Agndal *et al.*, 2008; Majkgard, 1998). Drawing on the expertise of other firms in a relationship network improves international performance (Agndal *et al.*, 2008; Blomstermo *et al.*, 2004). A firm's network can be referred as the social capital of the firm (Adler and Kwon, 2002; Agndal *et al.*, 2008; Nahapiet and Ghoshal, 1998). Therefore, the more relationships a firm has, the more diverse the knowledge it can acquire and the more opportunities can be created or identified (Agndal *et al.*, 2008).

As can be seen from the literature, most of the network studies have addressed the relationship between networking and collecting information for internationalization, while information is just one of the required resources for IOR. Even if SMEs collect data, they will face challenges in processing information due to lack of resources (Calof, 1993; Nijssen *et al.*, 1999). So far, however the relationship between networks and opportunity perception have not been sufficiently addressed (Arenius and De Clercq, 2005) and there is less attention about the methods used by entrepreneurs to compensate other individual and firms' limitation resources (Hessels and Terjesen, 2010). Therefore, more research is required on importance of other intangible resources for IOR and their scarcities in SMEs.

International Trade Intermediaries and IOR:

Numerous researches have disclosed that SMEs are able to overcome their resource scarcities and get more chance to meet international opportunities with the creative combination of internal resources with external capabilities especially drawn from diverse national locations and development of resources by choosing proper partners (Ardichivili *et al.*, 2003; Day, 1994; Dimitratos and Jones, 2005; Oviatt and McDougall, 2005; Wilkinson and Brouthers, 2006; Zahra *et al.*, 2005). Ellis (2010) stated that when entrepreneurs identify any exchange partners and intermediaries, they are able to exploit opportunities. Thus, identifying a good exchange partner is important for IOR. Network connection for the new SMEs, which they lack experience in international markets, act as bridges beyond the boundaries into foreign markets (Johanson and Vahlne, 1992; Sharma and Johanson, 1987). Thus, the network approach may particularly be suited to those required a certain level of cooperation between exchange parties (Johanson and Vahlne, 1992).

Resource limitations and scarcities in SMEs provide a rationale for the existence of ITIs and it has a particularly important role in SMEs internationalization. Therefore, SMEs exporters must pay special attention to the distinctive competencies of intermediaries (Blomstermo *et al.*, 2006; Inkpen and Beamish, 1997; Lingyee and Ogunmokin, 2001; Peng and Ilinitch, 1998; Porter and Fuller, 1986; Rosson and Ford, 1982; Terjesen *et al.*, 2008). ITI is source of connections from one country to the customers of another country, that could provide alternative resources, which both manufacturers and end users required, but do not have (Lee and Danusutedjo, 2000; Day, 1994).

Malaysian SMEs:

In most instances, companies began as a small or medium establishment or even as a micro enterprise before graduating to what it is today. Hence, SMEs have long been recognized as the backbone to any economy as they have been an important generator of employment and growth. The interest in the SMEs in Malaysia has witnessed a significant growth over the years (SMIDEC, 2009).

The number of SMEs in Malaysia is growing (Shankar *et al.*, 2010; Hashim, 2000). SMEs in Malaysia have stronger tendency towards exporting activities than large firms and they are looking for broader market for their products (Shankar *et al.*, 2010).

Malaysia SMEs received substantial government support especially on finance, access to information and market. Despite Malaysian government support for SMEs, there are still differences between SMEs share in exporting and share in GDP. SMEs account for about 80% of total business establishments. Therefore, going forward in order for Malaysia to achieve a developed nation and high-income status, domestic SMEs are expected to be an important driver of growth (SMIDEC, 2009). Malaysian SMEs can be defined according to size, turnover and activity. SMEs in Malaysia fall into two broad categories (SMIDEC, 2009):

1. Manufacturing, manufacturing-related services and agro-based industries, which have either fewer than 150 full-time employees or an annual sales turnover of less than RM25 million.

2. Services, primary agriculture and information and communication technology (ICT), which have either fewer than 50 full-time employees or an annual sales turnover of less than RM5 million.

This study has chosen the first category that has fewer than 150 full-time employees.

Export intermediary networking have been considered as extremely important for international opportunity recognition in SMEs due to their resources limitation for IOR. Research on this area has been carried out in relation to resources and international opportunity recognition, networking and international opportunity recognition, different types of network ties and international trade intermediaries. Previous studies have investigated the relationship between SMEs and ITIs on the transactional cost theory (e.g. Karunaratna and Johnson, 1997; Peng and Ilinitich, 1998; Lau, 2008), agency theory (for example, Karunaratna and Johnson, 1997) institutional theory (e.g. DiMaggio and Powell, 1983) and resource dependency (e.g. Hessels and Terjesen, 2008). There has been no prior research base on network view among SMEs and export intermediaries. From earlier studies, it appears that relationship and networks fundamentally affect the internationalization.

For this reason, the present study seeks to clarify how network based view explain the relationship between SMEs and export intermediaries to compensate resource scarcities for IOR. Based on these discussions, the following Figure-1 was developed as the research framework.

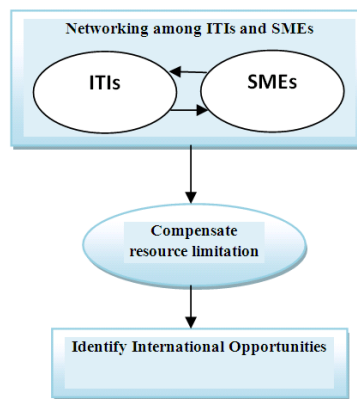


Fig. 2: Preliminary theoretical approach.

MATERIALS AND METHODS

Sampling and Data Collection:

Given the current limited understanding of international opportunity recognition through export intermediaries, qualitative research method was adopted for this study. Therefore a case study approach similar to the methodology introduced by Eisenhardt (1989), Yin (1994), Kontinen and Ojala (2010), Ellis (2010 and 2011) were employed. In-depth investigation, with clarifications of cause and effect relationships is possible through case study method also it allows the usage of replication logic regarding the phenomenon in question, enabling researchers to identify the subtle similarities and differences that are present within a collection of cases (Eisenhardt, 1989; Yin, 1994; Kontinen and Ojala, 2010). The case study method is also relevant when the study covers a real-life environment in which a particular action (such as opportunity recognition) takes place (Yin, 1994; Kontinen and Ojala, 2010). Therefore, Shane (2000) discusses that the case study led to the examination of opportunity recognition in a position where “all of the relevant behaviors cannot be manipulated through experimental design”. As a qualitative study, interviews were used to gather data as one of the most important sources of information (Yin, 1994). The interviewee is able to better explain the purpose of this study because there is less attention to the reason of using export intermediaries for IOR in the previous literature.

Semi-structured interviews were conducted to individuals who were personally responsible for IOR and exporting. This individual is usually the senior manager, who may also be the owner of the firm same as other studies such as Ellis (2010). Similar procedure was followed for each interview and was categorized as:

- SMEs with less than 150 employees.
- Independent business based in Malaysia.
- Already involved in exporting.
- Using export intermediaries for their exporting purposes.

The twenty-five managers were selected for interview when they came for seminar, “Business Opportunity and Networking session seminar” and “Information and Communication Technology seminar (ICT) seminar”, which were organized by Federation Malaysian Manufacture (FMM) in July and August 2010.

The interviewees were first asked to illustrate their background of themselves and their firm such as age, the number of employees, and tenure engaged in exporting. Later, detailed questions were asked as the following: (1) list of the export intermediaries, which they have used for exporting, (2) type of export intermediaries that have the most potential effect on Malaysia exports, and (3) specifications of ITIs that have led their firms to recognize international opportunities.

Interview process focused on the IOR through ITIs. In the entrepreneurship literature, there are several methods for measuring opportunity recognition (Ellis, 2011). These includes guessing the possibility of opportunities recognition in the immediate future (Arenius and De Clercq, 2005); counting the number of perceived opportunities in the immediate past (Singh, 2000); and estimating the level of awareness to new opportunities is common (Hills and Schrader, 1998; Ozgen and Baron, 2007).

Another approach is to determine enacted opportunities, that is to proof only those opportunities that caused to the formation of exchange agreements or new ventures (Shane, 2000; Ellis and Pecotich 2001; O'Connor and Rice, 2001; Sharma and Blomstermo, 2003; Weerawardena and Mort, 2006; Ellis, 2011). This approach was used for this study, which IOR considered about the recognized opportunities in foreign markets that have led to the development or exchange agreements via export intermediaries.

Interviews lasted on average for 12 minutes and answers were recorded into data-shells. In addition, checklists and event listings were used (Miles and Huberman, 1994) for identifying significant factors related to the reasons of IOR through ITIs and types of ITIs.

Data Analysis and Finding:

All 25 respondents recognized that most of their international opportunities are through ITIs. The majority of SMEs indicated more than 60 percent of their total export, sales, and agreements come from ITIs. In addition, most of respondent were owner-manager with diploma or bachelor who had less than 50 employees, established their manufacturer during the last five years (36%) and had less than three years experience (64%) in international market. Furthermore, 92% of respondents were male and their ages were between 31 to 50 years old. These results showed that SMEs, which were smaller in their size, younger in their age, and had less experience in the international markets, were more tend to rely on the ITIs. Table1 shows the descriptive statistic of respondents.

Table1: Descriptive statistic of respondents.

Gender	Frequency	Percent
Male	23	92.0
Female	2	8.0
Age		
20 - 30	1	4.0
31 -40	12	48.0
41 - 50	12	48.0
Educational status		
Secondary school	1	4.0
Diploma	13	52.0
Bachelor	10	40.0
Master	1	4.0
Position		
Owner-manager	15	60.0
General- manager	6	24.0
Export manager	4	16.0
Age of firm		
1 - 5 years	18	72.0
6-10 years	5	20.0
Over 11years	2	8.0
Number of employees		
1 - 4 employees	3	12.0
5 - 50 employees	14	56.0
51 - 100 employees	8	32.0
Firm's export experience		
1 - 3 years	16	64.0
4 - 7 years	9	36.0
Percentage of firm's total export sales from it is		
21% - 40%	1	4.0
41% - 60%	10	40.0
61% -80%	12	48.0
More than 80%	2	8.0

Percentage of firm's sales agreements from it is		
21%-40%	1	4.0
41-60	9	36.0
61%-80%	14	56.0
More than 80%	1	4.0
The most potential export intermediaries for IOR		
Foreign Intermediary in Malaysia	15	60.0
Malaysian Private Intermediary	1	4.0
Foreign Intermediary in foreign Market	6	24.0
Government Agency	3	12.0

According to the findings of interviews, SMEs are source to introduce four types of ITIs for IOR in order to compensate their resource scarcities and limitations (1) government agency, (2) foreign intermediary based in foreign market, (3) Malaysian private intermediary based in Malaysia, and (4) foreign private intermediary based in Malaysia. Most of the respondents indicated that government agencies were the most important intermediary for their IOR, followed by foreign intermediary in foreign countries. Malaysian private intermediary, and foreign private intermediary based in Malaysia have been known as the third and fourth important intermediary to IOR respectively. In addition, more than sixty percent of respondents indicated that foreign private intermediary based in Malaysia as the most potential export intermediaries for IOR.

According to the results, the reasons of IOR through ITI have found as; (1) social ties and business networks, (2) familiarity with governmental support and assistance, (3) familiarity with diverse cultures, (4) possessing information, (5) alertness, (6) communication skills, (7) international experiences, (8) Promotional activities such as attending to different exhibition, (9) ability and familiarity with market research, and (10) different geographic locations. Figure 2 shows these reasons.

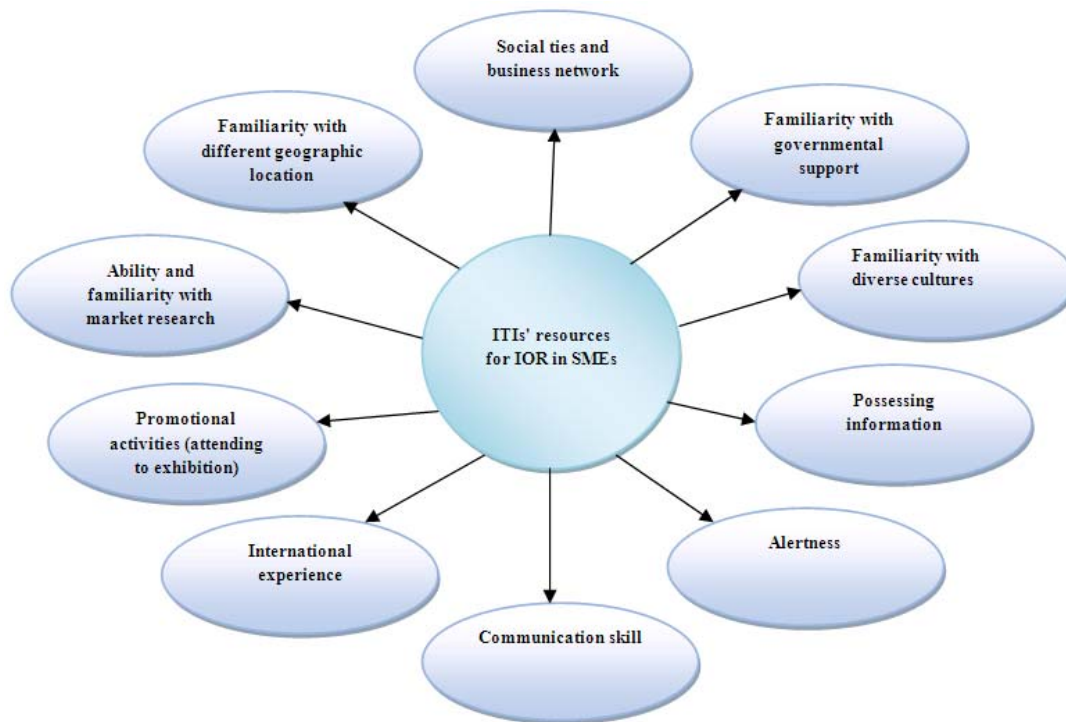


Fig. 2: ITI's resources of IOR which were identified by Malaysian SME's.

Discussion:

These results show that the Malaysian government programs for SMEs assistance had been effective. These programs motivate SMEs and young managers to move toward international markets. Nevertheless, still there is a significant difference between SMEs' share in national exports and GDP. Moreover, they need more incentive and promoting programs in order to increase their export and improve their situation in the global market. In the following section, reasons of IOR through ITIs have been discussed.

Business Networks and Social Ties:

Social ties and business networks with foreign market have been known as the first and most important identified reason for IOR by ITIs. The positive relationship between personal and business networks with opportunity recognition has been shown in the previous studies (e.g. Butler *et al.*, 2003; Arenius and De Clercq 2005; Ellis, 2011). For doing business in developing countries, good personal relationships and business connections are most important indicators (Xin and Pearce, 1996; Fox, 1987). Sometimes making relation with other actors in the markets takes several years to really build up a good relationship (Tsang, 1998). Since most of SMEs are young to have long-term relationship and are not familiar with other networks in international markets, they prefer to rely on the social ties and business networks of ITIs.

Familiarity with Governmental Support and Assistance:

Government has a wide assortment of marketing tools to assist SMEs wishing to access international markets. Further, companies are looking for building connections with government officials to defend themselves against threats in foreign markets (Xin and Pearce, 1996), but SMEs often do not have awareness about these programs or mean to access them. Moreover, the process of gaining support by government agencies often appears complex and time consuming (OECD, 2008; Barrett, 1997). Therefore, SMEs often choose not to use the available support. For that reason, they try to seek their protection through ties with other organization such as export intermediaries, which are familiar with governmental supports. Hence, ITIs with their familiarity with these governmental incentive programs are able to assist SMEs for IOR.

Familiarity with Diverse Cultures:

Unknown business customs and different business solutions in different part of the world are the external challenges for SMEs internationalization activity. The failure causes of many businesses are cultural differences between countries (Ricks, 1993; Steenkamp, 2001). Cross-cultural communication has highly positive influence on the theme of IOR (e.g. Zahra *et al.*, 2005). Therefore, SMEs develop their relation with ITIs for IOR in different cultures.

Process Information:

Respondents explored information possession about markets as one of the reasons to choose ITIs for IOR. Export information affects international opportunity recognition (Zahra *et al.*, 2005; Reid, 1984; Wiedersheim-Paul *et al.*, 1978; Leonidou and Katsikeas, 1996). Firms have a strong need for general information during the initial export stages, as they move to higher stages, more specific information is required (Serinhaus and Rosson, 1998; Leonidou and Katsikeas, 1996). SMEs lack useful information to recognize opportunities in international markets and information collection is difficult for them due to differences in language, culture and a lack of knowledge about local situations in other countries. Even if they possess the information, they will have difficulties in consulting and analyzing the information (Powell and Bradford, 2000; Rahmandoust *et al.*, 2011). Therefore, possessing the information in ITIs is one of the elements for relying on ITIs for IOR, which respondents noted.

Alertness:

The respondents reported alertness as another cause for counting on ITIs in developing IOR. The relation between alertness and opportunity recognition has been shown in the previous studies (e.g. Kirzner, 1973; Gaglio and Katz, 2001; Baron, 2007). Gaglio and Katz (2001) have shown that in any given market situation, alert individuals are more sensitive to signals of market disequilibrium than non-alert individuals. Individuals, who are not alertness in market, simply ignore or discount the new opportunities in foreign markets. Respondents reported that ITIs are alertness about upcoming opportunities that never seen before due to their networks and their experience.

Communication Skills:

One of the important intangible resources, which lead exporters to operate well in the foreign market, is communication skill that respondents have referred to as the ITI's skills toward recognition of opportunities. ITIs are able to better communicate with customers due to their good understanding on cultures and market mechanisms that is consistent with prior studies such as (Easton and Li, 1993).

International Experience:

Experience about foreign market has been as one of the reasons to depend on ITIs, which was indicated by respondents. Previous studies have shown that opportunities mostly are recognized by the previous experiences and it leads exporters to gather and analyze certain types of information quickly and recognize opportunities (Zahra *et al.*, 2005; Singh *et al.*, 1999). Since most of respondents had less than 7 years experience in international markets, they prefer to develop their relations with ITIs to compensate their experience gap.

Promotional Activities Such as Attending to Different Exhibitions:

Customers are looking for favourable service such as short delivery times and promotional support from sellers (Piercy *et al.*, 1997). SMEs introduced the ability of ITIs to do promotional activities such as attending different exhibitions and trade shows as an important factor toward IOR. Since most of respondents were young and does not have much financial supports, they prefer to develop their relation with ITIs by introducing their products to different countries and foreign customers. ITIs act as provider of promotional services (e.g. participation in fairs) that assists them to create links with foreign customers, assist them to access the foreign markets and organize their sales, growth and productivity. In addition, export managers stated that trade shows are also an effective means for obtaining knowledge about foreign markets, export sales and increased profits which they can do that through ITIs. Previous studies also have noted the importance of trade shows and exhibitions for foreign markets assessment (e.g. Seringhaus and Rosson, 1998; Wilkinson and Brouthers, 2006).

Ability and Familiarity with Market Research:

Market research is one of the intangible resources for IOR that leads SMEs to gather data about foreign market, analyze the data, and move beyond the border, which respondents have been introduced as one of the reasons of using ITIs. This is consistent of the study of Ellis (2010) that showed ITIs play an important role in transferring marketing knowledge to manufacturers in transition economies.

Familiarity with Distance Geographic:

Geographic distance is one of the barriers to international commerce (Beckerman, 1956; Leamer, 1974; Ellis, 2011). Distance between markets has transportation cost as well as uncertainty of business dealing with foreign customers (Leamer, 1974). Due to different geographical places, SMEs are not familiar with different geographical regions or market segments. Therefore, SMEs are relying more on ITIs because of the unknown markets.

With regards to the importance of familiarity with diverse cultures and distance, geographic immigrant entrepreneurs as foreign private intermediaries could act as potential intermediaries in internationalization of Malaysian SMEs. Therefore, motivating immigrant entrepreneur in Malaysia is necessary due to their business potential and their important role in developing a strong international network. For this purpose, the Malaysian government could provide them with their natural and primarily needs like work and living facilities, leasing opportunities and longer residency permission. On the other hand, this can be a good opportunity for entrepreneurs, who have specific resources such as knowledge and experience, to act as intermediary to supplement SMEs resources for IOR.

Conclusion:

The results revealed that SMEs, that have found opportunities in international market through ITIs were younger, smaller in size, and have less experience in international market. By acquiring more experience, knowledge and developing global networks, they could able to deal directly in international markets. In other words, young SMEs need some special support like an incubator system to get them in the international markets. SMEs with lack of resources tend to rely on ITIs to develop their global market competencies. It is particularly crucial for SMEs to pay special attention to the type of resources that contributes towards IOR and export performances. ITIs, which possess social ties and business networks, familiarity with governmental support, market research, diverse cultures and geographic, possessing information about international market, alertness, communication skills, international experiments, and ability to attend different exhibitions have positively helped in SMEs' IOR.

In this study, ITIs are categorized into four types and it seems like those ITIs, which have a foreign owner, are more potential to develop international business and social network between Malaysia and foreign markets, because they can develop business networks between two countries due to their familiarity to the different language, culture and even geographical location in distant markets and they can act as a bridge to connect two different markets. On the other hand, immigrant entrepreneurs as the foreign business owners are able to introduce more opportunities that are international.

Future Research:

This study examined only manufacturing industry. Future study could focus on the service sector because services might work differently than goods. In addition, the measures for export intermediaries' networking in this study was directed only at export managers' perceptions and did not include export intermediaries view point. Future study could be enhanced by including both exporters and export intermediaries. Furthermore, future research into three-way relationships among manufacturers, export intermediaries and overseas customers would be more beneficial in obtaining accurate information (Peng and Ilinitich, 1998). This study also suggests studies should be conducted from different cultures to ensure the robustness of the framework.

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