

RESEARCH PROJECT

THE MODERATING EFFECT OF FIRM SIZE: THE KEY DETERMINANTS OF INTERNATIONALIZATION OF MALAYSIANS SMALL AND MEDIUM ENTERPRISES (SMEs) IN MANUFACTURING SECTOR

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Abstract

Previous research on internationalization of multinational firms has explored the relationship between internationalization, competitive advantage, management attitude and international knowledge and experience.

The internationalization of large multinational firms is well documented and much research attention has been given to their motives and strategies for expansion. Yet, lack of research in this field has specifically addressed the internationalization of SMEs operating in the manufacturing industry. It shows that the role of the firm size in internationalization is not fully understood. With the above context, this research is to further explore the relationship of key determinants of internationalization of SMEs operating in the manufacturing industry with the moderating effect of firm size on internationalization.

Total 300 questionnaires have been sending out via email to the SMEs operating in manufacturing industry situated in the state of Selangor. The result shows the key determinants of firm internationalization, i.e. competitive advantage, management attitude and international knowledge and experience have positive relationship with firm internationalization. However, the result is not significant when firm size as a moderating factor.

The major contribution of this study is to create awareness to the Malaysian manufacturing SMEs the important of international expansion. The finding of this research is very encouraging and inference that the firm size is not the barrier of SMEs to go for international expansion.

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I congratulate myself for the job well done and glad that this research will be beneficial to an organization which currently or will embark into evaluating key determinants of internationalization especially in manufacturing sector. I hope you enjoy reading the research as part of the insightful topic that I passionate in.

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CHAPTER 1

RESEARCH INTRODUCTORY

CHAPTER 1 – RESEARCH INTRODUCTORY

1.1 Introduction

In most countries, small to medium-sized enterprises (SMEs) represent the majority of firms. Based on Census of Establishment and Enterprises 2005 by Department of Statistics, Malaysia, there are more than 550,000 companies in operations in Malaysia. Out of this, 99.2 per cent were defined as Small and Medium Enterprises (SMEs). The services sector comprises 86.6 per cent, followed by 7.2 per cent in the manufacturing sector and 6.2% in the agriculture sector. As a result, SMEs play an important role in the economic growth of Malaysia.

Shankar, Sulaiman and Yusliza (2010) have emphasized that the importance of SMEs to long-term economic growth. The economic stability derives from the firm size and structure, which under adequate conditions allow them the flexibility and ability to confront adverse economic conditions. As a result, SMEs are generally more labor intensive than large firms and have lower capital costs associated with job creation.

Consequently, SMEs play an important role in fostering income stability, growth, and employment. The development of SMEs is also important for poverty alleviation and the promotion of more pluralist societies. However, the only way for SMEs continuous to growth is to establish and expand sales in international marketplace. Typically, this is referred to internationalization process of SMEs, a phenomenon that has received significant attention from scholars.

The world's business and trade landscape continue to evolve rapidly with increasing globalization, with implications of Malaysia's SMEs. Among them is the growing competition in the domestic and international markets. Whilst in the past, Malaysia's SMEs

were to some extent “protected” through tariff and non-tariff measures that enabled them to garner significant market share in the country. Anyway, this is no longer the case. Malaysia’s SMEs can no longer orientate their business solely towards the domestic domain, but they must seek for opportunities in the global marketplace.

The internationalization of large multinational firms is well documented and much research attention has been given to their motives and strategies for expansion. Yet, lack of research in this field has specifically addressed the internationalization of SMEs operating in the manufacturing industry. It shows that the antecedents and the role of the firm size in internationalization are not fully understood. It is important to find out the key determinants for manufacturing SMEs in Malaysia to go for international expansion and its relation to the firm’s size.

1.2 SMEs in Malaysia: An Overview

In broader perspective, Arbaugh, Camp and Cox (2008) define enterprising firms as one which is designed to create wealth through new economic activity by bringing together unique packages of resources to exploit marketplace opportunities. In international business, researchers and practitioners define SMEs based on the socioeconomic development of each country. In the United States, an SME is a company with 500 or fewer employee while in Taiwan, Lin & Chaney (2007) has defined SMEs in their studies as an establishment with 650 employees or less.

Malaysia adopted a common definition of SMEs to facilitate identification of SMEs in the various sectors and subsectors. This has facilitated the Government to formulate effective

development policies, support programmes as well as provision of technical and financial assistance.

An enterprise is considered an SME in each of the respective sectors based on the Annual Sales Turnover or Number of Full-Time Employees as tabulated in the Table 1.1 below:

Table 1.1: Definition of SME based on Annual Sales Turnover and Number of Full-Time Employees

	Micro-enterprise	Small enterprise	Medium enterprise
Manufacturing, Manufacturing-Related Services and Agro-based industries	Sales turnover of less than RM 250,000 OR full time employees less than 5	Sales turnover between RM 250,000 and less than RM 10 million OR full time employees between 5 and less 50	Sales turnover between RM 10 million and RM 25 million OR full time employees between 51 and 150
Services, Primary Agriculture and Information & Communication Technology (ICT)	Sales turnover of less than RM 200,000 OR full time employees less than 5	Sales turnover between RM 200,000 and less than RM 1 million OR full time employees between 5 and less 19	Sales turnover between RM 1 million and RM 5 million OR full time employees between 20 and 50

Generally, SMEs can be grouped into two broad categories:

1) Manufacturing, Manufacturing Related Service and Agro-based Industries

Small and medium enterprises in the manufacturing, manufacturing related services and agro-based industries are enterprises with fulltime employees not exceeding 150, or with annual sales turnover not exceeding RM 25 million.

2) Services, Primary Agriculture and Information & Communication Technology (ICT)

Small and medium enterprises in the services, primary agriculture and Information & Communication Technology (ICT) sectors are enterprises with fulltime employees not exceeding 50, or with annual sales turnover not exceeding RM 5 million.

Besides, Hashim and Abdullah (2000) have introduced the quantitative criteria to further define SMEs in Malaysia by including the following:

- a) It is actively managed by its owners, or in another words, ‘owner managed and family business’
- b) It is highly personalized (i.e. with an owner’s preferred management style)
- c) It is largely local in its area of operation
- d) It is largely dependent on internal sources of capital to finance its growth

The rationale behind the inclusion of these four qualitative characteristics is to establish the entrepreneurial orientation that will reflect the general ownership profile of SMEs in Malaysia. Therefore, the SMEs in this study are observed during the sample selection activity.

Malaysia’s manufacturing SMEs play an important role in spurring the country towards continuous economic growth. There are reportedly 44,185 manufacturing companies registered with the Company Commission of Malaysia, of which 20,455 are active establishments. SMEs constituted approximately 89.8% of these active establishments.

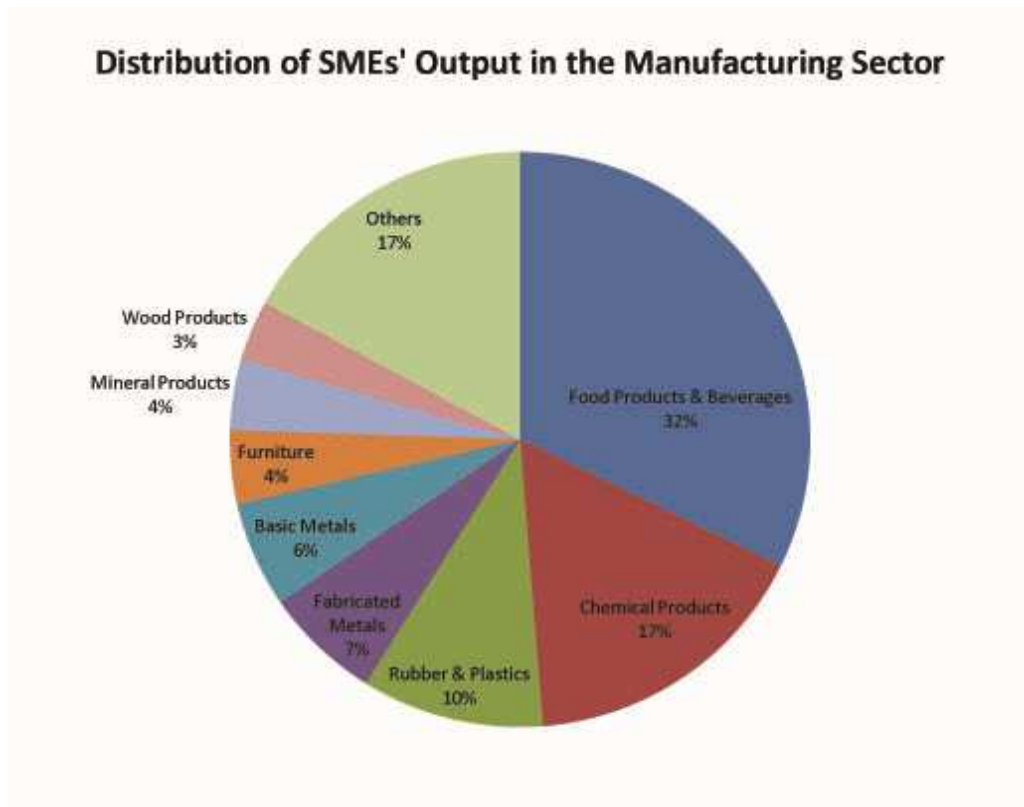
As highlighted in the SMEs Annual Report 2007, SMEs continued to grow from strength, as evident in their performance in 2007. Approximately 40% of the SMEs in the manufacturing sector are in the resource-based sector.

Malaysian SMEs accounted for 96% of all establishments in the manufacturing sector in 2007, contributing 30.7% (RM94.4 billion) of total manufacturing output and employing 31.6% (413,397) of the total workforce.

Refer to the figure 1.1, among the sub-sectors of manufacturing, food products and beverages contributed the highest share of output, at 32.3%. This was followed by chemical and

chemical products (16.5%), rubber and plastics (10.2%), fabricated metal products (6.5%), basic metals (6.0%), furniture (4.1%), non-metallic mineral products (4.0%), wood and wood products (3.4%) and other (17.1%).

Figure 1.1



As the whole world is facing the impact of globalization, it is therefore reasonable for the scope of this research to identify the key determinants of Malaysian manufacturing SMEs to go for international expansion in order to compete in this competitive marketplace. It is hope that with this research, we are able to contribute to the growth of manufacturing SMEs in Malaysia.

1.3 Research Questions

The purpose of this research is to identify the key aspects of international expansion of Malaysian manufacturing SME and its relation to the firm's size. Several research questions have triggered this research to be done. They are listed as follow:

- 1) Do Malaysians manufacturing SMEs explore their business activities to international marketplace?
- 2) Are competitive advantage, management attitude and international knowledge and experience the key determinants of Malaysians manufacturing SMEs to go for internationalization?
- 3) Is firm size the moderator of competitive advantage and internationalization?
- 4) Is firm size the moderator of management attitude and internationalization?
- 5) Is firm size the moderator of international knowledge and experience and internationalization?

These questions are the focus of the study and shall guide this research in the intended direction.

1.4 Objectives of the Study

With the above questions, the following are the research objectives:

- 1) To identify the key determinants of internationalization of Malaysian manufacturing SMEs.
- 2) To distinguish whether the key determinants of internationalization and firm's internationalization have a positive relationship between the variables.

- 3) To identify moderating effect of firm size between the key determinants of internationalization and firm's internationalization.

Through understanding the above objectives, it is therefore able to determine what the main factors are for Malaysian manufacturing SMEs' management to decide for international expansion.

1.5 Scope of Research

This research is survey on the key determinants of internationalization of Malaysian Manufacturing SMEs where firm size as a moderating factor. There are 3 key determinants of internationalization has been identified, namely competitive advantage, management attitude and international knowledge and experience. Meanwhile, the firm size is represented by the sales volume.

There are total 548,267 SMEs registered with Company Commission of Malaysia in year 2010 and these SMEs representing more than 99% of the nation's business establishments. 7.2% of the total SMEs i.e. 39,373 are in manufacturing sector. Meanwhile, there are total 98,523 SMEs established in Selangor. Hence, this research is extended to the Malaysian Manufacturing SMEs solely situated in Selangor, Malaysia. Targeted respondents are personnel involved in the decision making process of the organization.

1.6 Thesis Organization

This research is divided into five chapters which will cover the following topics:

Chapter 1: Research Introductory

This chapter introduces the research background in general and provides a brief introduction of the objectives of the research and the scope of study for the research.

Chapter 2: Literature Review

This chapter is the literature review of the research. It covers the development of relevant academic studies in the area of this research and the result of the academic studies. For this research, the literature review section consists of previous academic studies and finding concerning on the key determinants of Malaysian manufacturing SMEs internationalization and the firm internationalization. The key determinants for Malaysian manufacturing SMEs internationalization and the firm internationalization are discussed in this chapter.

Chapter 3: Research Methodology

This chapter explains how this research is being developed and designed; and identifies which methodology that the research used in collecting the data, and samples collection methods.

Chapter 4: Research Results

This chapter describes the research results and the analysis of the research through testing the hypotheses and its relationship of the variables. The comparative analysis will be organized according to the framework outlined in the research methodology.

Chapter 5: Conclusion and Implications

This chapter concludes the research by giving feedback on the limitation of the study, managerial implication of the research and recommendations on the future study topics and discovery.

1.7 Chapter Summary

This chapter provides a general understanding of the research topic. The research questions and research objectives were established and identified. Furthermore, the chapter outlines the scope of the study for key determinants of international expansion for Malaysians manufacturing SMEs and its relation to the firm's profitability and how the research will be organized.

CHAPTER 2

LITERATURE REVIEW

CHAPTER 2 – LITERATURE REVIEW

2.1 Introduction

This chapter will review past and present literature to identify the variables of this research. The review of the literature will identify the various dimensions of the respective variables and how past researchers were conducted to examine the relationships between these variables.

Each construct, i.e. internationalization, competitive advantage, management attitude and international knowledge experience and firm size will be reviewed in the literature review in the subsequent sections. By understand the various variables in this research it will help to chart the research design in a more structured manner.

2.2 Internationalization

Internationalization is traditionally viewed as a process which a firm moves from operating solely in its domestic marketplace to international marketplace. Anderson and Strandkov (1998) have defined internationalization as the selection of the ‘right’ country markets to venture besides their home country. It is a process taken by the companies to make their products or services available in the foreign country.

Tobias and Olov (2005) have further explained that the concept of internationalization is a trend toward greater interdependence among national institutions and economies boundaries. It is characterized as ‘denationalization’ in which national boundaries are less relevant.

Hendry (1996) has suggested that internationalization is the process of leveraging domestic competencies into foreign markets and transferring competitive advantages based on factors

such as superior technology and products. Usman and Rashid (2002) supported this concept and mentioned that internationalization can also be viewed as a process of contracting firms leaving their home markets in search of opportunities abroad.

On the other hand, firms expand to international marketplace because involved in global business activities that increased business opportunities for the firms (Czinkota and Ronkainen, 2004). By expanding the businesses around the globe, the firms can strengthen its competitive position. Besides lengthening the product life cycle in other countries, internationalization can also avoid early market saturation in the home country.

There are two main motivations for firms' internationalization, i.e. traditional motivations and emerging motivations (Barlett and Ghoshal, 2000). The traditional motivations drove a company to invest abroad because it needs to secure key supplies, such as minerals, energy and scarce raw material resources. The desire to access low production cost is also one of the important trigger of internationalization. On the other hand, the emerging motivations were driven by set of economic, technological and social developments that made internationalization essential for a company to survive in particular business.

Basically, the major motives for firm to start with international business activities can be divided into pro-active and re-active motives. Pro-active motives are focusing primarily on opportunities, whereas re-active motives are necessary for the firm's survival. Czinkota and Ronkainen (2004) have further explained that the pro-active motivation is to make the best use of profit, technological or unique product advantages. It can also consist of identifying and utilizing tax benefits or exclusive information to the firms' benefit. Re-active motivation is national competitive pressure or declining domestic sales that forces a firm to expand abroad to avoid making an economic loss.

Before a company decides to venture into the foreign market, it is important to consider the internal and external factors extensively. The internal factors refer to corporate objectives, organization and resources availability. The external factors refer to competitions, technological changes, and economic, political or social changes. The monitoring of internal and external factors helps in the decision of whether to adapt the pro-active or re-active strategy when going international.

The new global economy has created business environments that require firms to ignore the traditional thinking of the domestic market and start looking for business from international perspective. The internationalization process refers to a wide range of activities involved to conduct business transactions across national boundaries. International business is where a firm that goes beyond exporting and directly involved in the local market environment within a given country or market when they practice international business.

Czinkota and Ronkainen (2004) has emphasized that internationalization is necessary because from a national point of view, economic isolation has become impossible. Failure to participate in the international marketplace assures declining economic capability of a nation. They have further pointed that internationalization is a gradual process for any companies who wish to venture into the foreign market. For most companies, export operations are the first step in internationalization process. There is evidence that many firms develop their export business, are on a gradually basis. Many companies appear to grow into international business activities through a series of phased developments. They steadily change their strategies and tactics as they become more and more involved in the operation activities.

Besides, ‘international business knowledge and experience’ of SMEs is another factors that needs to be judged before venturing into international marketplace (Johanson and

Wiedersheim, 1975). The 'knowledge' in the internationalization process for a firm when deciding to venture into international marketplace refers to the psychic distance.

Brewer (2007) clarified that the connection between psychic distance and 'knowledge' is that a firm will tend to move forward to those country markets that they can get to know most easily. Meanwhile, the firms will try to avoid those markets that are difficult to get to know. It is further postulated that psychic distance is a result of perceived business differences between the home country and host country. Brewer (2007) explained that the bigger the perceived differences, the less likely a country will be selected by the firm to venture into.

According to Stottinger and Schlegelmilch (1998), a firm initially select markets which are perceived to be similar and will then move on to countries which are perceived to be dissimilar. Thus, psychic distance is a significant incitement when making market selection in the initial stage of a company's international business development. Cicic (1999) has further pointed that the psychic distance factor is very prominent particularly in the cases of small and medium sized firms.

There are several determinants that encouraged local companies to venture their business internationally. Some of the factors that persuaded these companies venture into foreign countries include creating business opportunities for the growth of the company, the management attitude to encourage for international expansion, to create competitive advantage against other local competitors, to lengthen their product's life cycle and also to avoid early market saturation in the home country (Czinkota and Ronkainen, 2004).

Basically the Malaysian manufacturing SMEs in this study is refers to the economic sector that is involved in activities such as processing, assembling and producing final products for both local and export market. In order for the manufacturing SMEs venture into the oversea

market, the concerns such as which country to venture into, how to enter and the types of entry strategy that they will consider when venturing into the identified country.

One of the most frequently applied models in internationalization process is “The Uppsala Internationalization Model” (Johansson and Vahlne, 1977 & 1990). This model has its theoretical base in the behavioral theory of the firm. The internationalization process is seen as a causal cycle with the firm’s knowledge as the single explanatory variable.

Reid (1983) agreed with the “Uppsala Model” and further explained the stages of internationalization. Firms move sequentially through different stages as they develop their international business, starting with no interest in exporting, progressing through exporting, and finally foreign direct investment modes such as Partnership, Joint Venture (JV), Strategic Alliance (SA), Acquisition and Wholly-Owned Subsidiary (WOS) in both production and sales.

2.3 Competitive Advantage

Competitive advantage is defined as the strategic advantage of one business entity has over its rival entities within its competitive industry. The term competitive advantage is the ability of a firm gained through attributes and resources to perform at a higher level than others in the same industry or market (Porter, 1980 & 1990). Porter have pointed that competitive advantage is one of the key determinant directly influence a firm towards international expansion.

According to Dunning (1988), specific organizational skills or technologies allow a firm to gain competitive advantage in the marketplace. Porter (1990) further discussed the competitive advantages of nations and finds that different nations are competitive in different

industries and clusters. A firm should locate its activities in nations where there are concentrations of groups of competitors, sophisticated buyers, important suppliers and other players of significance for the industry, such as universities and research institutions.

A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors Porter (1980 and 1990). Successfully implemented strategies will lift a firm to superior performance by facilitating the firm with competitive advantage to outperform current or potential competitors. Hence, by achieving competitive advantage, a firm can strengthen and positions a business better within the business environment. Competitive advantage in this study is defined as a value creating strategy that enables internationalization of manufacturing SMEs.

Porter (1980 and 1990) has suggested that competitive advantage of a firm can be achieved via cost leadership, differentiation and focus. Cost leadership emphasizes producing standardized products or services at very low cost for consumers who are price sensitive. In order to achieve cost leadership, most of the entrepreneur looking for low labor cost or low raw material cost abroad. Differentiation is a strategy aimed at producing products or services considered unique industry wide and directed at consumers who are relatively price insensitive. Last, focus means producing products or services that fulfill the needs of small groups of consumers.

A competitive advantage exists when a firm has produced products or services that are perceived by its targeted customers as better than others (Dess, Gregory G., G.T. Lumpkin and Marilyn L. Taylor, 2005). Dess, Gregory, Lumpkin and Marilyn further stressed that competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors. These attributes can include access to natural resources, such as high grade ores or inexpensive power, or access

to highly trained and skilled personnel human resources. Besides, Levy and Weitz (2004) has suggested that competitive advantages may include customer loyalty, the specific location of a store, relationships with suppliers both domestic and international and the low cost of operations.

Porter (1980) has defined cost leadership as an ability to undertake actions that reduce cost and improve efficiency, reliability, or execution. Cost leadership is expected to influence the degree of internationalization of manufacturing SMEs by enabling it to achieve cost levels that provide competitive advantage to SMEs in international marketplace (Bloodgood, 1996). Competitive advantage through cost leadership may be achieved by possession of better production technologies and by increased flexibility and agility to adapt to new customer requirements.

Deloitte & Touche (1996) has related the differential advantages to the firm's unique products and services that are launched in the foreign market. By having advantages over competitors, it allows firms to exploit these advantages in the international market place and gain greater profits. They further stressed that differentiation has lead a firm to greater international expansion. Therefore, if a firm has posed a transferable competitive advantage, it is more likely the firm has positive disposition towards operating internationally.

Wiederheim-Paul, Olson H.C and Welch L.S. (1978) found that a manufacturing firm perceived competitive advantages directly influence the firm toward international expansion. Bilkey (1978) have supported the above statement by mentioned that when a manufacturing firm aware of their unique assets it possesses, it is more likely they will search for wider exploitation of its competitive advantage in the international marketplace.

Bharadwaj S., Varadarajan P.R. and Fahy J. (1993) have distinguished competitive advantage into two categories, i.e. unique resources and distinctive skills. By having or possessing

advantages over competitors in terms of unique resources and distinctive skills, it allows the firm to exploit these advantages in the international marketplace and realize greater profits than solely focus in domestic market.

O'Farrell P.N., Wood P.A. and Zheng (1996) have pointed that specialization and competitiveness lead a firm to greater international expansion. International expansion into foreign market will be more encouraging if a firm determined that it could capitalize on their competitive advantages. Thus, if management perceive itself to possess a transferable competitive advantage, it is more likely to have a positive disposition towards operating internationally.

Innovation of a firm is one of the key factors towards achieving competitive advantage. In McKinsey's (1993) study of nearly 200 Australian manufacturing SMEs, technology and innovation were ranked as critically important to the firms for international success.

There are several kinds of innovation can be distinguished. Two of them are product innovation (on product features) and process innovation. One common indicator used to measure innovation is Research & Development intensity. The impact of innovation on international expansion has been studied a lot in the literature. Among the papers dealing with SMEs, one can be quoted is Sterlacchini (1999) who focused on SMEs belonging to non-intensive R&D sectors. Beamish & Dhanaraj (2003) have confirmed that innovation enables a firm to have higher degree of internationalization than non-innovative companies.

To a larger extent, innovation can be considered as one of the creativity. However, the creativity has includes technology, technology transfers and start-ups. Dipietro & Anoruo (2006) have conducted a study about creativity in numerous countries. In their studies, they found that creativity of firm has contributes to higher degree of internationalization. Furthermore, the firm's competitive advantage in terms of unique resources, distinctive skills

and technology know-how allowed it to exploit these advantages in the local and foreign market. This result is in line with the research on manufacturing SMEs which done by Dunning (1988). The research has highlighted the importance and positive impact of firm's competitive advantage on international expansion.

According to Porter (1990), product differentiation can be occurred in seven levels, i.e. product features, linkages between functions, timing, location, product mix, links with other firms and reputation. It is found that the product, lifestyle, image and niche of the firm's brand were key competitive advantages unique to specialty retailers (smaller in size) with successful operations in international marketplace. SMEs may also differentiate from larger enterprise through the image and lifestyle of their product offering and brand, positioning their merchandise exclusively to the luxury market.

Summarizing the view points, in managing businesses in an increasing competitive environment, manufacturing SMEs need to plan their strategies to stay ahead of the competition. These SMEs can create a niche by making their products distinctively different from those of competitors. As a result, this can lead to brand loyalty, sustainable competitive advantage and finally improve the firms' export performance. The findings indicated that distinct competitive approaches varies for businesses exposed to an international context compared to businesses only exposed to a domestic context. These arguments are summarized in the following hypothesis:

H1: There is a positive relationship between competitive advantage and internationalization.

2.4 Management Attitude

In SMEs, characteristics and attitudes of the decision-maker, i.e. the manager and very often the owner, play an important role in the internationalization of the firm. Javalgi, Griffith and White (2003) have suggested that management's attitudes are another important factor in impelling and determining the internationalization of a firm.

In this research, the management attitude is referring to the decision maker's subjective evaluation of problems and opportunities associated with SMEs internationalization. The decision maker who senses an opportunity in foreign market is more likely to expand internationally.

McDougall and Oviatt (2000) have pointed that SMEs are expected to rely on their top managers for all firm operations especially international business activities. They mentioned that the owners or managers of manufacturing SMEs who characterized by an international entrepreneurial orientation, i.e. combination of innovative, proactive and risk seeking behavior that crosses national borders are believed to be one of the key determinants of firm internationalization.

The senior management must have an international mindset in order to truly understand international operations and their importance, which in turn is linked to the attitudes they show towards the international operations. According to Andersson, Gabrielsson and Wictor (2004), the managerial perception of the external environment and a positive attitude towards international business determine the international activities undertaken by an SME. They have considered the managerial orientation towards international business as a firm capability that represents managerial attitudes relevant for international business expansion.

The owners or managers of the manufacturing SMEs who carry out entrepreneurial actions are people who are willing to take risk, have innovative ideas about the future of the business and implement their ideas into the market environment. These owners or managers are willing to expand their business internationally. Anderson and Evangelista (2006) suggested that an entrepreneur who have international experience, networks, vision and ambitions is tends to expand their business abroad.

The SMEs are very much depending on the abilities, knowledge and attitudes of the owners or managers for international expansion. Knight and Cavusgil (2004) and Reuber and Fischer (1997) have supported the above statement by mentioned that the international orientation of decision-makers are very important.

Dunning (1980) has conducted a research within the manufacturing SMEs. He indicates that the characteristics of potential foreign markets, relating to host government regulations, local content requirements, capital flow and ownership restrictions and requirements on technology transfer, found to have direct impact on company's management attitudes towards operating internationally. Czinkota and Ronkainen (1990) further explained that when a manufacturing firm perceived lower trade barriers to internationalizing, the management tended to have a more positive attitude toward expanding internationally.

In Axinn's (1988) study on the international expansion of manufacturing firms, they found that managerial attitudes toward internationalization strongly correlate with the international performance of the firm. According to Axinn (1988), management attitudes are the guiding force of the firm. Axinn further explained that the attitudes towards internationalization become more positive, the management of the firm is tend to expand their business internationally.

Cavusgil and Nevin (1981) have studies on the internationalization of manufacturing firms. They have concluded that if the manufacturing firms are focusing heavily towards expanding internationally, the owners or managers are willing to establish close relationship in the international marketplace. As a result, the management attitudes may play a strong role in a firm for internationalization.

The Saudi firm had a strong ambition and vision to be an international firm especially in the Arab region. These attitudes have positively influenced its performance in the foreign markets. This result supports the earlier research on manufacturing firms, e.g. Kedia and Chhokar (1986) and Axinn's (1988). The owners or managers of the manufacturing firms should analyze their own situation and be aware of external environment so that they make the right decision for international expansion.

According to Caruana, Morris and Vella (1998), one of the essential characteristics of management attitude is entrepreneurship. They further explained that the entrepreneurship is a three-dimensional concept, i.e. innovation, proactively (instead of reactivity) and risk-taking. The opposition between proactive and reactive companies brings out differences in motivation which will tally with different export commitments. In their resource-based view of the export performance in SMEs, it has demonstrated the positive impact of an entrepreneurial attitude on international expansion.

The significance of the top managers' attitude and perceptions for firms' behaviors has been argued and confirmed by many researchers. It was found that there is positive relationship between an international expansion and the managerial international attitude, motivation, orientation, experience and network (Andersson, 2000). Anderson (2000) further explained that the management has the responsibility to develop the resources and capabilities of a firm

in the international marketplace. Therefore, the capabilities of top management in emerging market firms are critical to their success in international marketplace.

Anderson (2000) also highlights that the importance of management attitude in the success of firms in transition economies. Since most of the SMEs' decisions are made by one or a few top managers, it is expected that the management attitude will influence the level of firm internationalization.

Initiating and maintaining export activities represent the firm's behaviors and as such they are influenced by management attitudes and perceptions. This notion is confirmed by a growing number of research studies in the field of internationalization (Suarez-Ortega and Alamo-Vera 2005). Axinn (1998) noticed that a positive attitude toward exporting was related to the export performance in manufacturing firms. Also Suarez-Ortega and Alamo-Vera (2005) noticed that managerial perception that export was beneficial for their firms had an influence on export intention, although it did not influence export intensity.

The international orientation of the management has a significant impact upon the company's network relationships in foreign markets, which in turn has a bearing on the direction of international expansion. It may be argued that SMEs international development is not only driven by the accessibility of resources, but by the management attitude (Chandler and Hanks, 1994). Specifically, it is expected that the attitudes of managers in SMEs will influence the level of internationalization of the firm.

Therefore, these arguments are summarized in the following hypothesis:

H2: There is a positive relationship between management attitude and internationalization.

2.5 International Knowledge and Experience

Firm international knowledge and experience is another determinant of SMEs internationalization. According to McDougall and Oviatt (2000), international market knowledge and experience is one of the prime factors that influence a firm for internationalization. In addition, the previous experience, contacts and international knowledge of the owners or managers of a firm orients them to pursue business opportunities in international market place.

Madsen and Servais (1997) further stress that international knowledge and experience is a key necessary condition for firm's international expansion. They have discovered a positive relationship between the SMEs' international experience and the extent of firms' internationalization. Besides, they also pointed that a firm which intends to expand abroad will suffer from lack of knowledge about how to conduct a business in a foreign market. However, once the firm has gained its first experience of foreign operations, it is generally willing to conquer one market after another in the international market place.

Reuber and Fisher (1997) supported the above statement. They found that management teams possessing international business experience (like working abroad or having experience in selling to foreign markets) have impacted on international behaviors of firms. According to them, managers of a firm with international business experience are more often developed foreign strategic partnerships and enhance foreign sales. Such behaviors resulted in a higher level of firms' internationalization.

Similar findings were presented by Suarez-Ortega and Alamo-Vera (2005) who observed that export intensity was positively associated with managers' international experience. It is in line with Leonidou, Katsikeas and Piercy's (1998) findings. They found that managers' exposure to foreign cultures increases experiential knowledge about foreign markets.

On the other hand, Majocchi, Bacchiocchi and Mayrhofer (2005) have referred international knowledge and experience to two things, i.e. the age of the firm and the export performance (the number of years of export activity). They further explained that experience and the changes implied by the experience influence favorably the export performance. Regarding the export experience, it is logical that the more a firm is used to export transactions, methods and techniques, the more it will be able to improve its performance. It is so called the experience effect.

Johanson and Vahlne (1977 and 1990) have suggested that the experience of the company is determined not only by the age of the firm, but also by its efforts to acquire new knowledge. It is because the acquired knowledge will reduce uncertainty as perceived by the firm and leads to increased international business activities in the foreign market.

One of the significant theories that support the above mentioned is Internationalization Process (IP) theory or the Uppsala Model. This model was proposed by Johanson and Vahlne (1977). They state that internationalization is a staged process and firms sequentially progress from early to latter stages of internationalization.

New stages of internationalization are established when a firm extends its business from one major type of market to another or from one type of foreign environment to another. The main factor behind these stages is experiential knowledge, meaning that firms gradually build a knowledge base through operating in foreign markets. They learn from past experience by transforming this experience to useful knowledge.

Experiential knowledge, which can only be acquired by personal experience, is viewed as the main method of reducing market uncertainty. Firms should make use of the knowledge and experience gained from their first international venture in their subsequent development (Andersson, Gabrielsson, and Wictor, 2004).

The development of experiential knowledge of the target market is a prerequisite for successful internationalization (Johanson & Vahlne, 1977). This knowledge is often closely linked to personal experiences and includes feelings, values and views. Closeness to markets and customers is conducive to rapid internationalization.

The Uppsala model concentrates on the gradual acquisition, integration, and use of knowledge about foreign markets (Johanson and Wiedersheim-Paul, 1975). According to the model, lack of international knowledge is an important obstacle in the development of international operations and such knowledge can be acquired mainly through operations abroad. The gradual acquisition of knowledge increases foreign commitments. The increasing knowledge and experience about foreign markets lowers the perceived risk and transaction costs, thus increase the commitment to foreign markets.

The Uppsala model has stated that firms moved from one stage to the next sequentially as they incrementally gained knowledge and experience in their export activities or international operations. An increase in knowledge and experience with respect to international business facilitates increase in level of internationalization by reducing the psychic distance between firms from home and host countries.

In Central and Eastern Europe, SMEs that possess or are able to develop greater international knowledge and experience are likely to have a higher degree of internationalization compared to those with no or lesser knowledge. These firms are likely to acquire international knowledge and experience in order to develop required skills for successful internationalization (Steensma, Tihanyi, Lyles, and Dhanaraj, 2005).

Johanson and Vahlne (1977 and 1990) have further explain that as the stages model of internationalization maintains, companies will gradually increase their foreign market commitments because they acquire knowledge and experience in foreign markets.

Bonaccorsi has studied Italian exporting manufacturers in 1992. He found that there is positive relationship between the international knowledge and experience of a firm and internationalization. Bonaccorsi has stated that the international knowledge and experience of a firm may reduce the risk of failure to internationalize.

Besides, Knudsen and Servais (2007) have analyzed internationalization of manufacturing SMEs in Denmark. In their study, four indicators of experience were tested, namely the year of establishment, the number of years of import and export experience, and the amount of years passed since the first export activities. The result have indicates that internationalization experience is an important factor in the motivation of the firm to pursue an increased internationalization pace, irrespective of the inward or outward nature.

According to Autio, Sapienza, and Almeida (2000), the greater knowledge intensity of a firm is associated with more rapid growth in the international market place. Meanwhile, the experience of the company is determined not only by the age of the firm, but also by its efforts to acquire new knowledge. Knowledge acquisition reduces uncertainty as perceived by the firm and leads to increased international market commitments. This will involve the extent to which companies view such aspects as employee training, knowledge of foreign markets and flexibility as important in entering foreign market.

The owners or managers' international knowledge and experience constitutes firm specific intangible resources. Therefore, the owners or managers play a crucial role in influencing firm internationalization. Reuber and Fisher (1997) further stresses that in smaller and younger firms the international knowledge and experience of the management team are likely to be even more important and influential on the firm's internationalization than in larger firms.

Thus, lack of resources in the form of physical capital might not be such a hindrance if management of manufacturing SMEs has a proactive view toward internationalization. More important are the international knowledge, skills, experience and networks of firms and the external environment, which form the strategic foundations of the firm (Welch and Welch, 1996). The development and coordination of knowledge inside the firm must be viewed as integral to its internationalization processes, which leads to the following hypothesis:

H3: There is a positive relationship between international knowledge and experience and internationalization.

2.6 Firm Size

It was found that a number of literatures on the internationalization of the firm have focused on multinational enterprises (MNEs) (Andersson, Gabrielsson and Victor, 2004). More recently, scholars have begun examining the internationalization processes of SMEs, especially in manufacturing industrial. Such research has found that smaller firms do not always behave in ways prescribed for larger enterprises. This is because SMEs differ from large firms in several ways. Large firms possess physical and financial resources that facilitate in achieving higher level of internationalization.

As a result, large firms are more likely to achieve economies of scale compared to small and medium sized firms. Also, managers of large firms are more likely to undertake international business activities than those of small sized firms. This is because large firms have a greater capacity to undertake risky ventures compared to smaller firms.

Olivares Mesa and Suarez Ortega (2007) has emphasized that firm characteristics play an important role in a decision for internationalization. Firm characteristics have several indicators, such as firm size, age, structure, products, firm industry, ownership status and

location of the firm. They further explained that firm size affects internationalization behavior while firm age influences the pace or speed of a firm's internationalization.

Internationalization typically requires resource commitment and time to carry out the international business activities. Deloitte & Touche (1996) further explain that the resource commitment relates to the firm's financial and human resources that are committed to international expansion by senior management in the organization.

Since SMEs are assumed to be limited in their resources, the process of expanding and building its reputation into international marketplace may be more difficult for SMEs than for large firms. As a result, lack of resources is one of the major impediments to SMEs international expansion as compare to the large firm. Berkema and Vermeulen (1998) therefore suggested that firm size as an obstacle to the internationalization of SMEs.

Reuber and Fischer (1997) found that neither firm size nor firm age has directly and significantly related to firm internationalization. They also found that firm size is positively correlated with the measure of the firm's international business experience. In their research, the result shows that the larger SMEs are more likely to have international business experience.

Small firms are much depends on the firm abilities, international business knowledge and management attitudes for international expansion decisions. Besides, small firms are facing more constraints than large firms. Thus the smaller the firm, the more it will depend on intermediaries and manufacturing contracts as a possible first step to internationalization. The larger the firm, the more resources it will have to seek for international expansion or greater foreign market commitments.

Aaby and Slater (1989) used resource theory to explain the relationship between firm size and internationalization. According to them, the international business activities increase with the firm size. Besides, they also argue that international expansion requires a great deal of resource commitment by the expanding firm. They indicate that the larger a firm becomes, the greater its ability to effectively engage in export activity. They further explained that the larger firms appear to be better suited to absorb the risk associated with internationalization.

However, Dunning (1995) has argued that resources not only viewed in terms of financial capital. The number of employees or sales value also can be used to indicate the firm size. He further explained that firm size which measured by the global turnover or the number of permanent employees has been several times published in the literature. The positive impact of this resource is justified by the fact that the larger a company is, the more resources it has. Larger firms can benefit from economies of scale and international experience effect and thus increase its international business activities. Meanwhile, a larger size enables the firm to adopt a governance structure which suits the requirements of international trade by reducing transaction costs.

The small firms are usually considered a disadvantage in internationalization. It is because the small firms have limited resources to enter foreign markets. Compared to large enterprises, small firms are less competitive. For instance, they may not be able to capture business opportunities due to inferior products, shortages of finance and limited administrative capacity. In Meyer and Skak (2002) research, they found that the small Danish firms recognize the potential of the markets in Eastern Europe, but they have limited resources.

Firm size is perhaps one of the most studied variables that relates to internationalization of a firm. The Stage theory of internationalization assumes that small firms internationalize stepwise (Reid, 1983). The majority of small firms faces severe resource (financial,

technological, and personnel) constraints. By growing larger, firms will be able to commit greater resources to international activities and gradually increase their international sales.

For this study, firm size is represented by the sales volume. Therefore, the following hypothesis will explain size as a moderating effect for internationalization of SMEs:

H4: Moderating effect of firm size on the relationship between competitive advantage and internationalization.

H5: Moderating effect of firm size on the relationship between management attitude and internationalization.

H6: Moderating effect of firm size on the relationship between international knowledge and experience and internationalization.

2.7 Chapter Summary

In this chapter, the researcher aimed to establish an extensive review of the past and present literature in relationship with the Competitive Advantage, Management Attitude, International Knowledge and Experience, Firm Size and Internationalization. The relationship among the variables was reviewed in an effort to develop the hypotheses of the study.

CHAPTER 3

RESEARCH METHODOLOGY

CHAPTER 3 – RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the research methodology to examine the relationships among the variables identified in the literature review, namely Competitive Advantage, Management Attitude and International Knowledge and Experience. A conceptual framework was proposed to illustrate the hypotheses suggested in the Chapter 2.

The research methodology is then defined with the sampling frame, the instrumentation of the measures and data collection method. Research methodology is important to ensure that proper procedures are followed during the research in order to minimize unexpected errors. This chapter will end with a discussion on how data was analyzed in Chapter 4.

3.2 Research Hypotheses and the Conceptual Framework

The conceptual framework concludes the relationship between constructs in the research framework, namely competitive advantage, management attitude, international knowledge and experience, firm size and internationalization. The hypothesized relationship of constructs or variables can be summarized as below:

H1: There is a positive relationship between competitive advantage and internationalization.

H2: There is a positive relationship between management attitude and internationalization.

H3: There is a positive relationship between international knowledge and experience and internationalization.

H4: Moderating effect of firm size on the relationship between competitive advantage and internationalization.

H5: Moderating effect of firm size on the relationship between management attitude and internationalization.

H6: Moderating effect of firm size on the relationship between international knowledge and experience and internationalization.

All the hypothesized relationship between the variables can be illustrated with the conceptual framework in Figure 3.1:

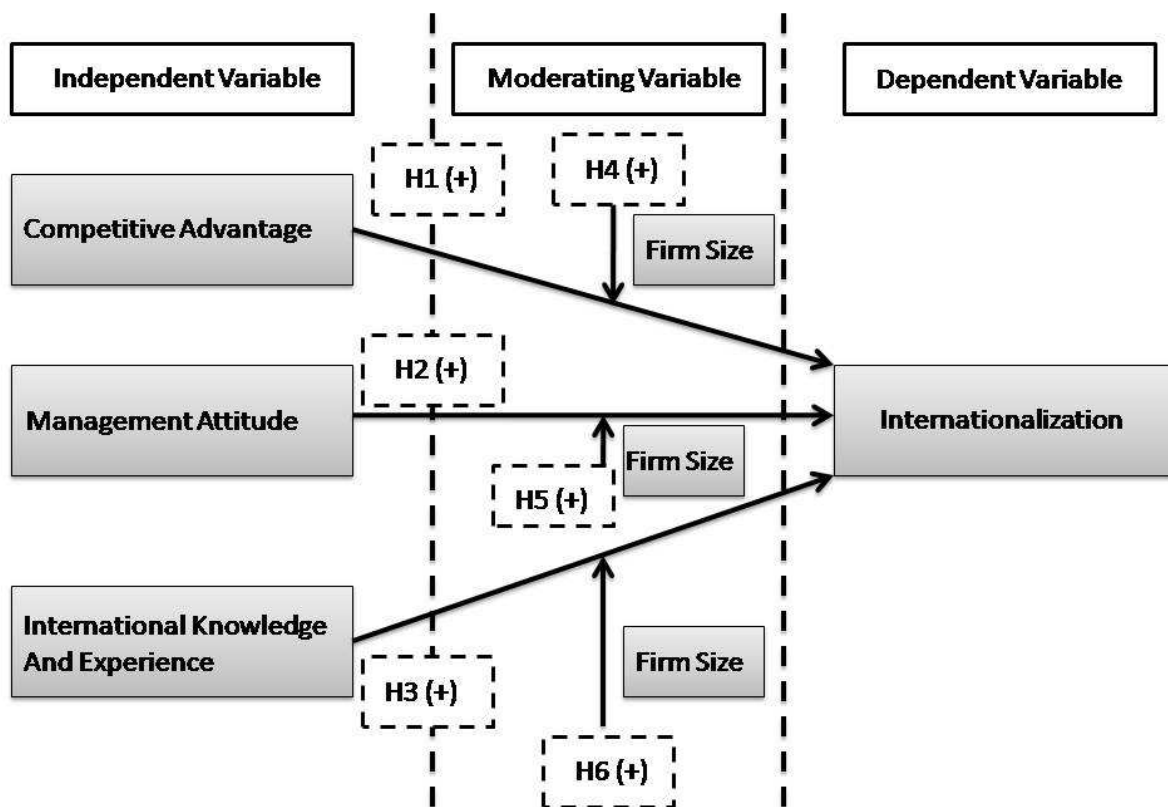


Figure 3.1: Conceptual Framework

3.3 Research Design

The research involves variables and dimensions that are qualitative and in abstract form, therefore a descriptive design of research will be much relevant to this research. A survey with a questionnaire as the key tool using structured self-administered questionnaires as a primary data collection method is used.

A survey is chosen in this study because it allows the data collection to be compiled accurately and the participation from the respondents is welcomed. A large volume of data can also be collected at a low cost.

Hypotheses are tested carefully by analyzing the data using statistical tools. The significance of the hypotheses shall determine the validity of the framework and will be the prime result of this research. Correlations between constructs are also shown to indicate the relative importance of one construct to another. Result from the hypotheses testing will be the prime discussion area.

Thus, it is also important to note that data collected through survey, if carefully done, will represent a population that will allow it to be generalized to represent the whole population.

3.4 Questionnaire Design

The questionnaire consists of 6 sections and is structured in English language. Section A records the company background of the respondents. Section B to F measures the variables namely competitive advantage, management attitude, international knowledge and experience, internationalization and firm size. Data will be collected through structured survey questions

where the response options are predetermined. Respondents are to make an assessment by selecting the predetermined options available for each question.

All items in constructs are measured using a Likert scale. The Likert scale is designed to examine how strong the respondent agrees or disagrees with the given statement. The numbers represent the degree of how much a respondent agrees with a statement. In this research, a 5-point Likert scale and 6-point Likert scale were employed in the questionnaire to measure the level of influence of each item in the questionnaire. For instance, the competitive advantage is scaled from 'Least applicable (1) to Most applicable (5)'. Meanwhile, management attitude and international knowledge and experience are scaled from 'Strongly disagree (1) to Strongly agree (6)'.

The level of the scale is listed below:

1 = Least applicable; 2 = A little applicable; 3 = Moderately applicable; 4 = Applicable; 5 = Most applicable

and

1 = Strongly disagree; 2 = Disagree; 3 = Slightly disagree; 4 = Slightly agree; 5 = Agree; 6 = Strongly agree

A pre-examination will be carried out to ensure that the questionnaire is suitable for survey used. Questionnaires will be given to academicians and practitioners for assessment. Feedback from the pre-test participants will be taken into account and modification will be made to minimize flaws in the design of the questionnaire.

The questionnaire was prepared by referring to the questionnaire of previous researches. Minimum modification was made to the questionnaire to ensure that the language was suitable for the local context.

For the measurement of constructs, total 48 items are employed. The first construct to be measured is competitive advantage. A total of five items are listed to measure the construct, i.e.:

- a) Innovation differentiation
- b) Marketing differentiation
- c) Low cost leadership
- d) Quality differentiation
- e) Service differentiation

For management attitude, a total of seven items are listed to measure the construct, i.e.:

- a) Different cultures and languages in international market make internationalization extremely complex.
- b) Internationalization drains a firm's resources.
- c) Relative to domestic business activity, internationalization involves significantly higher risks.
- d) Internationalization is an excellent opportunity to exploit economies of scale.
- e) Internationalization is becoming an increasingly viable way for the future growth of SMEs.
- f) Our management is looking out for opportunities to go international.
- g) Given identical opportunities in both the local and foreign countries, we will choose the opportunities in local country.

For management attitude, a total of four items are listed to measure the construct as listed below:

- a) Presence of business knowledge

- b) Presence of institutional knowledge
- c) Presence of internationalization knowledge
- d) Perceived costs

For internationalization, a total of seven items are listed to measure the construct as listed below:

- a) What percentage of your sales in year 2010 comes from international sources?
- b) What percentage of your profit in year 2010 comes from international sources?
- c) Total member of Board of Director and; total number of foreigners on the Board of Director.
- d) Total number of managers and heads of department; and total number of expatriates who are managers and heads of department in your organization.
- e) Total number of countries which your company is exporting.
- f) What percentage of shares in your company is owned by foreigners?
- g) How many oversea subsidiaries or joint venture does your company have?

Last, for firm performance, a total of three items are listed to measure the construct as listed below:

- a) What is your company's annual average sales growth rate for the last five years?
- b) What is your company's average rate of profit (net profit/sales x 100) over the last 5 years?
- c) What is the level of the staff turnover rate in your company?

Details listing of each item and the source of these items are tabled in Appendix A.

3.5 Data Collection

As mentioned earlier, a survey is chosen in this research because it allows for an accurate data collection and it is participatory where the respondents are able to participate directly in the study. The data for the survey is collected via email and online questionnaire distributed to the manufacturing SMEs situated in Selangor.

A total of 300 personalized emails are sending out individually via email to attract respondents. Messages advertising the survey were also posted at one week intervals reach by personal email. Responses submitted through the email were saved onto a folder that was downloaded daily. This survey lasted for approximately one month from 5th September to 30th September 2011. A total of 127 sets had returned. A cross validation on the survey is checked to avoid any missing values and only 122 sets of completed survey questionnaires with all answers given were accepted for the result analysis. The returned rate translates to a percentage of 41% from the total questionnaire sent.

The overall method used for the collection is a convenience sampling through emails to the manufacturing SMEs in Selangor. However, many targeted respondents did not reply to the questionnaires in the targeted response period despite being invited by phone on several occasions for various reasons:

- a) Broken e-mail link
- b) E-mail addresses are no longer valid (due to resignation, change of e-mail address, etc).
- c) Respondents did not respond to electronic questionnaires

After the questionnaire collection, the data is entered into SPSS version 17.0.

3.6 Data Analysis

Data obtained from questionnaires was examined and sorted out after data collection. Then the data was coded into SPSS version 17.0 for simulation and analysis through different test. Several tests were carried out as listed below:

- a) Normality test – to ensure the normal distribution of data for further analysis.
- b) Validity test – to test the appropriate grouping of items in the constructs.
- c) Reliability test – to test the internal consistency of each item in the construct.
- d) Regression analysis – to examine the relationship between the construct and to determine the explanatory power among the constructs (dependent variable, independent variables and moderating variable).

3.7 Chapter Summary

This chapter discussed how the hypotheses as discussed in Chapter 2 using a conceptual model consistent with the model developed by Shankar, Pandian, Sulaiman and Munusamy (1993) to illustrate the relationships among the variables.

The instrument to measure the descriptive data were adapted from measures developed by Vida, Reardon and Fairhurst (2000) and Eriksson, Johanson, Majkgard and Sharma (1997) for internationalization of Manufacturing SMEs.

CHAPTER 4

RESEARCH RESULT

CHAPTER 4 – RESEARCH RESULTS

4.1 Introduction

This chapter will discuss on data analyses and the interpretation of data collected from the respondents. Testing will also be performed in all the hypotheses. The preliminary analyses will cover descriptive statistics of the demographic section and the entire test will ensure that the assumptions of linearity and normality are accurately conducted.

Statistical test and analysis were performed with the assistance of SPSS. Several test were carried out: Normality test, validity test (factor analysis), reliability test (Cronbach's Alpha Test) and regression analysis. These tests include data acceptance test to hypotheses significant test. The results are reported in detail in this section.

4.2 Respondents' Profiles

As discuss in Chapter 3, a total 300 questionnaires has been send via email to the Malaysian Manufacturing SMEs. All questionnaires was sent in softcopy is mainly due to environmental friendly purposes. All returned questionnaires were downloaded daily and saved into a folder. This survey lasted for approximately one month from 5th September 2011 to 30th September 2011.

For all the distributed questionnaires, a total of 127 sets were returned. All the returned questionnaires will be cross checked to avoid any missing values. Five respondent companies were removed because they did not meet the sample criterion of being Malaysian origin. All questions were pre-tested with a sample of 10 SMEs in order to ensure that they were clear and captured the desired information.

Among the returned questionnaires, 119 of respondents' companies are totally 100% owned by Malaysians while 2 companies are majority shares owned by Malaysian and 1 company is 50-50 joint venture between Malaysians and foreigners. The returned rate translates to a percentage of 41% from the total questionnaire sent. All completed questionnaires were coded into SPSS version 17.0. Regression analysis was used to test the hypothesis.

The business nature of the organization which the respondents were affiliated was listed as below (Table 4.1):

Table 4.1: Business Nature of Respondents' Organization

Business Nature	Frequency	Percent	Valid Percent	Cumulative Percent
Food	13	10.7	10.7	10.7
Fixture and furniture	9	7.4	7.4	18.0
Electrical & electronics products	13	10.7	10.7	28.7
Multiple industries	50	41.0	41.0	69.7
Paper products	1	0.8	0.8	70.5
Pharmaceuticals	4	3.3	3.3	73.8
Industrial chemicals	7	5.7	5.7	79.5
Plastic products	5	4.1	4.1	83.6
Motor vehicle components	10	8.2	8.2	91.8
Tobacco	1	0.8	0.8	92.6
Wood products	2	1.6	1.6	94.3
Rubber products	3	2.5	2.5	96.7
Non-metal products	4	3.3	3.3	100.0
Total	122	100.0	100.0	

The respondents in this research are involved in various types of industry. Basically they are divided into two major categories involved in manufacturing, i.e. consumer products and industrial products. Companies producing industrial products made up of 85.2% whereas the balance 14.8% was manufacturing consumer products.

The primary data were mainly collected from top executives of manufacturing SMEs situated in Selangor. The unit of analysis in this study is the individual manufacturing SMEs. The respondents, i.e. Managing Directors and upper level managers with a strategic responsibility

for their firms were identified on the basis of their job title and position within the company before the questionnaires were sending out.

The targeted respondents will be assumed to be knowledgeable and familiar with the operations related to the issues under investigation. Meanwhile, they were known decision makers in their respective organizations. It is important to obtain the pattern of respondents by job nature as the data can be used for further analysis to understand the top management attitude of a specific group.

Majority of the respondents, i.e. 64.8% held the position of managing director. Meanwhile, business development manager and marketing manager consists of 13.9% and 13.1% respectively. The above positions consist of 91.8% of the total respondents. These positions are important to an organization’s growth as they are the decision makers to lead their organization direction as set by the management.

Table 4.2: Job Nature of Respondents

Job Nature	Frequency	Percent	Valid Percent	Cumulative Percent
Managing Director	79	64.8	64.8	64.8
Marketing Manager	16	13.1	13.1	77.9
Business Development Manager	17	13.9	13.9	91.8
Project Manager	2	1.6	1.6	93.4
Operation Manager	5	4.1	4.1	97.5
Executive	3	2.5	2.5	100.0
Total	122	100.0	100.0	

Table 4.3 have shows the average annual sales of the respondents for the past five years. It indicates that 29.5% of the respondents’ companies have achieved average annual sales of RM 11 – 25 million while 27.9% of the respondents’ companies have achieved average annual sales of RM 1 – 10 million. Meanwhile, 22.1% of the respondents’ companies have achieved average annual sales of RM 26 – 50 million for the past five years.

Table 4.3: Average Annual Sales for the Past Five Years

Average Annual Sales	Frequency	Percent	Valid Percent	Cumulative Percent
< RM 1 million	4	3.3	3.3	3.3
RM 1 - 10 million	34	27.9	27.9	31.1
RM 11 - 25 million	36	29.5	29.5	60.7
RM 26 - 50 million	27	22.1	22.1	82.8
RM 51 - 75 million	11	9.0	9.0	91.8
RM 76 - 100 million	4	3.3	3.3	95.1
> RM 100 million	6	4.9	4.9	100.0
Total	122	100.0	100.0	

4.3 Normality Test

The assumption of normality is a prerequisite for many inferential statistical techniques (Coakes & Steed, 2007). In this research, the normality test is conducted before proceeding to the regression test. The normality test should be examined to ensure all the collected data has a normal distribution. In this research, Skewness and Kurtosis test will be used as an indication of normality.

As shown in Appendix B, the result of the Skewness test is range from -1.365 to 0.881 . Meanwhile, Kurtosis test shows the results from range -1.694 to 1.686 . All the collected data is acceptable as it is fall in the acceptable range of -2 to 2 . It is concluded that all the collected data are conformed to the normality assumption, i.e. all the collected data has show a normal distribution where the points cluster around a straight line. Therefore, it can be used for further analysis. Detail results as shown in Appendix B.

4.4 Validity Test

According to Coakes and Steed (2007), factor analysis is a technique to use to reduce data from large number of variables to a smaller set of underlying factors that summarize the essential information contained in the variables.

In this research, it is used to determine the grouping of the items. In addition, factor analysis can be used to examine if new factors appeared to be relevant to the proposed framework of this research. There are few techniques were used to test the validity of these items, namely Kaiser-Meyer-Olkin (KMO, used to measure overall sampling adequacy), Bartlett's Test of Sphericity and rotated factor matrix. All the tested results are listed in Appendix C.

The Bartlett's Test of Sphericity is significant for all the constructs while the Kaiser-Meyer-Olkin measure of sampling adequacy is 0.73, which is greater than the minimum requirement of 0.6. Therefore, it is assumed that the sampling adequacy is factorability.

On the other hand, the factor matrix of items in competitive advantage, management attitude and international knowledge & experience shows that complex variables appear and it is difficult to make the interpretation from the output. Therefore, Varimax rotation is necessary to form a new group of factors for further analysis. In this section, the new group consists of management attitude, service differentiation, low cost leadership, international knowledge & experience, innovation differentiation and marketing differentiation (see Appendix D).

4.4.1 Grouping of Factors

Factor analysis was done on items and dimensions under three constructs, i.e. competitive advantage (CA), management attitude (MA) and international knowledge & experience (IKE). There are total 10 factors emerged in the Varimax rotation. However, the last four factors in the Varimax rotation is not significant and and it can be ignored in this analysis.

A part from the management attitude (Factor 1) and international knowledge & experience (Factor 4), 4 new factors were formed, namely service differentiation (Factor 2), low cost leadership (Factor 3), innovation differentiation (Factor 5) and marketing differentiation (Factor 6) (see Appendix D).

However, it is found that four of the above factor solution represents competitive advantage dimension, i.e. service differentiation (Factor 2), low cost leadership (Factor 3), innovation differentiation (Factor 5) and marketing differentiation (Factor 6). Therefore, it is decided that remain to use back the original proposed conceptual framework for further analysis.

4.5 Reliability Test

The reliability test is done to ensure the internal consistency of the items (in the same construct) used for data collection. In this research, the Cronbach's alpha test is used as the instrument for the reliability test.

4.5.1 Reliability Test: Competitive Advantage (CA)

The results from the reliability test shows the Cronbach's alpha values for competitive advantage is 0.821, which is above the minimum requirement of 0.7. Hence, no modification is required.

4.5.2 Reliability Test: Management Attitude (MA)

The results from the reliability test shows the Cronbach's alpha values for management attitude is 0.842, which is above the minimum requirement of 0.7. Hence, no modification is required.

4.5.3 Reliability Test: International Knowledge & Experience (IKE)

The results from the reliability test shows the Cronbach's alpha values for international knowledge & experience is 0.684, which is below the minimum requirement of 0.7. Hence, modification is required. There is total two items out of five items in international knowledge & experience construct were deleted in order to yield Cronbach's alpha values of 0.715.

4.5.4 Reliability Test: Firm Size (FS)

The results from the reliability test shows the Cronbach's alpha values for firm size is 0.489, which is below the minimum requirement of 0.7. Hence, modification is required. There is total three items in the firm size construct and one item was deleted in order to yield Cronbach's alpha values of 0.731.

4.5.5 Reliability Test: Internationalization (INT)

There are total nine items in the internationalization construct was tested in reliability test. The result shows the Cronbach's alpha values for internationalization is 0.622, which is below the minimum requirement of 0.7. Hence, modification is required. There is total four items in this construct was deleted in order to yield Cronbach's alpha values of 0.744.

After adjustment on the items in the construct of international knowledge & experience, firm size and internationalization, the reliability test shows the Cronbach's alpha values range from 0.715 to 0.842 in all the constructs. These results are all above the minimum requirement of 0.7. Detail results for the reliability test were attached in Appendix E.

4.6 Regression Test

Regression analysis is used to test the hypothesized relationships of interest (H1, H2, H3, H4, H5 and H6 as illustrated in Figure 3.1). The objective of performing regression is to examine the predictive power of a set of independent variables and the significant of the hypothesized relationships of interest. To test whether the model is significant, the F-values, t-values, Standardized Coefficients (Beta), R-values, R squared, Adjusted R square, R square change and F change were analyzed.

Linear regression was used in this research and the results of the regression analysis are tabulated as below:

- a) H1: There is a positive relationship between competitive advantage (CA) and internationalization (INT).

Table 4.4: Model Summary, ANOVA & Coefficients of Competitive Advantage (CA) and Internationalization (INT).

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.459 ^a	.211	.204	4.14407	.211	32.054	1	120	.000

a. Predictors: (Constant), CA

b. Dependent Variable: INT

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	550.477	1	550.477	32.054	.000 ^a
	Residual	2060.802	120	17.173		
	Total	2611.279	121			

a. Predictors: (Constant), CA

b. Dependent Variable: INT

Coefficients^a

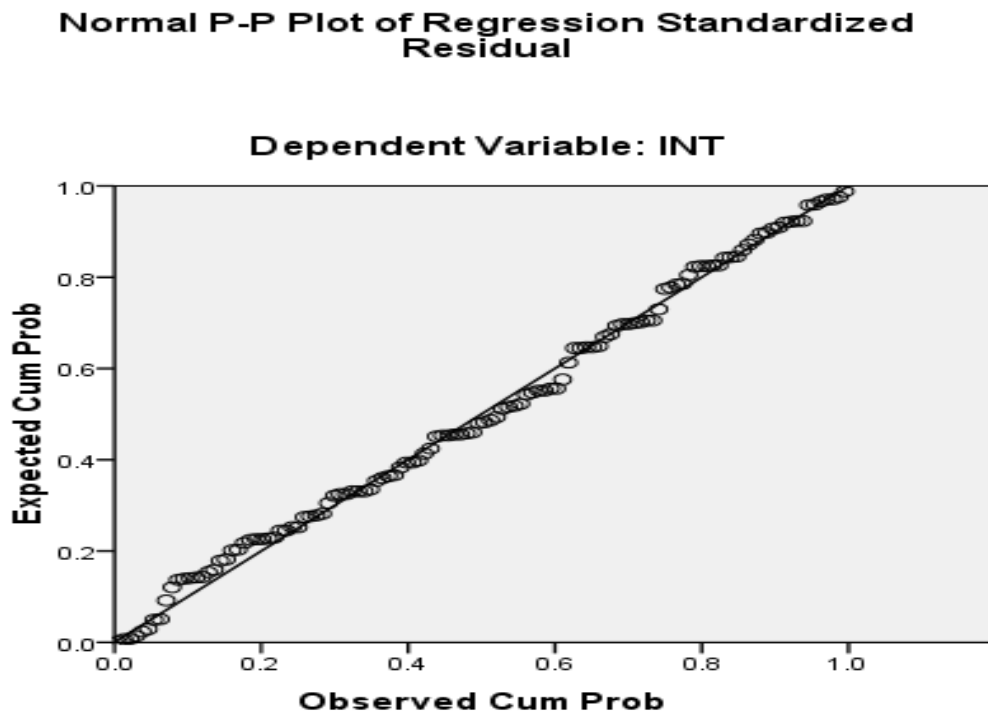
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-3.310	4.100		-.807	.421
CA	.326	.058	.459	5.662	.000

a. Dependent Variable: INT

Refer to Table 4.4, the Model Summary, ANOVA table and Coefficient table, the regression analysis shows that 21.1% (R square) of variance in competitive advantage has been significantly explained by internationalization. The F statistic is 32.05 which are significant at $p < 0.001$. The standardized coefficient (Beta) is 0.46 and t-value of 5.66 is significant at the 0.001 level which shows that a positive relationship between competitive advantage and internationalization exists.

Refer to Figure 4.1, it is observed that the Normal P-P plot of regression standardized residual displays a linear mode. Again, it is confirmed that there is a significant relationship between the two constructs. Therefore, hypotheses H1 is substantiated. However, competitive advantage does not have a prominent effect on internationalization ($R < 0.5$).

Figure 4.1: Normal P-P Plot of Regression Standardized Residual (Competitive Advantage-Internationalization)



b) H2: There is a positive relationship between management attitude and internationalization.

Table 4.5: Model Summary, ANOVA & Coefficients of Management Attitude (MA) and Internationalization (INT).

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.417 ^a	.174	.167	4.23981	.174	25.265	1	120	.000

a. Predictors: (Constant), MA

b. Dependent Variable: INT

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	454.164	1	454.164	25.265	.000 ^a
	Residual	2157.115	120	17.976		
	Total	2611.279	121			

a. Predictors: (Constant), MA

b. Dependent Variable: INT

Coefficients^a

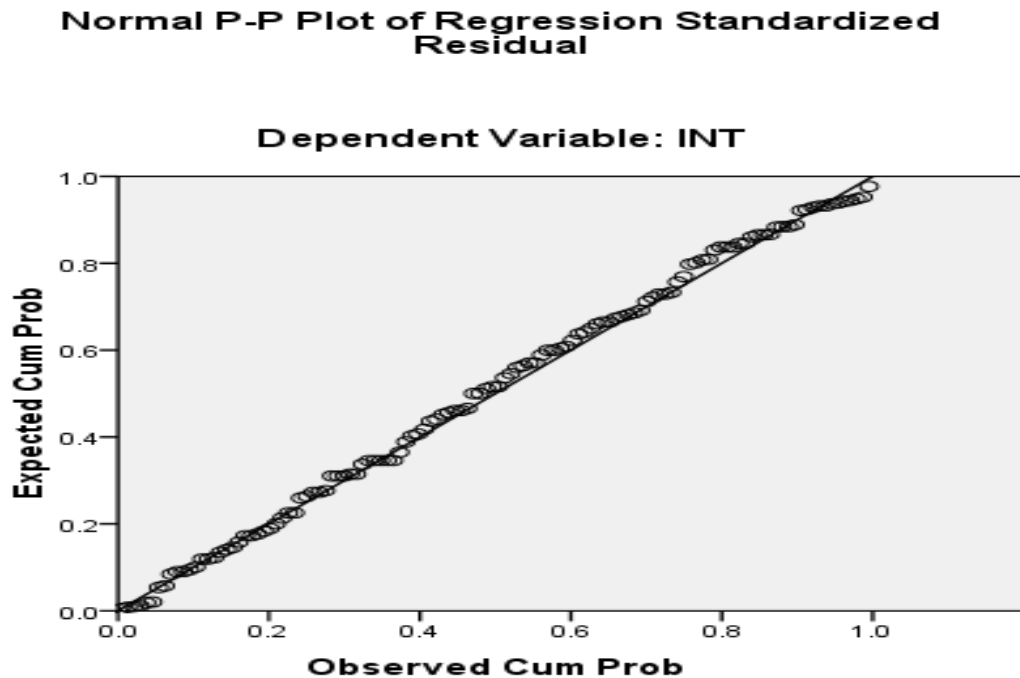
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	25.482	1.193		21.357	.000
MA	-.317	.063	-.417	-5.026	.000

a. Dependent Variable: INT

Refer to Table 4.5, the Model Summary, ANOVA table and Coefficient table, the regression analysis shows that 17.4% (R square) of variance in management attitude has been significantly explained by internationalization. The F statistic is 25.27 which are significant at $p < 0.001$. The standardized coefficient (Beta) is -0.42 and t-value of -5.03 which shows that a negative relationship between management attitude and internationalization exists.

Refer to Figure 4.2, it is observed that the Normal P-P plot of regression standardized residual displays a linear mode. Again, it is confirmed that there is a significant relationship between the two constructs. Therefore, hypotheses H2 is substantiated. However, management attitude does not have a prominent effect on internationalization ($R < 0.5$).

Figure 4.2: Normal P-P Plot of Regression Standardized Residual (Management Attitude-Internationalization)



c) H3: There is a positive relationship between international knowledge and experience and internationalization.

Table 4.6: Model Summary, ANOVA & Coefficients of International Knowledge & Experience (IKE) and Internationalization (INT).

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.360 ^a	.130	.123	4.35164	.130	17.895	1	120	.000

a. Predictors: (Constant), IKE

b. Dependent Variable: INT

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	338.871	1	338.871	17.895	.000 ^a
	Residual	2272.408	120	18.937		
	Total	2611.279	121			

a. Predictors: (Constant), IKE

b. Dependent Variable: INT

Coefficients^a

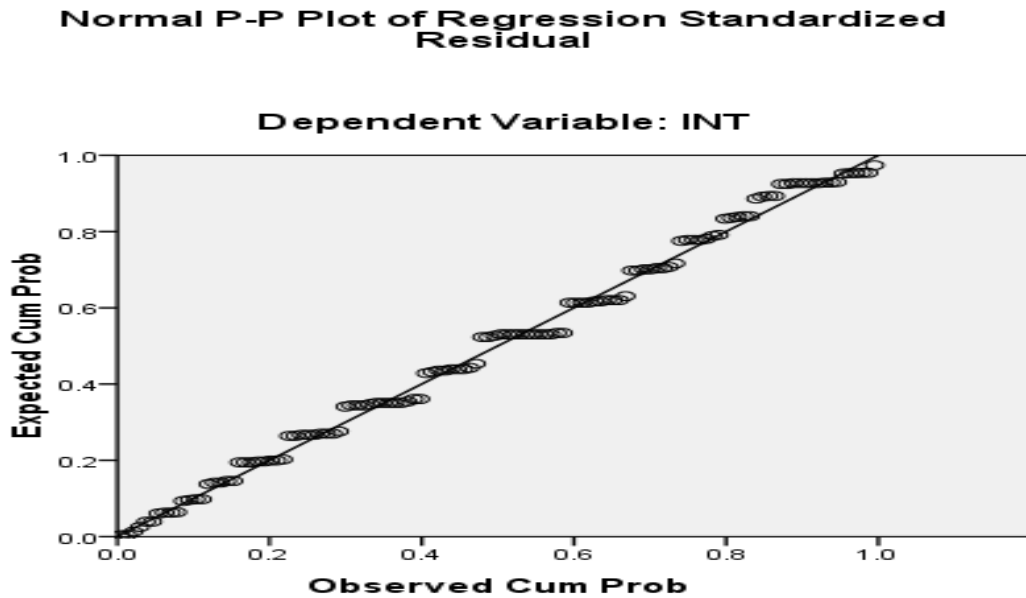
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.082	3.737		1.092	.277
	IKE	1.039	.246	.360	4.230	.000

a. Dependent Variable: INT

Refer to Table 4.6, the Model Summary, ANOVA table and Coefficient table, the regression analysis shows that 13.0% (R square) of variance in international knowledge and experience has been significantly explained by internationalization. The F statistic is 17.90 which are significant at $p < 0.001$. The standardized coefficient (Beta) is 0.36 and t-value of 4.23 which shows that a positive relationship between international knowledge and experience and internationalization exists.

Refer to Figure 4.3, it is observed that the Normal P-P plot of regression standardized residual displays a linear mode. Again, it is confirmed that there is a significant relationship between the two constructs. Therefore, hypotheses H3 is substantiated. However, international knowledge and experience does not have a prominent effect on internationalization ($R < 0.5$).

Figure 4.3: Normal P-P Plot of Regression Standardized Residual (International Knowledge & Experience-Internationalization)



d) H4: Moderating effect of firm size on the relationship between competitive advantage and internationalization.

Table 4.7: Model Summary, ANOVA & Coefficients of Moderating Effect of Firm Size (FS) on the relationship between Competitive Advantage (CA) and Internationalization (INT).

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.533 ^a	.284	.266	3.98129	.284	15.581	3	118	.000

a. Predictors: (Constant), FSCA, CA, FS

b. Dependent Variable: INT

ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	740.900	3	246.967	15.581	.000 ^a
Residual	1870.379	118	15.851		
Total	2611.279	121			

a. Predictors: (Constant), FSCA, CA, FS

b. Dependent Variable: INT

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	5.495	15.796		.348	.729
CA	.126	.231	.178	.548	.585
FS	-1.099	2.527	-.349	-.435	.664
FSCA	.028	.037	.695	.770	.443

a. Dependent Variable: INT

Hypotheses H4 was tested to examine the moderating effect of firm size on the relationship between competitive advantage and internationalization. This is to find out how is the firm size affects the relationship between competitive advantage and internationalization.

Refer to Table 4.7, the Model Summary, ANOVA table and Coefficient table. The regression analysis show that the R square value has increased from 21.1% (refer to Table 4.4) to 28.4%, it is significant at $p < 0.001$ when firm size as a moderator. Meanwhile, the ANOVA table shows the F value of 15.6 is significant at $p < 0.001$.

However, the standardized coefficient (Beta) of 0.695 and t-value of 0.77 at $p > 0.05$ which show in Coefficient table do not indicate any significant of moderating effect of firm size to the relationship between competitive advantage and internationalization. Therefore, hypotheses H4 is not substantiated.

- e) H5: Moderating effect of firm size on the relationship between management attitude and internationalization.

Table 4.8: Model Summary, ANOVA & Coefficients of Moderating Effect of Firm Size (FS) on the relationship between Management Attitude (MA) and Internationalization (INT).

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.518 ^a	.269	.250	4.02289	.269	14.451	3	118	.000

a. Predictors: (Constant), FSMA, FS, MA

b. Dependent Variable: INT

ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	701.609	3	233.870	14.451	.000 ^a
Residual	1909.670	118	16.184		
Total	2611.279	121			

a. Predictors: (Constant), FSMA, FS, MA

b. Dependent Variable: INT

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	14.516	4.704		3.086	.003
MA	-.014	.239	-.019	-.060	.952
FS	1.835	.784	.583	2.341	.021
FSMA	-.049	.040	-.463	-1.226	.223

a. Dependent Variable: INT

Hypotheses H5 was tested to examine the moderating effect of firm size on the relationship between management attitudes and internationalization. This is to find out how is the firm size affects the relationship between management attitudes and internationalization.

Refer to Table 4.8, the Model Summary, ANOVA table and Coefficient table. The regression analysis show that the R square value has increased from 17.4% (refer to Table 4.5) to 26.9%, it is significant at $p < 0.001$ when firm size as a moderator. Meanwhile, the ANOVA table shows the F value of 14.5 is significant at $p < 0.001$.

However, the standardized coefficient (Beta) of -0.463 and t-value of -1.23 at $p > 0.05$ which show in Coefficient table do not indicate any significant of moderating effect of firm size to the relationship between competitive advantage and internationalization. Therefore, hypotheses H5 is not substantiated.

- f) H6: Moderating effect of firm size on the relationship between international knowledge and experience and internationalization.

Table 4.9: Model Summary, ANOVA & Coefficients of Moderating Effect of Firm Size (FS) on the relationship between International Knowledge and Experience (IKE) and Internationalization (INT).

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.462 ^a	.213	.193	4.17264	.213	10.660	3	118	.000

a. Predictors: (Constant), FSIKE, IKE, FS

b. Dependent Variable: INT

ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	556.789	3	185.596	10.660	.000 ^a
Residual	2054.490	118	17.411		
Total	2611.279	121			

a. Predictors: (Constant), FSIKE, IKE, FS

b. Dependent Variable: INT

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-9.836	12.930		-.761	.448
IKE	1.642	.881	.569	1.864	.065
FS	2.569	2.017	.816	1.274	.205
FSIKE	-.115	.137	-.620	-.839	.403

a. Dependent Variable: INT

Hypotheses H6 was tested to examine the moderating effect of firm size on the relationship between international knowledge and experience and internationalization. This is to find out how is the firm size affects the relationship between international knowledge and experience and internationalization.

Refer to Table 4.8, the Model Summary, ANOVA table and Coefficient table. The regression analysis show that the R square value has increased from 13.0% (refer to Table 4.6) to 21.3%, it is significant at $p < 0.001$ when firm size as a moderator. Meanwhile, the ANOVA table shows the F value of 14.5 is significant at $p < 0.001$.

However, the standardized coefficient (Beta) of -0.62 and t-value of -0.84 at $p > 0.05$ which show in Coefficient table do not indicate any significant of moderating effect of firm size to the relationship between competitive advantage and internationalization. Therefore, hypotheses H6 is not substantiated.

4.7 Chapter Summary

This chapter discussed the results of the survey and various tests were conducted to test the hypotheses recommended. The data collected from the questionnaires were screened for error and only completed questionnaires were coded into SPSS version 17.0. The demographic data was verified to distinguish the data collection met the sample framework. Normality test was confirmed with Skewness and Kurtosis level of acceptable range of -2 to 2 . The result shows that all the answers in the questionnaires are within the acceptable range.

Next, the factor analysis and reliability test were then conducted to verify the factors that affect the independent variable of Internationalization. There are total 10 factors emerged in the Varimax rotation. However, the last four factors in the Varimax rotation are not significant and it can be ignored in this analysis. Meanwhile, 3 of the factors can be group into one to represent factor of competitive advantage. Besides, another two factors can be represented management attitude and international knowledge and experience.

Then, reliability tests were delivered for all variables. From the reliability test, only dependent variables of competitive advantage, management attitude and international knowledge and experience exceeded the recommended Cronbach alpha value, i.e. 0.7 was accepted. The new groupings are then created.

Following with that, the multiple regression analysis were used to establish the relationship of competitive advantage, management attitude, international knowledge and experience, firm size and internationalization. The results of the Hypothesis will be discussed in the following chapter.

Results of the hypotheses testing are tabulated as below:

Hypotheses	Equation	Result
There is a positive relationship between competitive advantage and internationalization	H1	Supported
There is a positive relationship between management attitude and internationalization.	H2	Supported
There is a positive relationship between international knowledge and experience and internationalization.	H3	Supported
Moderating effect of firm size on the relationship between competitive advantage and internationalization.	H4	Not Supported
Moderating effect of firm size on the relationship between management attitude and internationalization.	H5	Not Supported
Moderating effect of firm size on the relationship between international knowledge and experience and internationalization.	H6	Not Supported

CHAPTER 5

CONCLUSION AND RECOMMENDATION

CHAPTER 5 – CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter contains the discussion concerning the research results, limitations, suggestions for future research, contribution of the research, managerial implications and conclusion of the research. Directions for future research are also suggested in the suggestion for future research section. The strategic impact of this research is also discussed in the managerial implication section. The conclusion summarizes the entire research, while limitations discuss the difficulties that need to be overcome in this research.

5.2 Discussion

One of the main purposes of firms venture into international marketplace is to increased business opportunities for the firm. Besides lengthening the product life cycle, internationalization can also avoid early market saturation in the home country.

In Malaysia, more than 90% of the registered firms are represented as SMEs. Consequently, SMEs play an important role in fostering income stability, economic growth, and employment in Malaysia. One of the ways for SMEs continuously growth is often to establish and expand sales in foreign markets. Therefore it is important to find out the key determinants for SMEs in Malaysia to go for international expansion.

In this research, competitive advantage, management attitude and international knowledge and experience has identified as independent variables, internationalization as dependent variable while the firm size as moderating factor. The targeted respondents are the manufacturing SMEs located in Selangor state.

Testing of hypotheses H1 shows that the competitive advantage of a firm is significant to firm internationalization. This result is found to be in line with the previous research on the manufacturing sector (e.g. Dunning 1980, 1988) and service sector (e.g. Miller and Parkhe 1998) which shows the positive relationship between competitive advantage of a firm and firm internationalization.

Management attitude of manufacturing SMEs also tested significant to firm internationalization (hypotheses H2). The management attitude has positively influenced a firm for internationalization are supported in earlier research on manufacturing firms and service firms which was done by Aaby and Slater (1989) and White (1999) respectively.

The internationalization knowledge and experience of SMEs is another factor proves that to have significant influence on firm go for internationalization (hypotheses H3). This result is found to be in line with the previous research which was done by Vida & Reardon (2000) on determinants of international retails involvement of US's firms. The research result of Vida & Reardon (2000) shows that the managers of a firm who have internationalization knowledge and experience are tends to increase international business activities.

When the firm size was tested as a moderating factor on competitive advantage, management attitude and international knowledge and experience (H4, H5 and H6), there is no significant result with the firm internationalization.

The correlation (R square) of competitive advantage (H4) has increased from 0.211 to 0.284 when firm size as moderator in the regression analysis. Meanwhile, the correlation (R square) of management attitude (H5) and international knowledge and experience (H6) has increased from 0.174 to 0.269 and 0.13 to 0.213 respectively when firm size was in key-in as moderator in the regression analysis. However, all the above results are not significant when firm size as moderator, i.e. $p > 0.05$.

In the research of internationalization retailer involvement in US which was done by Vida and Reardon (2000), the result shows that firm size has weaker effect on the impact of firm internationalization.

The result shows the firm size is not a moderating factor of firm internationalization can be interpreted that firm size is not a barrier for a firm who intends to have international expansion. It is also indicates competitive advantage, management attitude and international knowledge and experience of a firm do not related to the firm size.

A firm which have technology know how (competitive advantage), positive attitude of the management towards international expansion and the managers with international experience will lead the firm venture into international market place without take into consideration of the firm size.

Besides, it can also be explained by using the findings of Oviatt and McDougall (1994). They have focus on the newly started firms and they define an International New Venture (INV) as a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources from and the sale of outputs in multiple countries. In contract to traditional organizations that develop gradually from domestic firms to multinational enterprises, the INV starts out with a proactive international strategy even though it starts from a small firm.

Besides, the advance technologies such as aircraft, tele-conference, internet and telephone, etc will link up the whole business world faster and easier. A small firm may take advantage on these technologies to improve and increase the international business activities.

5.3 Limitation of Research

Any studies have its limitations. This research has several limitations that need to be addressed. These limitations must be overcome to improve accuracy and the validity of the research.

First, the unit of analysis was restricted to Malaysian's manufacturing industries within the SMEs. The key determinants of internationalization and moderating effects might be experienced differently in other sectors, such as services sector and agriculture sector. Therefore, future research to address specific characteristics of other industry sectors and contexts is recommended.

Second, the geographical distribution of respondents in this research was limited in the Selangor state only. Although Selangor is the most developed state in this country and have highest populated SMEs, it is good to have geographically diversified of respondents. It is because the result of this research may not be comprehensive enough to generalize to the whole industry. Therefore, increasing sampling to respondents from other states will increase the accuracy of the result in this research.

Third, this study uses a quantitative approach and all identified determinants of SMEs internationalization are based on the answered questionnaires collected from the manufacturing SMEs' owners or top managements. However, the owners or top management of the manufacturing SMEs might have their comments or point of view on the survey questions. Therefore, qualitative approach, i.e. interview with the SMEs' owners or top management should be applied.

Fourth, the key determinants of internationalization of manufacturing SMEs, i.e. competitive advantage, management attitude and international knowledge and experience are internal

factors. The respondents may overestimate their competitive advantage, management attitude and international knowledge and experience during they are answering the questionnaire. The external factors that influence a firm for internationalization, such as government support program, saturated of domestic market, unstable of politic, free trade policies, tariff and non-tariff barriers, etc may influence the decision of the management for internalization as well. These factors are worth for further study.

The last limitation of this study is limited time of data collection. All the questionnaires were distributed and collected within a month. Total of 300 questionnaires were sending out via email and only 127 questionnaires had returned and only 122 questionnaires are completed with all the answers. The return rate of 41% can be further improved by prolong the collection period.

5.4 Contribution of the Research

This study provides a starting point to better understand that what are the key determinants of firm go for internationalization by using firm size as a moderating factor. By expanding beyond their home markets, the SMEs not only have the opportunity for growth, but also the potential to be serious competitors in more developed economies.

This research has confirmed that competitive advantage, management attitude, international knowledge and experience are the key determinants of internationalization. However, firm size does not have positive result in the moderating test.

Traditionally, there is an impression that the only big firm will have international business activities in the foreign countries due to the financial strength of the firm. The result of this research will wake-up the SMEs that firm size is no more a barrier for them to venture in the

international marketplace. They can use their internal capability to explore the international market without considering about the firm size.

Another contribution is the findings of this research can be used as a guide to understand the key determinants of internationalization of manufacturing SMEs. The information from this research is important for the management of manufacturing SMEs to have a strategic plan for international expansion.

Though the samples of this research may not be large enough to generalize to the whole industry, the findings of this research will at least serve as a basic reference for the researchers to conduct further research on the same topic.

5.5 Suggestions for Future Research

As mentioned, the research has attempted to use firm size as a moderating factor between the relationships of competitive advantage, management attitude, international knowledge and experience and internationalization of manufacturing SMEs. It is no doubt using the firm size as a moderating factor is still new in the research of internationalization.

In this research, the firm size is represented by sales volume. However, there is a query whether the sales volume of a firm is the best measurement construct? Therefore, the future research should emphasize on firm size measurement construct. Besides, in future, the researcher should bear in mind that the sales volume could be very confidential for some SMEs unless they are willing to reveal it.

This research is only target on the manufacturing SMEs situated in Selangor state. As mentioned in the limitation of research, the research is good to have geographically

diversified of respondents. Therefore, the research should target the respondents from other states and increase the number of sampling in the future research.

Last, the future research could consider studying the internationalization of SMEs in service sector and agriculture sector and compare to the manufacturing SMEs in the same region.

5.6 Managerial Implications

A number of managerial implications are derived from the finding of this study into SME firms in this country. The main implications for the owners or managers of small international firms concern competitive advantage, attitudes and knowledge and experience of international business strategy. The owners or managers of SME firms need to be aware that their mentality could be their main barrier to internationalization. The owners or managers of manufacturing SMEs need to enhance relationships with customers, suppliers and distributors. It is because through these networks that they can overcome any lack of knowledge of foreign markets.

The second implication of the study concerns SMEs' entrepreneurial competency. The owners or managers of the manufacturing SMEs need to nurture entrepreneurial behavior through their mindsets, practices and decision making activities. They should be more proactive in searching for international market opportunities, innovative in engaging and supporting new ideas and willing to take risks to try out new and uncertain products, services and markets. They also need to be more aggressive in competing with local and global players.

The third implication concerns the organizations competencies. The manufacturing SMEs should develop managerial capabilities and firm competencies so that they are prepared to

compete with other global players in the international marketplace in the long run. The SMEs' management should also willing to work hard, be alert to any environment changes, able to foresee foreign market behaviors, make quick and accurate decisions and most importantly, they should have a global mindset and entrepreneurial orientation. Meanwhile, the owners or top management of the SMEs should always encourage other managers to be more proactive and innovative.

The last implication concerns the technical know-how. Without sufficient know-how and formal training, the SMEs firms are very unlikely success for internationalization. The SMEs should be encouraged to actively participate in relevant training sessions and trade talks sponsored by government agencies. Specifically for the manufacturing SMEs in their early stage of internationalization, hiring new managerial talent experienced in international business will dramatically improve the internal planning procedures and capabilities of the firms.

5.7 Conclusion

This study enriches the SMEs internationalization literature by contributing to a deeper understanding of key determinants of internationalization of manufacturing SMEs in Malaysia. The study has identified 3 keys determinants of internationalization, namely competitive advantage, management attitude and international knowledge and experience. Meanwhile, it is also proved that the firm size did not moderate a firm go for internationalization.

Internationalization of Malaysian Manufacturing SMEs allows firms to grow by expanding their market. Therefore, this research is hopefully will become an eye-opener to the

Malaysian manufacturing SMEs who are interested or planned to expand their business activities into the international marketplace.

In conclusion, research on manufacturing SMEs internationalization in Malaysia is still in the preliminary stage. There are broad opportunities for further research in this topic. This study can be a guide for other researchers who interested in delving into the topic, whether in other industry sector or geographical.

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APPENDIX A:

LIST OF ITEMS IN CONSTRUCTS

No	Item	Symbol	Source
	Construct: Competitive Advantage	B	
	Dimension: Innovation Differentiation	B(1)	
1	R&D of new products	B(1.a)	Beal and Yasai (2000)
2	Marketing new products	B(1.b)	Beal and Yasai (2000)
3	Selling high-priced products	B(1.c)	Beal and Yasai (2000)
4	Obtaining patents/copyrights	B(1.d)	Beal and Yasai (2000)
5	Innovative marketing techniques	B(1.e)	Beal and Yasai (2000)
	Dimension: Marketing Differentiation	B(2)	
1	Building brand/company identification	B(2.a)	Beal and Yasai (2000)
2	Advertising/promotional programs	B(2.b)	Beal and Yasai (2000)
3	Securing reliable distribution channels	B(2.c)	Beal and Yasai (2000)
4	Improvement of existing products	B(2.d)	Beal and Yasai (2000)
5	Producing broad range of products	B(2.e)	Beal and Yasai (2000)
	Dimension: Low Cost Differentiation	B(3)	
1	Efficiency & productivity improvements	B(3.a)	Beal and Yasai (2000)
2	New manufacturing processes	B(3.b)	Beal and Yasai (2000)
3	Improvement of existing manufacturing processes	B(3.c)	Beal and Yasai (2000)
4	Reducing costs throughout the firm	B(3.d)	Beal and Yasai (2000)

5	Reducing manufacturing costs primarily	B(3.e)	Beal and Yasai (2000)
	Dimension: Quality Differentiation	B(4)	
1	Strict product quality control	B(4.a)	Beal and Yasai (2000)
2	Benchmarking best manufacturing processes anywhere	B(4.b)	Beal and Yasai (2000)
3	Immediate resolution of customer problems	B(4.c)	Beal and Yasai (2000)
4	Product improvements based on gaps in meeting customer expectations	B(4.d)	Beal and Yasai (2000)
	Dimension: Service Differentiation	B(5)	
1	New customer services	B(5.a)	Beal and Yasai (2000)
2	Improvement of existing customer services	B(5.b)	Beal and Yasai (2000)
3	Improvement of sales force performance	B(4.c)	Beal and Yasai (2000)
	Construct: Management Attitude	C	
1	Different cultures and languages in international market make internationalization extremely complex	C1	Vida (2000)
2	Internationalization drains a firm's resources	C2	Vida (2000)
3	Relative to domestic business activity, internationalization involves significantly higher risks	C3	Vida (2000)
4	Internationalization is an excellent opportunity to exploit economies of scale	C4	Vida (2000)
5	Internationalization is becoming an increasingly viable way for the future growth of SMEs	C5	Vida (2000)
6	Our management is looking out for opportunities to go international	C6	Vida (2000)
7	Given identical opportunities in both the local and foreign countries, we will choose the opportunities in local country	C7	Vida (2000)

	Construct: International Knowledge and Experience	D	
	Dimension: Presence of Business Knowledge	D(1)	
	Existence of cooperative agreements (i.e., agreement with agents and alliance partners)	D(1.a)	Eriksson (1997)
	Formations of foreign subsidiaries	D(1.b)	Eriksson (1997)
	Dimension: Presence of Institutional Knowledge	D(2)	
	Knowledge about foreign laws/norms/standards	D(2.a)	Eriksson (1997)
	Foreign languages (i.e., written and spoken)	D(2.b)	Eriksson (1997)
	Dimension: Presence of Internationalization Knowledge	D(3)	
	Foreign experience (i.e., involved in dealings with foreign business partners)	D(3.a)	Eriksson (1997)
	Unique knowledge/competence	D(3.b)	Eriksson (1997)
	Dimension: Perceived Cost	D(4)	
	Ability to analysis the cost of an additional assignment abroad relative to non-exporting	D(4.a)	Eriksson (1997)

APPENDIX B:
NORMALITY TEST

Normality Test: Skewness & Kurtosis

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Std. Error of Skewness	Kurtosis	Std. Error of Kurtosis
B(1.a)	122	1	5	3.73	1.311	-.670	.219	-.778	.435
B(1.b)	122	1	5	3.96	1.048	-.926	.219	.406	.435
B(1.c)	122	1	5	2.84	.999	.084	.219	-.747	.435
B(1.d)	122	2	5	3.20	.529	.517	.219	.777	.435
B(1.e)	122	3	5	3.84	.589	.045	.219	-.234	.435
B(2.a)	122	3	5	4.27	.656	-.347	.219	-.726	.435
B(2.b)	122	3	5	3.79	.592	.094	.219	-.384	.435
B(2.c)	122	2	5	4.31	.882	-.951	.219	-.282	.435
B(2.d)	122	3	5	4.34	.688	-.551	.219	-.772	.435
B(2.e)	122	3	5	3.97	.727	.050	.219	-1.084	.435
B(3.a)	122	3	5	4.39	.674	-.644	.219	-.649	.435
B(3.b)	122	1	5	2.34	1.161	.439	.219	-.714	.435
B(3.c)	122	3	5	4.58	.587	-1.073	.219	.174	.435
B(3.d)	122	2	5	4.27	.824	-.632	.219	-.966	.435
B(3.e)	122	3	5	4.69	.516	-1.365	.219	.906	.435
B(4.a)	122	3	5	4.25	.650	-.305	.219	-.701	.435
B(4.b)	122	1	5	3.89	1.003	-.383	.219	-.814	.435
B(4.c)	122	2	5	4.55	.631	-1.291	.219	1.494	.435
B(4.d)	122	2	5	4.48	.718	-1.273	.219	1.162	.435
B(5.a)	122	2	5	4.30	.677	-.601	.219	.005	.435
B(5.b)	122	2	5	4.53	.632	-1.222	.219	1.334	.435
B(5.c)	122	3	5	4.55	.591	-.928	.219	-.114	.435
C1	122	1	6	2.66	1.579	.881	.219	-.514	.435
C2	122	1	6	2.74	1.353	.673	.219	-.657	.435
C3	122	1	6	3.36	1.575	.029	.219	-1.365	.435
C4	122	3	6	4.57	.771	-.278	.219	-.259	.435
C5	122	3	6	4.56	.705	-.567	.219	-.018	.435
C6	122	3	5	4.38	.621	-.467	.219	-.633	.435
C7	122	1	6	2.94	1.416	.316	.219	-.953	.435
D(1.a)	122	3	6	4.60	.570	-.804	.219	-.008	.435
D(1.b)	122	1	6	3.19	2.133	.217	.219	-1.694	.435
D(2.a)	122	3	6	4.38	.634	-.316	.219	-.472	.435
D(2.b)	122	3	6	4.83	.541	-.749	.219	1.686	.435
D(3.a)	122	3	6	4.66	.600	-.625	.219	.359	.435
D(3.b)	122	3	6	5.20	.768	-.799	.219	.455	.435
D(4.a)	122	3	6	5.11	.690	-.449	.219	.239	.435

APPENDIX C:
VALIDITY TEST (FACTOR ANALYSIS)

Constructs: Competitive Advantage, Management Attitude and International knowledge & experience

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.730
Bartlett's Test of Sphericity	Approx. Chi-Square	1770.921
	df	630
	Sig.	.000

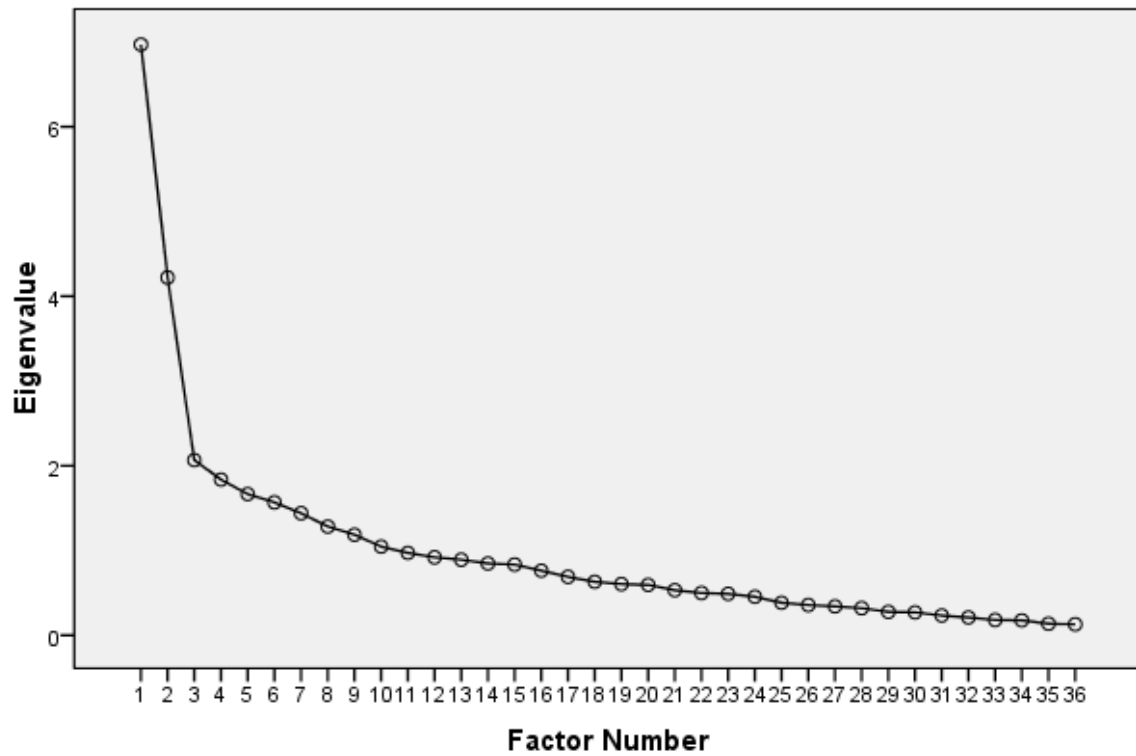
Total Variance Explained

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.970	19.362	19.362	6.522	18.117	18.117	3.614	10.038	10.038
2	4.221	11.724	31.086	3.831	10.642	28.759	3.156	8.766	18.804
3	2.066	5.739	36.825	1.577	4.382	33.141	2.555	7.097	25.901
4	1.837	5.102	41.927	1.342	3.728	36.869	2.107	5.854	31.755
5	1.665	4.625	46.552	1.179	3.274	40.143	1.918	5.328	37.083
6	1.567	4.354	50.905	1.041	2.893	43.036	1.130	3.140	40.223
7	1.440	3.999	54.904	.926	2.572	45.608	1.111	3.086	43.309
8	1.283	3.563	58.467	.802	2.227	47.835	1.052	2.923	46.232
9	1.186	3.294	61.761	.669	1.857	49.693	.944	2.622	48.854
10	1.046	2.905	64.666	.564	1.566	51.259	.866	2.405	51.259
11	.972	2.699	67.365						
12	.919	2.553	69.917						
13	.891	2.475	72.393						
14	.847	2.351	74.744						
15	.834	2.317	77.061						
16	.762	2.116	79.177						
17	.688	1.912	81.090						
18	.631	1.753	82.842						
19	.604	1.677	84.519						
20	.594	1.651	86.170						
21	.532	1.477	87.647						
22	.498	1.383	89.030						
23	.489	1.359	90.389						
24	.454	1.261	91.649						
25	.383	1.064	92.713						
26	.356	.989	93.702						
27	.340	.944	94.646						
28	.320	.888	95.533						
29	.276	.765	96.299						
30	.270	.751	97.049						
31	.232	.646	97.695						
32	.210	.583	98.278						

33	.180	.499	98.777					
34	.176	.489	99.265					
35	.136	.377	99.643					
36	.129	.357	100.000					

Extraction Method: Principal Axis Factoring.

Scree Plot



Factor Matrix

	Factor									
	1	2	3	4	5	6	7	8	9	10
B(5.b)	.683									
B(3.c)	.647									
B(4.c)	.633									
B(5.a)	.620									
B(5.c)	.610							-.315		
D(4.a)	.605									
B(4.d)	.584			-.337						
B(3.e)	.570				.332					
D(3.b)	.558		.463							
B(2.c)	.546									
B(1.b)	.543			.425						
B(1.a)	.513			.439						
B(2.b)	.488									
B(3.a)	.447									
B(1.e)	.432					-.394				.332
B(2.d)	.416				.310					
B(4.a)	.395									
B(2.a)	.335									
C3		.802								
C1	-.334	.745								
C2	-.362	.695								
B(3.b)		.694								
C7		.642								
B(4.b)	.419	.503								
B(3.d)	.361	.404			.341					
B(1.c)		.357			-.354			.344		
B(1.d)										
D(1.a)	.322		.411						.317	
D(2.a)	.385		.385							
C6										
B(2.e)				.343						
D(2.b)	.324					.337				
C4						.328				
D(3.a)							-.474			
D(1.b)		.346	.324				.461			
C5									.420	

Extraction Method: Principal Axis Factoring.

a. Attempted to extract 10 factors. More than 25 iterations required. (Convergence=.006).
Extraction was terminated.

Rotated Factor Matrix

	Factor									
	1	2	3	4	5	6	7	8	9	10
C3	.845									
C1	.777									
C2	.752									
C7	.702									
B(3.b)	.624						.359			
B(4.b)	.420		.314							
B(5.a)		.831								
B(5.b)		.713								
B(5.c)		.594								
B(4.c)		.556								
B(4.d)		.522								-.390
C6										
B(3.d)			.641							
B(3.e)			.641							
B(3.c)			.572							
B(3.a)			.423							
D(3.b)		.304		.645						
D(2.b)				.575						
D(3.a)				.498				-.300		
D(4.a)			.448	.457						
D(2.a)				.410						
B(1.a)					.728					
B(1.b)					.649					
B(2.e)					.495					
B(4.a)					.313					
B(1.e)		.328				.656				
B(1.c)						.409				-.334
B(2.a)						.406				
B(2.b)		.326				.332				
D(1.b)							.682			
B(2.d)			.353				-.403			
C4								.603		
B(1.d)								-.361		
C5									.626	
D(1.a)				.327				-.305	.356	
B(2.c)			.389							.478

Extraction Method: Principal Axis Factoring.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 12 iterations.

APPENDIX D:
GROUPING OF FACTORS

Grouping for Factors: Competitive Advantage, Management Attitude and International knowledge & experience

Rotated Factor Matrix^a

	Factor									
	1	2	3	4	5	6	7	8	9	10
C3	.845									
C1	.777									
C2	.752									
C7	.702									
B(3.b)	.624						.359			
B(4.b)	.420		.314							
B(5.a)		.831								
B(5.b)		.713								
B(5.c)		.594								
B(4.c)		.556								
B(4.d)		.522								-.390
C6										
B(3.d)			.641							
B(3.e)			.641							
B(3.c)			.572							
B(3.a)			.423							
D(3.b)		.304		.645						
D(2.b)				.575						
D(3.a)				.498				-.300		
D(4.a)			.448	.457						
D(2.a)				.410						
B(1.a)					.728					
B(1.b)					.649					
B(2.e)					.495					
B(4.a)					.313					
B(1.e)		.328				.656				
B(1.c)						.409				-.334
B(2.a)						.406				
B(2.b)		.326				.332				
D(1.b)							.682			
B(2.d)			.353				-.403			
C4								.603		
B(1.d)								-.361		
C5									.626	
D(1.a)				.327				-.305	.356	
B(2.c)			.389							.478

Factor 2, 3, 5 & 6: Competitive Advantage (CA)

Factor 1: Management Attitude (MA)

Factor 4: International Knowledge & Experience (IKE)

APPENDIX E:
RELIABILITY TEST

Reliability Test: Competitive Advantage (CA)

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.821	.838	17

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
B(5.a)	66.680	37.839	.553	.587	.805
B(5.b)	66.443	37.703	.618	.554	.802
B(5.c)	66.426	38.709	.523	.456	.807
B(4.c)	66.426	38.048	.572	.523	.804
B(4.d)	66.500	37.971	.499	.462	.807
B(3.d)	66.705	39.119	.301	.239	.819
B(3.e)	66.287	39.628	.463	.470	.811
B(3.c)	66.393	38.654	.535	.420	.807
B(3.a)	66.590	39.335	.368	.233	.814
B(1.a)	67.246	33.261	.524	.508	.809
B(1.b)	67.016	34.628	.582	.525	.800
B(2.e)	67.008	40.835	.166	.228	.826
B(4.a)	66.721	39.360	.382	.221	.814
B(1.e)	67.131	39.950	.349	.313	.815
B(1.c)	68.139	39.129	.222	.226	.828
B(2.a)	66.705	40.177	.276	.248	.819
B(2.b)	67.189	38.915	.492	.315	.809

Reliability Test: Management Attitude (MA)

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.842	.835	6

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
C3	14.566	23.190	.774	.606	.782
C1	15.270	23.620	.736	.621	.791
C2	15.189	26.055	.689	.556	.802
C7	14.984	26.512	.610	.390	.818
B(3.b)	15.590	29.037	.561	.324	.828
B(4.b)	14.033	32.379	.353	.146	.858

Reliability Test: International Knowledge & Experience (IKE)

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.715	.707	3

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
D(3.b)	9.9344	.971	.684	.483	.417
D(2.b)	10.3033	1.750	.385	.177	.783
D(4.a)	10.0246	1.231	.580	.418	.568

Reliability Test: Firm Size (FS)

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.731	.732	2

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
F1	2.7377	.741	.577	.333	. ^a
F2	3.0656	.640	.577	.333	. ^a

a. The value is negative due to a negative average covariance among items. This violates reliability model assumptions. You may want to check item coding.

Reliability Test: Internationalization (INT)

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.744	.651	5

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
E1	13.8197	9.951	.846	.916	.533
E2	13.5820	9.419	.820	.924	.547
E(4.a)	17.0738	19.325	.233	.184	.774
E5	16.0410	13.131	.674	.505	.633
E6	18.6967	21.651	-.075	.045	.816

APPENIDIX F:
QUESTIONNAIRE



UNIVERSITY OF MALAYA
Master of Business Administration
Graduate School of Business
Faculty of Business and Accountancy

Dear Sir/Madam,

SURVEY ON THE KEY DETERMINANTS OF INTERNATIONAL EXPANSION FOR MALAYSIAN MANUFACTURING SMEs

I am conducting research on factors influencing the Malaysian manufacturing SMEs when these firms venture into foreign countries. This questionnaire is conducted as part of a research project, which shall be submitted in part completion of the Master of Business Administration from University of Malaya.

The specific objective of this study is to have a better understanding about the behavior of companies on the choice of entry modes strategies with the factors that encourage the Malaysian SMEs venture into overseas market.

Kindly **answer all the questions**. The survey will only take approximately 10 to 15 minutes. Please be assured that all information will be treated with the *strictest confidential* and only the aggregated data will be presented. In other words, individuals who respond to this questionnaire will not be identified.

We would like to extend our appreciation for your participation in this survey. Should you have any question or comment regarding this questionnaire, please do not hesitate to contact me (undersign) or my supervisor Prof. Dr. Mohd. Nazari Ismail at 03-79673813 or email at mdnazari@um.edu.my.

Once again thank you for your valuable assistance in participating in this survey.

Yours faithfully,

Toh Kar Wai

Mobile: 6012-2352537

E-mail: karwaitoh@yahoo.com

Supervised by,

Prof. Dr. Mohd Nazari Ismail PhD (Manchester) , MBA (SUNY Buffalo) , BSc (Wales)

Professor

Faculty of Business & Accountancy,

University of Malaya

Please answer the following questions as objectively and honestly as possible. Thank you.

SECTION A: COMPANY BACKGROUND

A (1) Name of your company: _____

A (2) Your name & contact number: _____

A (3) Position:

- _____ Managing Director
- _____ Marketing Manager
- _____ Business Development Manager
- _____ Financial Manager
- _____ Project Manager
- _____ Operation Manager
- _____ Executive

A (4) How many employees are there in your company?

- _____ 1 – 50
- _____ 51 – 100
- _____ 101 – 150
- _____ > 151

A (5) How long has your organization been operating in Malaysia?

- _____ < 5 years
- _____ 5 – 10 years
- _____ 11 – 15 years
- _____ 16 – 20 years
- _____ 21 – 25 years
- _____ > 25 years

A (6) How many countries does your company operate in?

- _____ 0
- _____ 1 – 5
- _____ 6 – 10
- _____ 11 – 15
- _____ 16 – 20
- _____ > 20

A (7) Your company is:

- _____ 100% owned by Malaysians
- _____ Majority shares owned by Malaysians
- _____ 100% owned by foreigners
- _____ Majority shares owned by foreigners
- _____ 50-50 joint venture between Malaysians and foreigners

A (8) How many foreigners comprise your top management?

- _____ 0
- _____ 1 – 5
- _____ 6 – 10
- _____ 11 – 15
- _____ 16 – 20
- _____ > 20

A (9) Total Assets in 2010

- _____ < 1 million
- _____ 1 – 10 million
- _____ 11 – 25 million
- _____ 26 – 50 million
- _____ > 50 million

A (10) What industry group does your company belong to?

- (a) Food
- (b) Fixtures and furniture
- (c) Textiles
- (d) Electrical & electronics products
- (e) Multiple industries
- (f) Drinks
- (g) Paper products
- (h) Pharmaceuticals
- (i) Industrial chemicals
- (j) Plastic products
- (k) Gifts and handcrafts
- (l) Motor vehicle components
- (m) Tobacco
- (n) Wood products
- (o) Rubber products
- (p) Non-metal products
- (q) Jewelry
- (r) Sports and stationery

B (3) Low Cost Leadership

- B (3.a) Efficiency & productivity improvements ① ② ③ ④ ⑤
- B (3.b) New manufacturing processes ① ② ③ ④ ⑤
- B (3.c) Improvement of existing manufacturing processes ① ② ③ ④ ⑤
- B (3.d) Reducing costs throughout the firm ① ② ③ ④ ⑤
- B (3.e) Reducing manufacturing costs primarily ① ② ③ ④ ⑤

B (4) Quality Differentiation

- B (4.a) Strict product quality control ① ② ③ ④ ⑤
- B (4.b) Benchmarking best manufacturing processes anywhere ① ② ③ ④ ⑤
- B (4.c) Immediate resolution of customer problems ① ② ③ ④ ⑤
- B (4.d) Product improvements based on gaps in meeting customer expectations ① ② ③ ④ ⑤

B (5) Service Differentiation

- B (5.a) New customer services ① ② ③ ④ ⑤
- B (5.b) Improvement of existing customer services ① ② ③ ④ ⑤
- B (5.c) Improvement of sales force performance ① ② ③ ④ ⑤

SECTION C: MANAGEMENT ATTITUDE

Please read these statements carefully and rate your level of agreement or disagreement. Please tick (⊗).

1	2	3	4	5	6
Strongly disagree	Disagree	Slightly disagree	Slightly agree	Agree	Strongly agree

- C (1) Different cultures and languages in international market make internationalization extremely complex ① ② ③ ④ ⑤ ⑥
- C (2) Internationalization drains a firm's resources ① ② ③ ④ ⑤ ⑥

- C (3) Relative to domestic business activity, internationalization involves significantly higher risks ① ② ③ ④ ⑤ ⑥
- C (4) Internationalization is an excellent opportunity to exploit economies of scale ① ② ③ ④ ⑤ ⑥
- C (5) Internationalization is becoming an increasingly viable way for the future growth of SMEs ① ② ③ ④ ⑤ ⑥
- C (6) Our management is looking out for opportunities to go international ① ② ③ ④ ⑤ ⑥
- C (7) Given identical opportunities in both the local and foreign countries, we will choose the opportunities in local country ① ② ③ ④ ⑤ ⑥

SECTION D: INTERNATIONAL KNOWLEDGE AND EXPERIENCE

How do you rate your company's international knowledge? Please tick (⊗).

1	2	3	4	5	6
Strongly disagree	Disagree	Slightly disagree	Slightly agree	Agree	Strongly agree

D (1) Presence of business knowledge

- D (1.a) Existence of cooperative agreements (i.e., agreement with agents and alliance partners) ① ② ③ ④ ⑤ ⑥

- D (1.b) Formations of foreign subsidiaries ① ② ③ ④ ⑤ ⑥

D (2) Presence of institutional knowledge

- D (2.a) Knowledge about foreign laws/norms/standards ① ② ③ ④ ⑤ ⑥

- D (2.b) Foreign languages (i.e., written and spoken) ① ② ③ ④ ⑤ ⑥

D (3) Presence of internationalization knowledge

- D (3.a) Foreign experience (i.e., involved in dealings with foreign business partners) ① ② ③ ④ ⑤ ⑥

- D (3.b) Unique knowledge/competence ① ② ③ ④ ⑤ ⑥

D (4) Perceived costs

D (4.a) Ability to analysis the cost of an additional assignment abroad relative to non-exporting ① ② ③ ④ ⑤ ⑥

SECTION E: INTERNATIONALIZATION

E (1) What percentage of your sales in year 2010 comes from international sources?

- 0%
- 1% - 5%
- 6% - 10%
- 11% - 20%
- 21% - 30%
- 31% - 40%
- 41% - 50%
- 51% - 70%
- > 70%

E (2) What percentage of your profit in year 2010 comes from international sources?

- 0% or less
- 1% - 5%
- 6% - 10%
- 11% - 20%
- 21% - 30%
- 31% - 40%
- 41% - 50%
- 51% - 70%
- > 70%

E (3.a) Please state the total number of members on your Board of Directors:

- _____ 0
- _____ 1
- _____ 2
- _____ 3
- _____ 4
- _____ 5
- _____ > 5

E (3.b) Please state the total number of foreigners on the Board of Directors

- _____ 0
- _____ 1
- _____ 2
- _____ 3
- _____ 4
- _____ 5
- _____ > 5

E (4.a) Please state the total number of managers and heads of department in your organization:

- _____ 1 – 3
- _____ 4 – 6
- _____ 7 – 9
- _____ > 10

E (4.b) Please state the total number of expatriates (foreigners) who are managers and heads of departments in your organization:

- _____ 0
- _____ 1
- _____ 2
- _____ 3
- _____ 4
- _____ 5
- _____ > 5

E (5) Please state the number of countries to which you are exporting

- _____ 0
- _____ 1 – 5
- _____ 6 – 10
- _____ 11 – 15
- _____ 16 – 20
- _____ > 20

E (6) What percentage of shares in your company are owned by foreigners?

- _____ 0%
- _____ 1% - 20%
- _____ 21% - 40%
- _____ 41% - 60%
- _____ 61% - 80%
- _____ 81% - 100%

E (7) How many overseas subsidiaries or joint ventures do your company have?

- _____ 0
- _____ 1 – 5
- _____ 6 – 10
- _____ 11 – 15

_____ > 15

SECTION F: FIRM PERFORMANCE

F (1) What is your company's annual average sales growth rate for the last five years?

_____ 0% or less than 0%

_____ 1% - 5%

_____ 6% - 10%

_____ 11% - 15%

_____ more than 15%

F (2) What is your company's average rate of profit (net profit/sales \times 100) over the last 5 years?

_____ 0% or less than 0%

_____ 1% - 5%

_____ 6% - 10%

_____ 11% - 15%

_____ more than 15%

F (3) What is the level of the staff turnover rate (people leaving the organization) in your company?

_____ 0%

_____ 1% - 5%

_____ 6% - 10%

_____ 11% - 15%

_____ >15%

Thank you very much for completing this questionnaire. It is hoped that the efforts contributed will result in a better understanding of management practices in our country.