INTERNATIONALIZATION OF MALAYSIAN FOODSERVICE FIRMS

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ABSTRACT

This thesis undertakes the research project from an inductive position to shape the result by adopting the qualitative research process. It challenges the existing theory of internationalization process. This study will compare and contrast the sequential and non-sequential stage in internationalization process. The research tries to explore the facilitation of internationalization process that allows the acceleration of Malaysian foodservice firms to expand globally. By using behavioral approach, this study identifies and delineates the components of strategies adopted in the internationalization process. Based on the case study of the three selected Malaysian foodservice firms, the new model was proposed. It asserted that the intention to expand business overseas requires a firm to undergo (1) pre-internationalization stage; (2) international entry stage; and (3) post-internationalization stage. These three stages were affected by two themes at each stage. These two themes, namely "Western Embeddedness" and "Government Influence" were in turn, formulated on the basis of twelve concepts of internationalization process in cross-case analysis. These twelve concepts were the strategies that accelerated the foreign markets penetration of Malaysian foodservice firms. It was also contended that foodservice firms expand overseas first by franchising, then exporting, and eventually setting up their plant abroad. The newly proposed model of internationalization process was then debated with the existing literature. The limitations and future directions of this model were also discussed.

ABSTRAK

Tesis ini menjalankan projek penyelidikan dari sudut induktif untuk menghasilkan penemuan baru dengan menggunakan proses penyelidikan kualitatif. Ia mencabar teori proses internasionalisasi sedia ada. Kajian ini membanding dan membezakan peringkat turutan dan bukan turutan dalam proses internasionalisasi. Penyelidikan ini cuba mendedahkan pemudahcaraan proses internasionalisasi yang mempercepatkan firma-firma perkhidmatan makanan Malaysia untuk berkembang secara global. Dengan menggunakan pendekatan gelagat, kajian ini mengenalpasti dan menghuraikan komponen strategi yang digunakan dalam proses internasionalisasi. Berdasarkan kepada kajian kes tiga firma perkhidmatan makanan Malaysia yang dipilih, model baru dicadangkan. Ia menegaskan bahawa rancangan untuk mengembangkan perniagaan ke luar negara memerlukan sesebuah firma melalui (1) peringkat pra-internasionalisasi; (2) peringkat kemasukan internasionalisasi; dan (3) peringkat pasca-internasionalisasi. Ketiga-tiga peringkat ini dipengaruhi oleh dua tema di setiap peringkat. Dua tema ini, iaitu, “Penerapan Barat” dan “Pengaruh Kerajaan” seterusnya dihasilkan berdasarkan dua belas konsep proses internasionalisasi dalam analisis silangan kes. Dua belas konsep ini adalah strategi firma-firma perkhidmatan makanan Malaysia yang mempercepatkan penembusan pasaran asing. Ia turut menghujahkan bahawa firma perkhidmatan makanan mengembang ke luar negara melalui francais, diikuti dengan eksport, dan akhirnya membina kilang pengeluaran sendiri di luar negara. Model terbaru proses internasionalisasi yang dicadangkan akan dibahaskan dengan teori yang sedia ada. Batasan-batasan penyelidikan dan kajian masa depan untuk model ini turut dibincangkan.

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Unfortunately, my late father, Lim Tian Teik, is unable to see my success. He passed away when I was about to complete my thesis writing last year. At one point, I had to cancel my interview appointment with one of the firms, Firm B, due to my father‗s illness. However, I managed to convince the firm to give me second chance.

My wife, Yue Jing Yih, has been helping me in arranging my travel programs in order to attend two international conferences. The attendance of these two conferences is one of the requirements to complete my PhD study. The first was the proceeding of International Conference on "Asia: The Engine for Development and Growth of Economy (AEDGE)", 2010, March 4 to 6, held in Mumbai, India, The second was Proceeding of International Conference on Business and Economics, 2010, March 15 to 16, held in Kuching, Malaysia.

I would also like to thank those who live with me, my son, Lim Ming Ern; my daughter, Lim Min Huei; and my father in-law, Yue Siew Khuen for their love and understanding. Not forgotten, my mother, sisters and brothers who have always been supporting me for whatever I do especially in education.

In my six-year struggle for completing this thesis, I have been able to maintain my momentum as a result of the expectation of my employer, Tunku Abdul Rahman College. As public higher learning institution which will be upgraded to the status of university college, it puts high pressure on me to pursue PhD. During my study, I was promoted as Program Supervisor in year 2010. Holding both positions as lecturer and Program Supervisor has posed challenges to me in completing this thesis. I appreciate the college support as well as my students and colleagues' who have gone through with me during my difficult time.

TABLE OF CONTENTS **PAGE**

LIST OF FIGURES

LIST OF TABLES

LIST OF SYMBOLS AND ABBREVIATIONS

A&W:	Allen and Wright
ASEAN:	Association of Southeast Asian Nations
Bhd:	Berhad (Limited)
CEO:	Chief Executive Officer
CFO:	Chief Financial Officer
CHAMPS:	Cleanliness, Hospitality, Accuracy, Maintenance, Product, and Service
FDP:	Franchise Development Program
G2G:	government to government
GLCs:	government-linked companies
FDGMS:	Finance Director, General Manager, and Shareholder
HACCP:	Hazard Analysis and Critical Control Points
HQ:	Headquarters
I-Model:	Innovation-related Models
INVs:	International New Ventures
JAKIM:	Department of Islamic Development (Jabatan Kemajuan Islam Malaysia)
KFC:	Kentucky Fried Chicken
L.L.C.:	Limited Liability Company
LJS:	Long John Silver’s
MATRADE:	Malaysia External Trading Development Corporation
MECD:	Ministry of Entrepreneur and Cooperatives Development
MFA:	Malaysian Franchise Association
MITI:	Ministry of International Trade and Industry
MNE:	Multinational enterprise
MRCA:	Malaysia Retailer Chain Association
PH:	Pizza Hut
POS:	Point of Sale
PNS:	Perbadanan Nasional Bhd.
Pte. Ltd.:	Private Limited
Pvt. Ltd.:	Private Limited (India)
QA:	Quality Assurance
QSR:	Quick Service Restaurant
QSVC:	Quality, Service, Value, and Cleanliness
R&D:	Research and Development
RM:	Ringgit Malaysia
RO:	Reverse Osmosis
Sdn Bhd:	Sendirian Berhad (Private Limited)
SMEs:	Small and Medium Enterprises
U.S.:	United States
U.S.A.:	United States of America
UAE:	United Arab Emirates
U-Model:	Uppsala Model
USD:	United States Dollar

LIST OF APPENDICES

CHAPTER 1: INTRODUCTION

1.1 Problem Statement

Food is considered as part of culture. People's preference of certain food reflects their place of origin. Local customers may favor local food, thus, operating a restaurant with local food may be successful in the domestic market. However, if the firms intend to expand their business overseas, should they offer local or international food? Interestingly, western foods such as hamburger, hotdog, sandwich, fried chicken, and pizza are well accepted in the international market. This is based on the popularity of the international fast food brands that offer these western foods such as KFC, McDonald's, Burger King, Wendy's, Pizza Hut, Subway, etc. Therefore, the internationalization of foodservice firms has to highly be dependent on the acceptability of the food offered in international market. If this is the case, it is unimaginable how Malaysian foods can be accepted globally if they are not universal. As a result, this paper tries to examine how foodservice firms are able to internationalize their business by exploring one of the multi-cultural Asian developing countries, Malaysia.

This study attempts to debate the existing theory of the internationalization process and suggests a new theory that advocate how new ventures in the third world country compete with well-known giant players such as McDonald's, KFC, Pizza Hut, and Starbucks. Thus, the findings seek to offer contemporary insights on possible limitations to the conventional model. Despite the very few studies that have been doing on service industry, there is still lack of investigation on foodservice industry. The vast majority of research focuses too much on the manufacturing and hi-tech industry. Therefore, the purpose of this research is to fill this gap by investigating how Malaysian foodservice firms accelerate their business internationally. The research purpose is to identify the internationalization process of Malaysian foodservice firms. The findings will demonstrate the sequence of factors that have eventually led to the international expansion.

1.2 Rationale

This model of the internationalization process is based on the case study of three Malaysian foodservice firms. Since the Malaysian foodservice industry is very fragmented, the firms are less well-known and too small in terms of market share. Initially, all Malaysian firms were selected based on the minimum brand share of 0.2% in Malaysia and have expanded to at least one foreign country. The firms with lower than 0.2% of brand share in Malaysia are not selected because their presence in international market is almost invisible and their existence may not be known. In this case, there were seven qualified Malaysian foodservice firms for this research. At the end, only three out of seven firms were willing to be interviewed. However, these three firms have better track record in which they have expanded to more than eight countries.

Malaysia was selected because it is the country with a variety of ethnic foods. In addition, the foreign western foodservice firms have been influencing foodservice business in Malaysia since 1967. They completely changed the competitive environment of the foodservice industry in Malaysia. The findings show that internationalization strategies have strong impact on the internationalization process which, in turn, influences the success of firms in international market.

1.3 Background of the study

"Foodservice" is the American term for any institution, business, or firm that prepares any meals outside the home. It can be restaurants, catering operation, school and hospital cafeteria, café, kiosk, street stall, parlor, and many other concepts. Malaysia is a multi-racial country which consists of three large ethnic groups: Malays, Chinese, and Indians. In Malaysia, the religion for Malay is solely Islam according to the constitution, majority of Chinese are Buddhists, and majority of Indians are Hindus, besides some Chinese and Indians are Christians. With this, Malaysia becomes one of the most ethnically and religiously diverse nations in the world. It represents all of the world's major religions, as well as major Asian ethnic groups. Today, most of Malaysian households are economically active and independent. While Malaysians adopt many western food ideas and eating habits, at the same time, they also retain many of the Asian characteristics and cultures inherent in their upbringing.

According to Euromonitor International (2011), the Malaysian consumer foodservice market grew by 5.4% between 2009 and 2010 as the government introduced measures to stimulate the economy. There was a corresponding rise in GDP of 5.3% during the third quarter of 2010. The market was worth RM27.5 billion in 2010, equating to total growth of 40.2% from 2005. There were 1,231.6 million consumer foodservice transactions in 2010, a total increase of 33.6% from 2005. The number of consumer foodservice units stood at 29,300 in 2010 representing total growth in units of 17% between 2005 and 2010.

These statistics show that despite the stiff competition among Malaysian foodservice firms as a result of increasing number of restaurants, their revenue still increases. This indicates a good sign as the demand for foodservice is growing.

Foodservice firms in Malaysia target a local population of about 27 million and a large transient population of tourists and business visitors of almost 20 million annually. The sector is diverse, with outlets ranging from low end food stalls operating in outdoor areas by the roadside as well as covered food courts to high end restaurants operating in hotels, as restaurant chains or as single site restaurant businesses. Middle and low-income earners tend to frequent food courts, hawker stalls, and coffee shops. These outlets generally offer a limited range of local dishes at inexpensive prices. Breakfast and lunch may be purchased from these outlets during the workweek. Dishes, such as noodle or rice, are often consumed in temporary hawker stalls by the roadside. They are located near offices and operate at limited hours. Canteens and cafeterias may also be located in office and school locations to offer budget level hot meals for school children and office workers.

Since Malaysian population is multi-cultural and multi-ethnic, local food manufacturers take this factor into account when developing new foods for Malaysian market. Since more than 50% of the population is Muslim, the majority of foods which are produced in Malaysia are *halal* in nature.

Demand for food ranges from primitive street stalls to sophisticated restaurants for high quality value of food and beverage. This includes traditional food and non-traditional food which are now entrenched in the Malaysian diet. Most Malaysian consumers are concerned about taste, price, packaging quality, and use-by dates. They also react well to high quality advertising and promotional activities in retail outlets.

The consumer foodservice market in Malaysia is expected to grow as the economy continues its drive for Vision 2020, supported by an expected global economic recovery. Euromonitor International (2011) forecasts an increase of 14.5% in unit terms, a 17% increase in total transactions and as much as 11.7% increase in value over the forecast period of 2010 to 2015. This will encourage restaurant companies to emphasize on branding in order to compete with the new comers in the industry.

1.3.1 Malaysian Foodservice Segments

There are various types of foodservice firms in Malaysia which are competing among each other. (1) food and beverage outlets of hotels and resorts; (2) full service restaurants, which serve both local and international cuisine; (3) fast food outlets; (4) coffee shops; (5) in-home restaurants; (6) food court stalls; (7) street vendors; (8) hawker food and drinks outlets; (9) contract and company-catering operations for schools, hospitals, airlines, shipping companies, mining camps, factories, military operations, and business and personal social functions (USDA Foreign Agricultural Service Gain Report, 2009).

The foodservice sector continues to remain fragmented today, with around 70% of the operations being made up of small foodservice operators such as single site cafés, coffee shops, open air food stalls, food stalls in food courts, eating houses, pubs and bars and other minor food service operators. In order to streamline the fragmented foodservice sector, Euromonitor International (2011) suggests that Malaysian foodservice sector to be divided into six major segments: cafés/bars, full-service restaurants, fast food, 100% home delivery/takeaway, self-service cafeterias, and street stalls/kiosks. Table 1.1 shows the local and foreign brands and their value shares in Malaysia.

Table 1.1: % Value Shares of Foodservice Brands

No.	Brand	Brand Owner	2007	2008	2009	2010 (Outlets)
1.	KFC	QSR Brands Sdn Bhd	16.5	17.9	18.3	17.6 (514)
2.	McDonald’s	Golden Arches Sdn Bhd	10.7	11.4	11.8	13.2 (204)
3.	Secret Recipe Cakes & Café	Secret Recipe Cakes & Café Sdn Bhd	5.7	5.8	5.9	6.4 (204)
4.	Pizza Hut	QSR Brands Sdn Bhd	4.8	4.9	5.2	5.0 (220)
5.	Starbucks	Starbucks Berjaya Coffee Co (M) Sdn Bhd	2.3	2.5	2.2	2.2 (115)
6.	Old Town White Coffee	White Café Sdn Bhd	1.1	1.3	1.4	1.8 (177)
7.	Nando’s	Nando’s Chickenland Malaysia Sdn Bhd	1.3	1.4	1.3	1.4 (36)
8.	Kenny Rogers Roasters	Berjaya Roasters (M) Sdn Bhd	1.0	1.3	1.3	1.3 (64)
9	7-Eleven	7-Eleven Malaysia Sdn Bhd	1.2	1.3	1.2	`1.3 (1212)
10.	Sushi King	Sushi King Sdn Bhd	1.0	1.2	1.2	1.2 (65)
11.	Marrybrown	Marrybrown Fried Chicken Sdn Bhd	1.5	1.5	1.3	1.2 (80)
12.	Domino’s Pizza	Dommal Food Services Sdn Bhd	0.5	0.7	0.8	0.9 (48)
13.	The Coffee Bean & Tea Leaf	The Coffee Bean & Tea Leaf (M) Sdn Bhd	1.1	1.0	0.9	0.8 (43)
14.	The Chicken Rice Shop	TCRS Restaurants Sdn Bhd	0.7	0.8	0.8	0.8 (55)
15.	Tai Thong	Tai Thong Group of Restaurants	1.0	0.9	0.8	0.7 (18)
16.	Burger King	Cosmo Restaurants Sdn Bhd	0.7	0.6	0.6	0.6 (26)
17.	A&W	KUB/A&W (Malaysia) Sdn Bhd	0.6	0.6	0.6	0.6 (44)
18.	Tony Roma’s	Grandpolitan Sdn Bhd	0.4	0.4	0.4	0.6 (6)
19.	1901	Nineteen O One Sdn Bhd	0.7	0.6	0.7	0.6 (53)
20.	Chili’s Grill & Bar	TAS Leisure Sdn Bhd	0.5	0.5	0.5	0.5 (7)
21.	Baskin-Robbins	Golden Scoop Sdn Bhd	0.5	0.5	0.5	0.5 (56)
22.	Sakae Sushi	Apex-Pal Malaysia Sdn Bhd	0.3	0.4	0.4	0.5 (14)
23.	TGI Friday’s	Chaswood Resources Sdn Bhd	0.4	0.5	0.5	0.4 (14)
24.	Sugarbun	Various franchisees	0.4	0.4	0.5	0.4 (27)
25.	The Manhattan Fish Market	MFM Restaurants Sdn Bhd	0.7	0.7	0.6	0.4 (18)
26.	Gloria Jean’s	Wonderful Lifestyle Sdn Bhd	0.2	0.3	0.3	0.3 (13)
27.	Dôme	Dôme Café Sdn Bhd	0.8	0.4	0.4	0.3 (15)
28.	San Francisco Coffee Co	San Francisco Coffee Co	0.4	0.3	0.3	0.3 (20)

Continue

29.	J Co Donuts & Coffee	Ultimate Donut & Coffee (M) Sdn Bhd	0.0	0.2	0.3	0.3 (N/A)
30.	Subway	Various franchisees	0.1	0.2	0.2	0.3 (60)
31.	Rasamas	QSR Brands Sdn Bhd	0.3	0.3	0.3	0.2 (36)
32.	Nelson's	KTT Product Corp Sdn Bhd	0.2	0.2	0.2	0.2 (80)
33.	Häagen-Dazs	HD Marketing & Distribution Sdn Bhd	0.3	0.2	0.2	0.2 (N/A)
34.	Chakri White House	Rotol Food Chain (M) Sdn Bhd	0.3	0.2	0.2	0.2 (1)
35.	Bistro Délifrance	Délifrance (Malaysia) Sdn Bhd	0.4	0.3	0.2	0.2 (15)
36.	Italianni's	Chaswood Resources Sdn Bhd	0.2	0.2	0.2	0.2 (N/A)
37.	Wendy's	Wen Berjaya Sdn Bhd	-	0.1	0.2	0.2 (8.)
38.	Piccolo Mondo Gastro	Piccolo Mondo Gastro Sdn Bhd	0.4	0.2	0.2	0.2 (2)
39.	Délifrance	Délifrance (Malaysia) Sdn Bhd	0.3	0.2	0.2	0.2 (21)

Note: N/A. – data not available
Source: Euromonitor International (2011), Yum! Brands (2011), and individual firms' website (2011).

As the 2011 statistics shown in Table 1.1, even though the retail foodservice like 7-Eleven has 1212 outlets in Malaysia, its value shares are only 1.3% in Malaysia. In this case, Kentucky Fried Chicken (KFC) is still the dominant foreign chain (514 outlets), followed by Pizza Hut (220 outlets), and McDonald's (204 outlets). Other franchises are not region-wide and/or may have only a limited number of outlets in Malaysia, such as Starbucks (115 outlets), Kenny Rogers Roasters (64 outlets), Subway (60 outlets), Domino Pizza (58 outlets), Baskin-Robbins (56 outlets), A&W (44 outlets), The Coffee Bean & Tea Leaf (43), Nando's (36 outlets), and Burger King (26 outlets). The rest of the firms are too small in terms of number of outlets and value shares, even some of them are smaller than local foodservice firms.

Out of 39 foodservice firms which have at least 0.2% of brand share in Malaysia, there are twelve local brands. However, from these twelve local brands, only seven of them successfully venture overseas at least to one foreign country. They will be selected for this research but their identity is remained anonymous. This study is not just simply to investigate how Malaysian foodservice firms expand overseas, more importantly, the factors in facilitating the international expansion. The literatures on internationalization process are reviewed in debating on the facilitation of international expansion. The facilitation factors will demonstrate how the firms accelerate in internationalizing their businesses overseas. The sequential stage and non-sequential stage are compared and contrasted in order to contend with internationalization process of Malaysian foodservice firms.

1.3.2 Asian Foodservice Concept

Among Malaysian foodservice firms, ethnic restaurants are popular with their cuisine strictly based on ethnic background. The Malaysian cuisine is varied and has historically been influenced by Chinese, Malay, Indian and Middle Eastern cuisines. The brand name and food served directly impart the concept of restaurant in the mind of customers (Walker, 2010). This is especially true in the restaurants that offer eastern concept with eastern brand name and cuisine. However, with this concept, many restaurants have not expanded their business overseas as a result of acceptability of the international market over the concept they offer. The evidence is based on the analysis of the case study of Malaysian foodservice firms in this research. Since only local people prefer local ethnic restaurants and less appreciated by the foreigners, ethnic foods are very difficult to expand overseas. The foodservice firms that offer eastern concept in Malaysia such as Tai Thong (Chinese), Seri Melayu (Malay), Chakri Palace (Thai), and Sushi King (Japanese) found that expansion to even neighboring markets is very challenging.

1.3.3 Western Foodservice Concept

In recent decades, western cuisines from Europe and US have also started to influence the local cuisine. If Malaysian owned foodservice firms offer western food concept with western brand name, the chance of local firms to be successful is brighter no matter in local or international market. This is because western foods such as burger, hotdog, ice-cream, pastry, pizza, pasta, steak, and even fried chicken can be more acceptable than eastern foods especially in international market. These arrays of food have been brought by western foodservice giants such as McDonald’s, KFC, Pizza Hut, Délifrance, Dunkin’ Donut, A&W, Starbucks, and Baskin Robbins into international market. Therefore, western food by far is internationally accepted food. The theory of internationalization of market triggered by Levitt (1983) may become reality as the convergence of taste and preference of people has taken place.

Many western-style restaurants are initiated by Malaysian such as Black Canyon, San Francisco Steakhouse, The Manhattan Fish Market, Dave Deli, Victoria Station Restaurant, and The Ship. These foodservice firms manage to portray themselves as “western origin restaurants”. Their restaurant chains are able to closely meet the tastes preferences of Malaysian palate.

A large number of western restaurant consumers are from the middle and high income groups. These outlets tend to attract young adults and children and family groups during weekend. On the other hand, office workers who want a quick meal frequent western fast food outlets.

Today, restaurants that offer exotic cuisine from Japan and US are gaining popularity amongst the middle to high income consumers. Although Malaysian foodservice sector has largely retained its Asian standard, it is rapidly modernizing and upgrading to the standard similar to those found in most developed nations. In the case of brand name, many Asian foodservice firms try to spell out their restaurant name using their native language will always be local brand in their own countries. On the other hand, if they penetrate overseas markets, they are perceived as "foreigner" or "stranger", instead of international brand. Therefore, based on this study, in order to facilitate the international expansion, the brand name should be in English. English is the most accepted international language, instead of local language. This can be seen from examples of the brand name of renowned western foodservice giants which are mostly English or American brand names.

1.4 Purpose of the Study

The purpose of this paper is to develop a model for the internationalization process of three prominent Malaysian foodservice firms which have penetrated to at least eight foreign countries. The design of this research study is qualitative due to the lack of knowledge and complexity nature of Malaysian foodservice firms in the internationalization process.

The first research objective is to describe the process of Malaysian foodservice firms penetrating foreign market. This objective will examine the research question of "what is the sequence followed by Malaysian foodservice firms expanding overseas?"

Subsequently, the second objective is to identify the factors that affect the internationalization process. Based on this objective, this research will try to answer the research question of "what are the significant factors that influence each stage of the internationalization process?"

The last objective is to determine the strategies adopted by Malaysian foodservice firms that facilitate the acceleration of international business expansion. This objective will discover the answer for the research question of "why are Malaysian foodservice firms able to accelerate their business penetration to foreign markets?". This research, therefore, addresses the literature of internationalization process and it contributes to international business strategy.

1.5 Importance of the Study

The research findings will determine what internal and external factors of foodservice that contribute to the process of internationalization of Malaysian foodservice firms. Since consumers choose one brand over another based solely on its prestige, international joint-ventures have embraced brand as an important facet in selecting their foreign partners. In marketing strategy of Malaysian foodservice industry, offering western food can result in stiff competition with the existing international western food operators. In addition, the standardization of western food will make no difference between western food offered by Malaysians and Europeans or Americans. By studying firms' brand name and types of food offered in the case of foodservice sector, it can determine the capability of firms to penetrate international market.

Definitely, the potential international foodservice firms originated from Malaysia can benefit from this study by adhering their restaurant concept that is internationally accepted and complying with international requirements found in this study. By doing so, they can efford to gain maximum advantage and translate this advantage into a competitive international strategy.

Therefore, this research contributes, in terms of academic, to the argument in the theory of internationalization process in order to demonstrate the ability of small and still unpopular firms in the global arena. It reveals a highly cultural product from a developing economy perspective in today's globally connected and aware marketplace.

In terms of industry, it is the applicable for Malaysian foodservice owners and managers who plan to expand their business overseas. The theoretical contribution of this research is that methodologies and frameworks for the process of internationalization can be also used across different industries and companies. It can be applied in a systematic method to improve operational performance and strategic advantage.

1.6 The Organization of Research

This research began with the introduction of foodservice sector in Malaysia which emphasized on the nature and characteristics of Malaysian foodservice firms. The research would then proceed with critical discussion of the internationalization process in literature review. The literature review is presented based on Johanson and Weidersheim-Paul (1975) and Johanson and Vahlne's (1977) which is known as "sequential stage of internationalization process". This theory will be contended with born global theory coined by Mort and Weerawardena (2006), Knight and Cavusgil (1996), Madsen and Servais (1997), and Oviatt and McDougall (1994) which is also known as "non-sequential stage of internationalization process"

The existing theories would be debated in the literature review. In research findings, inductive approach would be used to propose a new theory based on three firms in the case study analysis. This led to qualitative analysis of Malaysian foodservice firms. A series of in-depth interview with key managers and executives were conducted along with secondary sources in order to collect more reliable and valid data. The results were then discussed and some implications examined. The findings were based on the concept, themes, and categories formulated from within case analysis and cross-case analysis. The result reveals three general steps in the internationalization of Malaysian foodservice firms: (1) pre-internationalization stage; (2) internationalization entry stage; (3) post-internationalization stage. In discussion part, it would be focused on comparing and contrasting the existing theories with newly developed model. At the end of this research, some limitations as well as actions would be recommended to improve for future research.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

Although several conceptual frameworks have been proposed in an effort to explain the dynamics of international business expansion, most of them have focused on aspects such as globalization, mode of entry, product strategy, and foreign direct investments. Little attention has been devoted to the study of the internationalization process

Recognizing the importance of internationalization process in order to expand business overseas successfully, the economic approach to internationalization process was developed. Among the well known economic theories are Dunning's Eclectic Theory (Dunning, 1976), The International Product Life Cycle Mode (Vernon, 1966), and the Transaction Cost Approach (Coase, 1937). However, these theories focus on the firm and its environment and describe foreign expansion as a series of static choices (Andersson, 2000). The decision to expand overseas is a discrete phenomena which determined by efficiency considerations and relative costs and benefits (Benito & Gripsrud, 1992; Clark *et al*., 1997).

Alternatively, behavioral approach is also known as process approach focuses on impact of international experience, and more importantly, the direction of subsequent internationalization. Surprisingly, prior to the empirical research, an early relevant study has been done by Penrose (1959) in explaining international business expansion. He used the behavioral model of internationalization which is based on the theory of the growth of firm in regard to different foreign establishment sequences associated with markets and entry modes (Aharoni, 1966; Cyert & March, 1963).

Subsequently, Aharoni (1966) adopts this approach by recognizing what and why firm chooses to expand overseas, and how it manages foreign investment. Accordingly, the process of internationalization has been the subject of widespread theoretical and empirical research (Johanson & Wiedersheim-Paul 1975; Johanson & Vahlne, 1977; Bilkey, 1978; Cavusgil, 1980; Turnbull, 1987; Welch & Loustarinen, 1988). Therefore, this chapter will review two behavioral approaches by adopting the sequential stage and non-sequential stage of internationalization process of firms. Both stages will be compared and contrasted in order to develop new model for this research.

2.2 The Sequential Stage

The sequential stage would discuss and argue two most influential models, Uppsala Model (U-Model) and innovation-related model (I-Model). Eventually, non-sequential stage of "Born Global" would be contended with U and I-Models.

The work done by Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977) were a few of the earliest to introduce the idea of internationalization process. Their model is known as Uppsala Model. This model was named after the Uppsala University where they worked and published their model. U-Model exhibits a gradual internationalization process in an incremental manner through a series of evolutionary stages (Johanson & Vahlne, 1990; & Melin, 1992). Based on two small Scandinavian countries in their study, Norway and Sweden, they described foreign market entry as a learning process. Incremental learning at the firm level is the main factor describing a firm's international behavior and decision-making process (Andersson, 2000; Collinson & Houlden, 2005).

In their initial study of internationalization process of firms, Johanson and Vahlne (1977) consider an international expansion as a process that signifies a gradual increase in commitment to a foreign market. They argue that firms have imperfect access to information and therefore internationalization is a process of increasing experiential knowledge. They assume that by operating in the international market they are able to acquire experiential knowledge in terms of market, clients, problems, and opportunities. By doing so, not only the risks involved in going abroad can be reduced, but also provides a means of acquiring knowledge associated with internal and external resources.

The model suggests that when firms enter new markets, first they export, then establish a marketing subsidiary, and eventually produce in foreign market as showed in Figure 2.1.

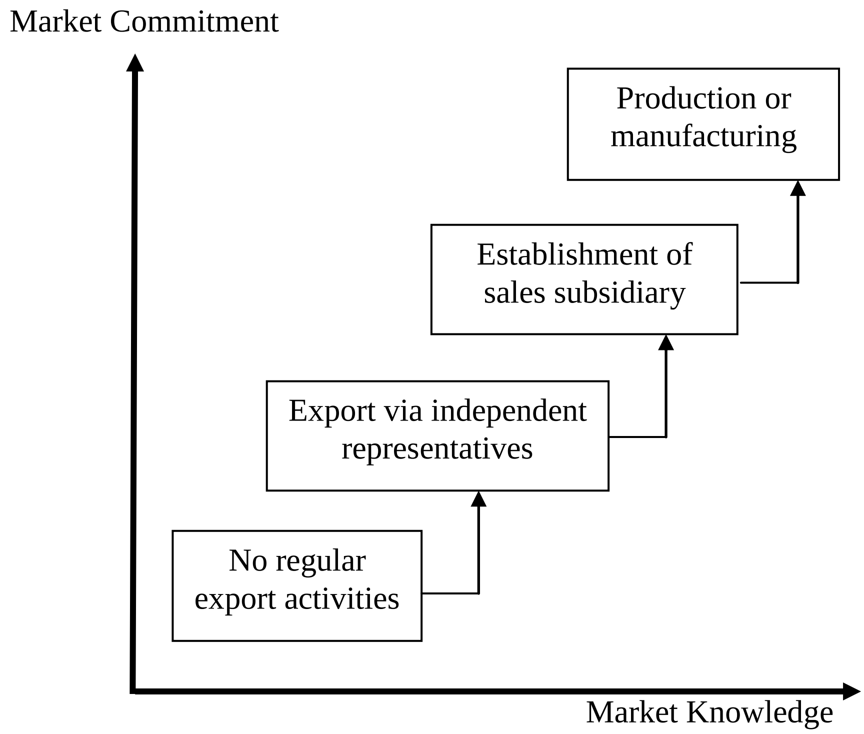

Figure 2.1: Uppsala Model
Source: Johanson & Vahlne (1977)

By penetrating foreign market, firms make an initial commitment of resources in host country. In this case, they acquire local market knowledge on customers, competitors, and regulatory conditions. Based on the market knowledge acquired, the firms evaluate their current activities, the extent of their commitment to the market, and thus the opportunities for additional investment. They then make a subsequent resource commitment, possibly by buying out their local distributor or investing in a local manufacturing plant, which allows for developing additional market knowledge. Gradually, and through several cycles of investment, the firms develop the necessary levels of local capability and market knowledge to become an effective competitor in the host country. The initial operations in the foreign market enable firms to gain valuable experiential knowledge that leads to reduced uncertainty. This causes the firms' decision makers to become more self-confident and aggressive.

The main consequence of the U-Model is that firms tend to intensify their commitment towards foreign markets as their experience grows. The main antecedents of the U-Model are experiential learning and risk aversion. Together, these two issues explain why firms typically adopt an incremental and sequential approach to internationalization process, while the different stages describe how the process occurs (Chetty, 1999; Zucchella, 2004; Servais & Rasmussen, 2004).

The U-Model thus describes, and to some extent predicts, the internationalization process of firms (Cavusgil, 1980; Bilkey & Tesar, 1977; Leonidou & Katsikeas, 1996; Johanson & Vahlne, 1977, 1990). Its basic premise is that the outcome of one decision makes up the input of the next. In the model, a distinction is made between the static and the changing aspects of the variables of internationalization. Commitment of resources to the foreign markets (market commitment) and knowledge about foreign markets and operations are the two main components of the static aspects. Decisions to commit resources and conducting current business activities are the main variables of the change aspects. In this case, market commitment and market knowledge are believed to influence the decisions about commitment of resources to foreign markets and how current activities are conducted. Thus, internationalization is seen as causal of cycles.

Johanson and Wiedersheim-Paul (1975 & 2004) argue that local experiential knowledge causes incremental advances in market knowledge and thus provokes chain of establishment of international organization. Therefore, the process of internationalization is recognized as a sequence of stages, where firms acquire experience stepwise, build management competence and reduce uncertainty in order to incrementally increase investments in target markets.

The second model is innovation-related model or I-Model. It suggests that internationalization is the outcome of various innovations done in firm (Bilkey & Tesar, 1977; Czinkota, 1982; & Reid, 1981). This model was developed on the basis of U-Model but operationalized through the ratio of export sales to total sales (Andersen, 1993; & Reid, 1981). Likewise, it also involves the gradual increase of firm engagement in the foreign market as a result of experience accumulation. The explicit formulation of various stages can be the alternative process of internationalization.

I-Model considers each subsequent stage as adopting an innovation for the firm. Therefore, the learning sequence via international expansion is considered as an innovation for the firm. Among the researchers who pioneer this model, Bilkey and Tesar (1977), Reid (1981), and Czinkota (1982) limit their model to a specific entry mode, managing export activities; while Cavusgil's (1980) model cites export in its study, it also includes other entry modes as well such as wholly owned, joint venture, and licensing. Table 2.1 depicts a review of I-Model.

Table 2.1: A Review of Innovation-related Model

Bilkey & Tesar (1977)	Cavusgil (1980)	Reid (1981)	Czinkota (1982)
Stage1: Management is not interested in exporting	**Stage 1:** Domestic marketing: The firm sells only to the home market	**Stage 1:** Export awareness: Problem of opportunity recognition, arousal of need	**Stage 1:** The completely uninterested firm
Stage 2: Management is willing to fill unsolicited orders, but makes no effort to explore the feasibility of active exporting	**Stage 2:** Pre-export stage: The firm searches for information and evaluates the feasibility of undertaking exporting	**Stage 2:** Export intention: Motivation, attitude, beliefs, and expectancy about exporting	**Stage 2:** The partially interested firm
Stage 3: Management actively explores the feasibility of active exporting	**Stage 3:** Experimental involvement: The firm starts exporting on a limited basis to some psychologically close country	**Stage 3:** Export trial: Personal experience from limited exporting	**Stage 3:** The exploring firm
Stage 4: The firm exports on an experimental basis to some psychologically close country	**Stage 4:** Active involvement: Exporting to more new countries; direct exporting, increase in sales volume	**Stage 4:** Export evaluation: Results from engaging in exporting	**Stage 4:** The experimental firm
Stage 5: The firms is an experienced exporter	**Stage 5:** Committed involvement: Management constantly makes choices in allocating limited resources between domestic and foreign markets	**Stage 5:** Export acceptance: Adoption/rejection of exporting	**Stage 5:** The experienced small exporter
Stage 6: Management explores the feasibility of exporting to other more psychologically distant countries			**Stage 6:** The experienced large exporter

Source: Anderson (1993)

As in Table 2.1, I-Model depicts a step-by-step process of internationalization but with various number of internationalization stages (Andersen, 1993 & Vissak 2003). Each stage is considered as innovation of the firm and also demonstrates the increase of experience and involvement than the stage before (Andersen, 1993; Vissak, 2003; & Gankema, *et al*., 2000). Since export is one of the innovations of a firm, it provides insight to how export is initiated and developed. Knowledge related of attitude and information of foreign markets is acquired from exporting activities. This influences export stimuli and subsequent export behavior such as choice of entry mode, choice of country, and recognition of potential opportunities (Reid, 1981).

The primary determinant is the entrepreneur himself who possesses certain attitude, experience, motivation, and expectation toward foreign market. As a result, entry mode of export is considered as firm specific innovator (Reid 1981). The entrepreneur who is aggressive, competitive, risk taker, and future-oriented prefers to engage with export in order to grow his business.

While both U- and I-Model provide a sequential stage of internationalization process, the U-Model is presented in a dynamic process with the emphasis on learning theory, but the I-Model is portrayed as a step-by-step development (Andersen, 1993). The following are the issues debated in sequential stage of internationalization process:

2.2.1 Experience and Knowledge

In the sequential stage of both U- and I-Model, internationalization of firm is a process driven by interaction between learning about experiential knowledge on one hand and commitments to foreign market on the other. Lack of knowledge and experience on foreign markets and operations is the main barrier to internationalization process.

Knowledge can mainly be acquired through the learning of business environment in foreign markets. Foreign business opportunities and problems are explored through experience from foreign markets and operations. Experience provides the firm an ability to see and evaluate business opportunities and therefore reduce uncertainty associated with commitments to foreign markets. Since knowledge is developed gradually, international expansion takes place incrementally (Johanson & Vahlne, 2003).

A key feature of sequential stage is the separation of objective knowledge from experiential knowledge which is acquired through personal experience (Penrose, 1959). Objective knowledge is acquired through standardized methods of collecting and transmitting information such as market research, and can easily be transferred to other countries and replicated by other firms. A critical assumption of the model by Johanson and Vahlne (1977), supported by Ayal and Zif (1979), Denis and Depelteau (1985), Reid (1984), Simpson and Kujawa (1974), and Sunzook (1978), is that objective knowledge is of minor importance in a firm's internationalization process. On the other hand, experiential knowledge is country-specific and cannot be transferred between firms or business units.

In addition, the sequential stage recognizes the perspective of state and change. In terms of state aspect, it consists of market knowledge and market commitment. Market knowledge is gained through firms' business operational experience as discussed earlier; while for market commitment, it comprises two factors: the amount of resources committed to a market and the degree of that commitment. The degree of commitment refers to the ease with which resources can be moved from one market to another. The second aspect is change aspect which refers to decision of committing resources.

Decisions are made when problems and opportunities arise. In this case, firms apply the solutions that have been successfully applied in the past (Cyert & March 1963).

Accumulating experiential knowledge is costly. These costs arise because collection, transmission and interpretation are all based on specific situations (Carlson 1974). Although current activities are also part of the change aspect, they are the primary source of experiential knowledge.

The importance of experiential knowledge and changing productive opportunity can explain two patterns in the internationalization process that were observed by early studies of internationalization processes. First, the firm's level of engagement within a country is associated with chain of establishment, which ranges from no regular export activities to offshore manufacturing. With this, it leads to a gradual increase in market experience at each step. Second, firms enter new markets sequentially with greater differences in language, culture and other factors that prevent the flow of information between the market and the firm. These factors may be disruptive to the flow of information into the firm but can be overcome by the increase of experiential knowledge of similar markets.

2.2.2 Psychic Distance

For sequential stage, two dimensions of international expansion are identified: psychic distance and chain of establishment. Sequential stage postulates that as the psychic distance between home and host market is greater, it will be more difficult for firms to collect and interpret incoming information properly. The firm's experiential knowledge derived from the domestic market is insufficient if the foreign market has greater psychic distance. The psychic distance between the home and host country affects market selection as well as choice of entry mode. Firms which lack of experience in foreign countries tend to opt the markets which possess similar business environment to their own domestic market. Thus, the foreign markets selected are at a short psychic distance.

In both U- and I models, firms consider entering foreign markets at a short psychic distance and later move into more distant markets (Davidson, 1983; Erramilli & Rao, 1993; Hornell *et al*., 1972; Nordström, 1990; Kogut & Singh, 1988; Vernon, 1996; & Weinstein, 1977). If the firms enter new markets with greater psychic distance, they will encounter greater difficulties in language, culture, and other factors that hinder the flow of information between the market and the firm (Steen & Liech, 2007). The Models therefore emphasize the crucial role of information acquisition to the incremental progression of the firm along the internationalization path. This results in reduced levels of uncertainty regarding foreign markets and operations (Leonidou & Katsikeas, 1996). O'Grady & Lane (1996), however, found that entering a foreign market near the domestic market may result in poor performance.

In their study of Swedish manufacturing firms, Hornell *et al*., (1972) found that the firms first entered markets at a short psychic distance and later went into more distant markets. This study was replicated by Nordström (1990) who reported almost the same establishment pattern. Among U.S.-based firms, Vernon (1966), and Kogut and Singh (1988) reported a steady shift from culturally familiar to culturally less familiar markets. In addition, firms with vast stocks of experience show less preference for similar markets. Davidson (1983) reported that U.S.-based firms first prefer to enter English-speaking countries. Two studies from the U.S., Weinstein (1977), and Erramilli and Rao (1993), found that such firms start their internationalization with countries at a short psychic distance. However, studies of service firms such as foodservice in this context are few.

2.2.3 Entry Mode

There are many studies show that firm accumulation of experiential knowledge affects the choice of entry mode (Steen & Liech, 2007). There are some confusions occur, for example, Some researchers discover that the early stages of foreign market entry adopting wholly owned subsidiaries instead of export (Erramilli, 1991; Stopford & Wells, 1972). Furthermore, Davidson (1980), Franko (1989), and Gatignon and Anderson (1988) report an increase of propensity to select wholly owned subsidiaries as experiential knowledge increases. However, Davidson and McFetridge (1985) and Hedlund and Kverneland (1985) showed a decrease in the reliance on wholly owned subsidiaries as foreign experience increases. The studies published by Bureau of Industry Economics (1984), Millington and Bayliss (1990), and Newbould *et al*. (1978) demonstrate almost the same result.

On the other hand, Daniels *et al*. (1976) and Shetty (1979) found that a shift toward licensing and joint ventures as a firm's experiential knowledge grew. Another study done by Stopford and Wells (1972) on U.S. investments in Europe, conclude that almost three-quarters of initial ventures are dependent on wholly owned subsidiaries.

On top of that, Davidson (1980), Goodnow and Hansz (1972), and Kogut and Singh (1988) showed that, among U.S. companies, the adoption of joint ventures increases with socio-cultural distance from the domestic market. Similar results were reported by Gatignon and Anderson (1988), Green and Cunningham (1975), and Stopford and Wells (1972). Calof and Beamish (1995) reported mixed findings, but overall, they are in line with the above findings. Although some studies do not yield consistent results, the models contend the view that, in the internationalization process, experience is important in the selection of entry mode.

2.2.4 The Criticism on Sequential Stage

Despite the internationalization theory offers a plausible explanation of the internationalization expansion of firms, the theory has been confronted with various criticisms and disagreements (Hedlund & Kverneland, 1985; Turnbull, 1987; Melin, 1992; Kutschker, 1995). The main limitations are small number of cases and they are confined to the Scandinavian environment only.

For sequential stage, internationalization process involves a gradual acquisition, integration, and gaining knowledge from foreign countries. The model depicts the process as part of the organizational learning and focuses on experience (Nordström 1990). However, the operationalization of sequential stage is organized around strategic choices and organizational forms, which are influenced by many other factors. These factors included forces facilitating exporting, the acquisition of information, psychic distance and foreign market selection, entry mode, marketing strategies, etc. (Leonidou & Katsikeas 1996). The influence of so many factors makes it very difficult to test this model.

Blomstermo and Sharma (2003) further contended that there is a lack of operationalization of important dimensions in the related theory. Thus, many of the basic assumptions about internationalization process remain controversial, untested, and largely uninvestigated. This point was similarly stressed by Christensen (1991), Johanson and Vahlne (1990), and Bonaccorsi (1992).

According to Zahra and George (2002), Hadjikhani (1997), and Anderson (1993), critiques of sequential stage can be either theoretical underpinning of the model or empirical validity of the stage theory. On the theoretical level, Reid (1981), Strandskov

(1986), and Turnbull (1987) criticize the theory as too deterministic and mechanistic in nature. The series of internationalization is considered to be linear in pattern from one stage to another. Indeed, the model has been accused of being descriptive rather than explanatory (Turnbull, 1987).

While on the empirical validity, many researchers found more empirical evidences that show firms do not always start with occasional exporting and end up with a production facilities abroad (Hedlund & Kverneland, 1985; Oviatt & McDougall, 1994). Zander (1994) emphasizes that firms with large resources do not adopt with the constant and steady prototype in their internationalization process. Firms may leapfrog the stages and transfer experiential knowledge from one market to another (Benito & Gripsrud, 1992). There is no attempt to explain the mechanism by which a firm proceeds from one stage to the next. Moreover, recent empirical findings show that firms which are in a particular stage of internationalization can shift backward and forward, instead of moving ahead in an incremental pattern from one stage to another (Burgel & Murrey, 2000).

In this case, the sequential stage fails to explain the current behavior of firms in the dynamic business environment such as the impact of global economy and high technology (Axinn & Matthyssens, 2002). In addition, Hirch and Meshulach (1991) argues that in explaining the internationalization process, the sequential stage focuses more on the firm’s internal resources such as market knowledge and experience from foreign activities, and completely ignores other external factors such as market potential and competitive conditions. Further, Anderson (1993) criticizes that the theory fails to take other firm-specific factors into account.

2.3 The Non-Sequential Stage

The constant arguments against the sequential stage result in an absolute divergent of the internationalization process, known as 'non-sequential stage'. It is advocated by Cavusgil (1994) who termed it as 'born global'. This theory illustrates the fact that business firms normally do not confine themselves with any unique pattern to internationalize their operations because they face different environmental settings. Therefore, "non-sequential stage' is the term for firms that seek to accelerate its international expansion in which they adopt global strategy at the beginning stage (McDougall *et al*., 1994; Oviatt & McDougall, 1994). In addition to the phrase of 'born global' is being used by Mort and Weerawardena (2006), Knight and Cavusgil (1996), and Madsen and Servais (1997) to describe the speed of internationalization, there are also a few identical terms used interchangeably by different scholars as shown in Table 2.2 below:

Table 2.2: The Alternative Terms for Non-sequential Stage Firms

No.	Terms	Authors (year)
1.	Early-Stage Technology Based Firms	Preece, Miles, & Baetz (1999)
2.	Global Start-Ups	Oviatt & McDougall (1994)
3.	High-Technology Start-Ups	Jolly *et al*. (1992) & Keeble *et al*. (1998)
4.	Infant Multinationals	Lindqvist (1991)
5.	Instant Internationals	Litvak (1990)
6.	International Entrepreneurs	Jones (1999)
7.	International New Ventures (INVs)	McDougall *et al*. (1994)
8.	Rapid Internationalizers	Hurmerinta- Peltomäki (2004)

Here the term "non-sequential stage" will be used to represent any of the terms when referring to this phenomenon. According to Oviatt and McDougall (1994), the non-sequential stage theorizes that the growing global competition and accelerating technological development have speeded up firms to internationalize without necessarily following an incremental process. It means that firms can expand business overseas even from the beginning of the firm establishment (Madsen & Servais, 1997).

It is unnecessary for these firms to establish domestic sales first before starting international sales. They also select the international market without considering psychically close countries.

Besides the eight terms above, the term "born again global firms" is used by Bell *et al*. (2003) to characterize the rapidly internationalized firm, but withdrew from international markets, and subsequently reemerged abroad. This is opposed to other researches that consider firms which internationalized after start-up and maintain their momentum abroad. However, the issues of countries penetrated remain the interesting areas for debate.

Ohmae (1985) argues that a firm cannot be seen to compete on a global basis if it is not present in the "triad" markets, namely North America, European Union, and Asia. Therefore, the term "global" suggests that firms must have expanded their business to at least the world's triad regions. However, this term has arguably been used as interchangeable to characterize firms that internationalized rapidly, typically but not exclusively within three years of their business start-up. In this case, international new ventures (INVs) may arguably have internationalized quickly to address opportunities but without necessarily a global presence. In order to avoid the confusion of the term "global", "non-sequential stage" is used instead for discussion in this study.

The main drivers of non-sequential stage consist of those that are firm-specific, executive management-specific, and those specific to environmental forces following globalization. Among such factors is information technology which supports real-time information flows (Kobrin, 1991). It accelerates the access to global sources and business opportunities which in turn, facilitate the management of the international value chains (Quinn, 1992; de La Torre & Moxon, 2001). Non-sequential stage firms lack resources compared to large international firms, but their advantage rests on learning derived from abroad, from their ability to coordinate and arbitrage across national borders, and from alliance network relationships (Contractor, 2007; Mort & Weerawarden, 2006).

The rapid access to the market through the speed of technological development results in increasingly irrelevance of the cultural differences and psychic or geographic distances (Knight & Cavusgil, 1996; Rasmussen *et al*., 2001; Loane & Bell, 2006). According to Knight and Cavusgil (2005), increase in efficiency due to advances in information, production, and communication technologies have decreased the costs of international business, thus facilitating the widespread emergence of non-sequential stage.

Non-sequential stage firms are highly entrepreneurial small firms that quickly internationalize without time or need to develop firm-specific internalized advantages in their home country (Contractor, 2007; Jones & Coviello, 2005; Mort & Weerawardena, 2006; Rialp, *et al*., 2005). The selection of short psychical distance countries at the early stage of sequential internationalization process is ignored because firms can skip certain stages in the non-sequential theory. They usually offer highly innovative and cutting-edge products (Mort & Weerawarden, 2006). The following are the issues debated in non-sequential stage of internationalization process:

2.3.1 Experience and Knowledge

New firms encounter crucial shortage of fund, staff, plant, equipment, and supplementary materials (Freeman *et al*., 2006; & Knight & Cavusgil, 2004). These physical assets and risks aversion are the fundamental factors which the firms are dependent on in their attempt to expand business overseas before 21st century. After 21st century, firms with non-sequential stage of internationalization process emerge. They adopt particular strategy by taking into account of their capacity in communication and industrial skills as well as previous international experience of product and their distribution channels in order to be more successful in international market. Knowledge and information in foreign countries and business administration are pivotal to arrive at international level for young firms (Autio *et al*., 2000).

In sequential stage, knowledge and experience are important elements in expanding business overseas. Johanson and Vahlne (2006) advocate that firms have to improve their international knowledge prior to foreign market entry. They emphasize that management know how can be obtained from prior experience through their operation abroad.

Based on the above viewpoint, prior experiential knowledge can be exploited to foresee the foreign market performance of firms. The experiential knowledge that useful in international market is range of product, size of distribution chains and retails, and also diversity of consumers (Luo & Peng, 1999). In their study among high level managers of Chinese MNEs subunits, they found that firms needed longer period of time to obtain experiential knowledge. Thus, the longer the firms operate in the foreign markets, the greater the knowledge gained. Prior experiential gained in foreign markets have been the successful factors for Chinese MNEs in penetrating other foreign markets.

In another study on Japanese electronics firms, Chang (1995) found that the firms learnt from their own experience in overseas. They took longer time to learn within their firms primarily and learn from other firms through experience exchange and transmission. In this case, the experiential knowledge is a key factor in the success of Japanese firms in internationalizing their business.

Since time is the matter to gain experiential knowledge, non-sequential stage firms, according to Rasmussen and Madsen (2002), have to encounter the problems associated with insufficiency of obtaining experiential knowledge and resources. However, they still can gain this knowledge through their entrepreneur and the contact with domestic and foreign associates such as suppliers, distributors, and retailers.

According to Laanti et at. (2007), the knowledge accumulation of owners or managers can take place even before the firm starts to set up. This is in view of the fact that many owners and managers learn the management know how during their tenure with other firms. In Chetty & Campbell-Hunt's (2004) study of SMEs in New Zealand, the high-tech firms have strong international orientation. Thus, the aggressive approach to experiential learning determines foreign market entry of firms at the beginning of their establishment. The prior experience and knowledge of the entrepreneur, in fact, have accelerated the foreign market entry.

In terms of communication with domestic and foreign associates, they affect the spreading of knowledge, especially tacit knowledge (Laanti *et al.*, 2007; & Freeman &

Cavusgil, 2007). In the sequential stage model, possessing knowledge can determine the foreign market entry behavior which includes lessening risk abroad and creating international business prospect (Johanson & Vahlne, 2006). In the case of non-sequential stage firms, they have extensive knowledge but not personally owned by their entrepreneur. For example, in Park & Rhee's (2012) research on 271 early internationalizing South Korean SMEs, they discovered that the success of these firms were the prior international business experience which built knowledge competencies. This valuable experiential knowledge owned by a group of Korean managers in this study belongs to the firms.

2.3.2 Characteristics of Industry

The strategy of non-sequential stage is driven by many factors; it can be analyzed from the aspect of industry-level and firm-level (Andersson *et al*., 2004). In this section, the aspect of industry-level would be discussed first while the aspect of firm-level would be discussed in next section, 2.3.3.

Several studies show that certain industry and its structure affect deeply young firms which reveal non-sequential stage of internationalization process (Fernhaber *et al*., 2007). Firms with non-sequential stage often from hi-tech industry and most of the existing researches highlight on firms' manufactured hi-tech goods (Crick & Spence, 2005 & Laanti *et al*., 2007). For instance, Jolly *et al*. (1992) conduct their study focused on technology start-up firms while Laanti *et al*. (2007) draw attention to wireless technology industry in Finland. Freeman *et al*. (2006) advocate that possessing a distinctive technology which is the competitive edge can be the factors that positively correlated to the acceleration of internationalization process of small and medium enterprises (SMEs). Therefore, in hi-tech industry, American firms expand more rigorously than firms from any other industries since its products have to be sold in shorter period of time. If this hi-tech product is not sold on time, it will be outdated very quickly (Andersson *et al*., 2004). In this case, the markets have to be expanded to include foreign countries.

However, many studies suggest that technological advance of the industry is not the factor that contributes to the emergence of non-sequential stage firms. Instead, it is because of the likelihood to search and capture foreign niche market in particular industry (Madsen & Servais, 1997). Therefore, it is possible for low tech firms to internationalize their operation. Furthermore, the international positioning is achieved by firm by means of its specific product and a distinctive marketing approach (Freeman & Cavusgil, 2007). As opposed to the importance of product standardization for hi-tech industry, product customization is more crucial for low tech industry in order to meet the consumer expectation in various foreign markets even though product standardization is possible to be adopted in certain circumstances (Madsen & Servais, 1997).

Several authors emphasize their research on the effect of industry structure for non-sequential firms without considering the technological factors (Fernhaber *et al*., 2007). According to them, the industry that has high propensity to enter foreign market shows progressive development, highly knowledgeable, possesses high internationalized characteristic in domestic market, great collaborative in the global market, and draws intensive business investment. The characteristic such as highly knowledgeable can be more essential in well-established industry. Besides that, Anderssen at el. (2004) highlight that the internationalization of the industry is a factor that contributes to non-sequential behavior as a result of the need for firms to rival with foreign players.

2.3.3 Characteristics of Firm

Non-sequential stage of characteristic relies more on innovative capabilities of firm rather than the innovative level of the industry itself (Freeman *et al*., 2006). Possessing distinctive skills and resources is considered as very critical for non-sequential stage firms so that they provide key competitive edge that facilitates internationalization process (Knight & Cavusgil, 2004; & Yip, 2000).

According to Madsen and Servais (1997), the characteristics of organization and environment transform the firms to adopt non-sequential stage. Rennie (1993) draws attention to the initial study conducted by McKensey Company. It is suggested that non-sequential stage firms are SMEs that able to compete with large and renowned firms at the beginning stage of its operation. Firm size is not a matter in expanding business overseas.

Basically, the antecedent of the speed in overseas expansion is the change in the external environment that currently occurs (Laanti *et al*., 2007; Oviatt & McDougall, 2000; & Rasmussen & Madsen, 2002). According to Madsen and Servais (1997), there are three components of external environment namely the spreading of specialized niche market, scattering of international supply chain, and globalization of financial market. The factors that contribute to these phenomena are: (1) technology transformation which affects the speed of production, in turn, captures niche markets; (2) more reliable and low transportation costs; (3) advances of communication and open market policy.

In addition, Rasmussen and Madsen (2002) describes that the above transformations give advantages to non-sequential stage firms. The advantages include reducing market restrictions, high speed of information flows, enhancing communication and transportation system, increasing investments in technology, internationalizing supply chain, the entry of international firms, and high mobility of products, services, and people.

In Dib *et al*'s (2010) study on 79 Brazilian software firms, it was found that the firms with certain characteristics such as unique intangible assets, innovativeness, specialization, customer orientation, differentiation, technology advantage, and used of information technology internationalize more rapidly. It demonstrates that these specific firm characteristics contribute to the success of the SMEs in expanding business abroad.

To a greater extent, according to Andersson *et al*. (2004), local industry climate has been dramatically affected by global economy and therefore overseas expansion is seen as a means to lower the risk. They advocate that the extent of environmental complexity encountered in the business is associated with the presence of small firms in the international market. Thus, this new experience, according to Madsen and Servais (1997), will drive small new firms to turn into non-sequential stage firms. They can also gather the information on foreign markets with less hassle and prepare the firms to expand overseas. As a result of favorable conditions discussed, firms which adopted non-sequential stage possess the knowledge that can be employed to internationalize in much shorter time.

However, the studies conducted by Andersson *et al*. (2004) and Madsen and Servais (1997) above are opposed to Luo and Peng (1999). They argue that the reason for small firms to internationalize is not caused by environmental dynamism; instead it is the entrepreneurs themselves who intend to expand business overseas from inception.

2.3.4 Characteristics of Entrepreneur

Non-sequential stage firms have various uniqueness that differentiate them from sequential stage firms. The most obvious difference is the capabilities of their founders and owners who acquire international knowledge through their personal prior experience (McDougall *et al*., 1994). This allows the combination of their knowledge gained and resources available from various foreign markets. Knight (2000) contends that entrepreneurial approach of firms is a crucial factor for creating opportunities to internationalize. Clearly, founder and manager are more likely to have large amount of international experiential knowledge (Harbison *et al*., 2000; & Nummela *et al*., 2004) as well as international vision since the beginning of the firm establishment (Andersson & Wictor, 2003; & Sapienza *et al*., 2004).

The entrepreneur attitudes toward internationalization play an important role in determining whether a firm will pursue sequential or non-sequential stage. Mort and Weerawardena (2006) cites the attitudes of non-sequential stage entrepreneur as having global mindset, proactive, innovative, and risk taking. In essence, the internationalization process is triggered by an owner or manager who plays a role as entrepreneur (Andersson, 2000). Further, Andersson (2000), Bilkey and Tesar (1977), Boddewyn (1983) argue that a firm with almost perfect resources and opportunities will not present in the foreign market if entrepreneur does not initiate it. Hence, the effort, skill, and knowledge of an owner or manager in the firm may affect the acceleration of internationalization process (Jones, 1999).

There are many studies show that the previous management know how affects internationalization process of a firm. Bilkey (1978) and Reid (1981) for instance, reveal that the personality of manager influences the initiation to expand business overseas. In particular, the non-sequential entrepreneurs have propensity to own considerable foreign experience (Bloodgood *et al*., 1996; & Madsen & Servais, 1997). They also possess a desire to internationalize at the beginning of firm establishment (McDougall, 1995, Harveston *et al*., 2000). As opposed to sequential stage, non-sequential stage managers always begin with substantial experiential knowledge in business operation within several foreign markets. Thus, it enhances the chance to tap new markets and results in acceleration of internationalization process in various marketplaces. The managers with this attitude toward business expansion are advantageous in building competitive edge and adding value before the initial stage of internationalization process (Knight & Cavusgil, 2004; & Zahra, 2005).

A few studies on non-sequential stage highlight the experience of managers who are familiar in operating international business. Oviatt and McDougall (1995) discover that the non-sequential stage entrepreneurs have good communication skills in relation to the firm’s investment in international market. The distinctions between sequential and non-sequential model of internationalization process can be determined by the affects of entrepreneur’s education level, overseas staying, and job knowledge (Madsen & Servais, 1997). These factors lower the psychic distance to certain foreign countries and reduce risk and uncertainty. Chetty and Campbell-Hunt (2004) and Andersson *et al*. (2004) reveal that today entrepreneurs are well-educated and possess foreign knowledge as compared to sequential stage model when it was formulated in 1977. According to the research conducted by Knight and Cavusgil (1996) in non-sequential stage, entrepreneurs usually build unique entrepreneurial competence which is enabled to capture business opportunities abroad. Therefore, non-sequential stage is always developed by founders who have previous foreign knowledge and wide business networking system abroad (Madsen & Servais, 1997).

Entrepreneur who possesses more foreign knowledge is always related to the capabilities to invest in American market (Bloodgood *et al*., 1996). On the other hand, the senior entrepreneur who acquires more resources, information and business network, and experience may become exporter (Westhead et at., 2001). While in Varma's (2011) study on Indian information technology industry, it was found that one of the key success factors of internationalization was the personal and network characteristics of the founders. Likewise, a few firms which employ managers who gain international experience during their tenure in other firms, have successfully helped their current firms to penetrate foreign markets (Karlsen, 2007).

To be non-sequential stage firms, entrepreneur's international experience and knowledge, in addition to his international networking is critical (Rasmussen & Madsen, 2002). The study of non-sequential firms must be done even before the firms are established since the characteristic of entrepreneur such as international experience is the factor which can trigger internationalization process (Madsen & Servais, 1997)

The experience of managers gives advantage for firms to make foreign market penetration possible (Knight & Cavusgil, 2004). Knowledge gained through their personal experience enables the firms to operate their overseas subsidiaries successfully. This is due to the information related to foreign markets is available from their managers (Autio *et al.*, 2000). Knight and Cavusgil (2004) point out that substantial amount of small and new firms are operating their businesses locally and still have less desire to set up their subsidiaries in foreign markets as a result of the information barrier of foreign markets. Despite the influence of technology and global economy, this is not the only reason that explains the non-sequential stage. Firms which own certain experience and knowledge based on the resources available, provide speed of foreign market entry and eventually remain competitive. Non-sequential stage firms are successful in the international market because they are still new and small which is more efficient in adapting to changes.

However, according to Knight and Cavusgil (2004), the more crucial reason that explains the success story is their competency. They must possess innovative-focused managerial mindset that inspires the firms to take full advantage of entering foreign market, which creates superior and high technological products. These distinctive products eventually contribute to the non-sequential stage of expanding business overseas. In addition, innovative-based strategy allows for better business operation owing to understanding of consumers and product customization and innovation. This strategy leads to careful handling of important strategic marketing plan in order to aim at international consumers who may demand for high technological and distinctive products.

In the study done by Freeman and Cavusgil (2007) on Norwegian non-sequential stage of high-tech firms, they discover that there are four types of entrepreneur differentiated by their attitude toward foreign market entry. For the first two entrepreneurs, ‘responder’ and ‘opportunist”, they are the owner who operates their business locally and have no plan to expand overseas or developing international supply chains. However, they are more viable and optimistic. For ‘experimentalist’, he is entrepreneur with proactive character which is innovative but collaborative and complementary to his rivals, suppliers, and consumers. He adopts particular foreign approach to deal with international consumers and suppliers. Lastly, ‘strategist’ is entrepreneur who is more experienced and knowledgeable, highly technological, and prefers creating steady liaison with international suppliers and consumers. The ‘experimentalist’ and ‘strategist’ are the entrepreneurs who make internationalization possible and more successful compared to ‘responder’ and ‘opportunist.

2.3.5 Home Market

Home market also contributes to the non-sequential stage strategy (Gabrielsson *et al*. 2008; & Madsen & Servais, 1997). The initial case study that determines non-sequential stage of internationalization is developed in Australia (Rasmussen & Madsen, 2002). In contrast, many empirical studies associated with internationalization process are too focused on Scandinavian countries such as Sweden, Norway, Denmark, and Finland as well as other smaller capitalist countries (Freeman & Cavusgil, 2007). Andersson *et al*. (2004) question on the study outcomes that may, to certain extent, prejudice based on certain countries. According to them, Sweden is populated with less than 10 million people which is too small as compared to North America which has more than 100 million people. As a result, it compels these Scandinavian businessmen to be more global minded to widen their foreign market shares in order to expand their saturated domestic market and be more profitable.

Local market is recognized for its relatively small size and saturated place where most new firms are usually located substantially (Freeman & Cavusgil, 2007; & Oviatt &

McDougall, 1995). To be more profitable, firms have to accelerate its foreign expansion. This is vital especially to SMEs (Freeman *et al*., 2006).

Vernon (1966) reveals in his theory of internationalization process that firms begin to look for foreign market once they have fulfill the demand of domestic market. Several studies have advocated that domestic market plays pivotal role in internationalization process of non-sequential stage firms. One of these studies is carried out by Madsen and Servais (1997). They found that firms from small home market possess high tendency to rapidly internationalize their business compared to the firms from the countries which have big home markets. Apparently, firms have to internationalize owing to low demand caused by small market size. On the other hand, U.S. has very huge market and the firms are not pressured to enter foreign countries immediately after their establishment.

Nevertheless, domestic market is less important in non-sequential stage compared to sequential stage. For non-sequential stage, strong home market is unnecessary in facilitating firms to enter foreign markets. Generally, young entrepreneurial firms recognize the world as a single market especially hi-tech firm (Chetty & Campbell-Hunt, 2004)

2.3.6 Innovativeness and Technology

The ability of firms to produce fresh ideas, goods and services abroad is part of innovativeness. It also includes firms' desire to build genius resources to overcome supply and sourcing difficulties in the internationalization process. Growing international rivalries and acceleration of new technological advances have shortened product life cycle and increased the degree of improvement (Karlsen, 2007). This in turn, incurs high research and development cost. However, it is compensated by shortening the time to enjoy the returns on investment from foreign market penetration. Internationalization is able to expand firms' market size in which costs can be spread among available markets. In addition, the shortened product life cycle increases the need for greater innovativeness to develop brand new product in order to replace the older version that has encountered low demand in the foreign markets (Karlsen, 2007). The speed of internationalization is affected by the degree of innovation. Therefore, non-sequential stage firms have to create brand new product and supply chain in shortest time to survive in foreign markets.

Several studies found that there is a significant correlation between innovativeness and non-sequential stage firms. For example, Freeman *et al*. (2006) discover that innovativeness included proactive and risk taking are the characteristics of firms that contribute to the non-sequential stage of internationalization process. Laanti *et al*. (2007) on the other hand, notice that innovation is associated with the entrepreneur of the firm and his experiential knowledge. Therefore, they conclude that innovation is usually created prior to inception of the firm and this contributes to the firm non-sequential internationalization behavior. In this case, Jones and Coviello (2005) stress the significance of innovativeness and entrepreneurship as competitive edge for SMEs.

Knight and Cavusgil (2004) advocate that innovation can be either developed from firms' research and development or replicated from other markets. Likewise, innovation also refers to the creation of new goods, services, and processes as well as firms' strategies to penetrate international market. The organization culture that stresses on innovation, together with proper experiential collection yields the creation and enhances of products and techniques for foreign market entry. By doing so, firms can easily gain experiential knowledge which results in capability of steering toward excellent performance. The behavior of non-sequential stage firms can be explained by their attitude towards innovation. They have potential in terms of technological based innovation.

The technological based innovation can be the development of outstanding product and upgrading of present product. This also includes high effectiveness and efficiency in production lines. The innovation strategy will reduce cost, and along with low production level, non-sequential stage firms can focus on offering specific taste and preference of customers in different foreign markets (Knight & Cavusgil, 2004). Clearly, innovativeness is crucial criteria that steers the founder in competitive global markets.

Another competence of innovativeness according to Knight and Cavusgil (2004) is designing superior products that enable brand fidelity by fulfilling certain customer expectations. This approach is centered on attribute of the product innovation, enhancing service excellence, or drastic changes that differentiate firms' products from their rivals in international market.

In addition, the innovativeness can initiate the product creation in order to meet the need of the markets. In this case, quality is important to shorten reproduction and learning process which will reduce the incurrence of cost. In return, it enhances the value addedness and enlarges market size and revenue in non-sequential stage firms if they excel in international market.

Innovativeness is the function of research and development, gaining experiential knowledge, and competitiveness in the marketplace. It plays pivotal role for non-sequential stage firms to position themselves in foreign markets.

According to Oviatt and McDougall (1995), the superior performance of non-sequential stage firms begin when they offer a distinctive product in key markets. To enter these markets, they have experiential knowledge as competitive edge that facilitates them to be successful in the rivalry with local firms in host country. Non-sequential stage firms are usually new, small, and less international market experience. They are not only unable to afford mass production and less financial support for investment, but also incapable to establish themselves as global players. However, they compensate these weaknesses by being the earliest firms to sell their unique innovative products in markets. The distinctive products are normally manufactured by firms which possess particular skills that other businesses still have not produced or lack of such knowledge in the markets. Thus, this specific knowledge is the vital intangible asset.

Oviatt and McDougall (1994) recognize the significance of the innovativeness and its distinction. The non-sequential stage firms which are dependent on technology know how have to find solution in protecting their knowledge and competitive edge. In order to prevent from losing their competitive edge to competitors, they have to minimize the usage of competitive edge. However, to overcome the risk of unwittingly giving away their competitive edge to competitors, they have to apply for patents and copyright to protect their intellectual property. They can also be more innovative to overcome defective replication in order to protect their knowledge-based products. Furthermore, minimum pricing strategy can be used to prevent other rivals to enter the market. Lastly, to avoid losing their technology know how, they may set up strategic network like partnership with producer and distribution channel to exert power over the technological knowledge.

2.3.7 Networking

According to Freeman *et al*. (2006) and Laanti *et al*. (2007), networking and alliances are important factors that determine the performance of non-sequential stage firm. They are the forces that drive the acceleration of international expansion because rapid market entry and knowledge are made available. In this way, it can overcome the limitations of SMEs in marketing.

In addition, Johanson & Vahlne (2009) suggest that the current business environment requires a web of relationships instead of just dealing with various independent suppliers and customers. They advocate the important of new knowledge developed in networking that facilitate the internationalization process.

The advantage of previous foreign market experience through the entrepreneur is the networking built for firms as a result of their prior dealings with suppliers, distributions, and retailers (McDougall & Oviatt, 1996). In Laanti's *et al*. (2007) study on four SMEs of Finnish wireless-technology, they found that these firms relied on relationship with their acquaintances to penetrate foreign markets since they have limited vital resources and capabilities. This indicates that firms of non-sequential stage need more supportive networking in order to be successful in expanding business overseas. Hence, their supply chains and other alliances just require the common international vision in order to perform well in international market.

Business networking is built when firm penetrates foreign markets. There are three ways in which networking is built. Firstly, create fresh networking; secondly, continue with the current networking; thirdly, link the existing networks to various nations by taking advantage of the relationship developed in the firms to connect with other networks (Madsen & Servais, 1997). It can be done because the nature of foreign market entry is not unilateral and it has to be examined in terms of the awareness of external factors that may influence the investment behavior. Thus, multilateral relationship has to be developed in international market.

There are some differences between sequential stage and non-sequential stage of internationalization process in terms of networking. In sequential stage, firms require middle man at the initial internationalization process because the resources and knowledge commitment are less needed (Chetty & Campbell, 2004). In the subsequent part of internationalization process, firms have to build subsidiary in international market, therefore more resources and knowledge are required.

In the case of non-sequential stage, firms develop close relationship with suppliers, distributors, and customers in order to be successful in international market. Despite firms intend to accelerate their penetration abroad by exploiting middle man, the networks have to be spread remarkably all over the foreign markets in order to leapfrog the stages of internationalization process. Consequently, it connects internationally and develops relationship quickly to assist firm's subsidiaries everywhere. Therefore, the scope and speed of networking distinguish the sequential and non-sequential stage of internationalization process.

Relationship with foreign suppliers is vital for international firms. Today, majority of firms in many industries are seeking for low cost production in order to be aggressive in penetration foreign markets. Subcontracting certain production lines which firm has less skill is the approach adopted by well-performed international firms (Hamel & Prahalad, 1990). In this case, firms which are looking for international suppliers in low cost nations explain the reason for international business expansion. Finding competitive suppliers in foreign market are complicated, incur high cost, and generate particular risk for firms that are expanding overseas. Thus, they rely on supplier's network to initiate new venture. This is due to the suppliers' credibility derived from their sincerity and intention to build long term relationship in providing support through product development, manufacturing, and distribution for their subsidiaries.

There are several entry modes adopted by non-sequential stage firm along the value chain to source, produce, and deliver products such as exporting, franchising, joint venture, and strategic alliances (Freeman *et al*., 2006). The intimate partners in various foreign markets are known as "ownership networks" that develop firm's competitive edge. New and current networks are exploited in order to be the first firm to enter foreign market and increase expansion rate. These networks are also useful to control the value chain, to look after their intellectual property, to manipulate their knowledge, and to capture market share so as to achieve their objective in foreign markets.

Networking with the right stakeholders is key to expanding in foreign markets (Chang & Park, 2012). They suggest that successful multinationals building strong relationships with government officials in China to enable them to build its business with speed. Networking with suppliers and customers are more frequently to take place as compared to government official. For SMEs however, it is a key success factor in penetrating emerging markets especially China since this country is luring foreign investors continuously.

MNEs internationalize with the intention to exploit networks with their partners (Delios & Henisz, 2000). According to Santangelo & Meyer (2011) however, the change of network position may alter the intended strategies. This is because the process of learning, opportunities creating and trust building are also adjusted. Benito *et al.* (2009) advocate that the strategies are modified as a result of irregularity of host country business environment and the action of foreign alliances.

Apparently, international relationships are vague due to different business behavior in foreign markets, irregular flow of information, and different in market location. Various official and non-official contracts are established based on country to minimize geographic and psychic distance between the firms and their partners.

The significance of network in non-sequential stage firms can be seen from knowledge exchange in their business activities, resources, actors along the value chain which largely effect their internationalization process (Laanti *et al*, 2007). Networking provides path for non-sequential firms to have privilege access to research and development, production, marketing, and distribution activities. In contrast, if firms want to accumulate this knowledge without depending on networking, it will take longer time to develop. The benefits of being part of network are firms will be equipped with market information and resources as well as learning about new technologies.

2.4 Internationalization of Malaysian Foodservice Firms

In the case of Malaysia, firms mostly are small, lack of brand recognition, limited resources, and insufficient experiential knowledge (Zhao & Hsu, 2007). All of these weaknesses hinder Malaysian firms to internationalize their business. It will be perceived as high risk if they want to penetrate foreign markets. As a result of high investment cost as compared to available resources, internationalization may not be materialized (Buckley, 2004).

However, the size of the firm penetrating the foreign markets is no longer the matter. More and more SMEs are joining foreign markets without necessarily involved in mass production. Furthermore, several studies on internationalization process are mainly focused on multinational corporations (Collinson & Houlden, 2005, Mtigwe, 2006, & Zhao & Hsu, 2007). Despite the capability of new and small firms to enter the foreign markets is disputable, the research conducted by Reid (1981) demonstrates that SMEs are more innovative and entrepreneurial. There is a difference between small and large firms in international expansion. The foreign market entry of relatively small firms is affected by the entrepreneur while the large firm is based on their well-established business structure (Reid, 1981).

The vast majority of studies are too focused on export rather than internationalization process (Ragayah, 1999; Ragayah *et al.*, 1997; Sim, 2005; & Yeung, 1998). There are a few limited studies on internationalization in Malaysia.

In the research done by Ahmad & Kitchen (2008), they propose that technological capability and business networks influence foreign market penetration of Malaysian Multinational Corporations (MNCs). In a similar vein, Asgari's *et al.* (2010) study among five Malaysian service firms uncover that strategic considerations, competitive advantages, industry characteristics and target market factors influence international expansion. Malaysian government has also played an important role to support and promote local firms to expand business overseas.

Likewise, Malaysian government has always placed priority to increase the speed of foreign market penetration among government-linked corporations (Ahmad, 2008). This is because these corporations possess strategic value and status that associated with government. Government network, therefore, is considered as part of non-business competitive advantage.

In another study conducted by Kitchen & Ahmad (2007), Malaysian firms depend very much on foreign networks, technological capabilities, and experiential knowledge to penetrate foreign markets. These strengths however, have denied the inability of developing countries to expanding their business overseas.

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In the case of Malaysia, therefore, it is possible for Malaysian firms to fully utilize its distinctive and competitive advantage that can be distinguished in order to challenge well-established multinational firms (Mort & Weerawardena, 2006; & Zhao & Hsu, 2007). Hence, the small firms from developing country such as Malaysia will also affect the internationalization process. This research will provide interesting cases of Malaysian foodservice firms to study about.

2.5 Global Consumer Culture

Consistent with global consumer culture literature, the driving forces of global products are product orientation and economies of scale. In contrast, local products are motivated by market-driven mind-set and customer satisfaction derived from need fulfillment

(Kotabe & Helsen, 2010). In order to study the attitude toward local and global product, Steenkamp & de Jong (2010) find that international firms must balance between localized and globalized product offered in host countries. Interestingly, they also found that the firms should not dependent too much on their status of global brands as this approach may not be effective in most of consumer segments.

Recently, internationalization process is shaped by global consumer culture (Ritzer, 2007). People prefer to consume the products that are globally recognized and perceived as superior quality and more prestigious than their own culture (Strizhakova *et al*., 2008). They have high self-belonging and appreciate the sense of common culture formulated by globalization (Holton, 2000). They expect that consumer culture will be converged as a result of internationalization strategy of firms (Alden *et al.*, 1999). In this case, firms do not have to think local but must act global (Yip, 2003).

In the study conducted by Manrai & Manrai (2011), culture affects consumer behavior through social, personal, and psychological factors. As a result of globalization, consumer cultural orientation has to focus not only on global, regional and national, but also ethnic and individual aspects of interest. In a similar vein, to be successful expanding business overseas, Persinger, *et al.* (2011) suggests that understanding of communication and cultural complexities is vital.

At present, the theory of internationalization of firm has been more complicated than when it was first presented in sequential stage (Glückler, 2006). The main reason is that firms that enter into foreign markets are not just the firms that offer tangible product, but also intangible product, especially knowledge-based firms. In the case of foodservice industry, the products offered are tangible and intangible. This characteristic will affect the internationalization process.

In Asgari's *et al.* (2010) study on various firms from service sector in Malaysia, target market factors are one of the main considerations to internationalize. Adequate information on consumer culture such as taste and preference can reduce the risks of foreign market entry (Mitra and Golder, 2002). Since consumer cultures in foreign markets are different, firms target the markets that have similar culture with their home country to avoid uncertainties (Hohenthal *et al*, 2003 & Johanson & Vahlne, 1977).

Foodservice industry is highly people-dependent. There are a few established literatures in marketing around consumer tastes and food types. In Tobin's (1994) study, he observes the influence of western culture on Japanese. He found that Japanese were likely to adapt and alter the western product and lifestyle to suit their culture. For example, most Japanese adopt burger in their diet. Since it is almost impossible for Japanese to have three meals of western food, foreign food providers have to offer inspired local dishes. Many international foodservice firms, therefore, have to offer standardized global product and at the same time tailor to local taste and preference (Tobin, 1994).

As tastes vary from population to population, menu items and variations of each item must be considered by foodservice in its internationalization strategy. Eating habits play a very important role in the popularity of menu items because what is offered in US may not be popular elsewhere. Therefore, some modifications and additions to the menu are designed to meet the local taste.

In Hill's (2011) comparison study of US and Malaysia culture, the perceptions on US culture is individualism, precise reckoning of time, future oriented, work and achievement, control over nature, youthfulness, informality, competition, relative equality of the sexes, etc. Whereas, Malaysia is perceived as Asian, collectivism, uncertainty avoidance, masculine value, unequal in physical and intellectual capabilities, etc. For that reason, the study of internationalization process of Malaysian foodservice firms is more complex owing to global consumer culture.

2.6 Summary

Although a growing number of firms implement a global strategy from inception, the studies on this phenomenon are still limited and lacking a comprehensive theoretical explanation and causal models (Moen & Servais, 2002; Mort & Weerawardena, 2006; Riap *et al*., 2005). Therefore, this research will contribute to the argument of the existing theories of internationalization process. In addition, it also contemplates to look into the possible new model in the internationalization process by specifically look into foreign market penetration of Malaysian foodservice firms. Since food renders itself to the acceptability of the international market, this study will attempt to answer the research question of how foodservice firms manage to expand their business abroad by exploring the firms in Malaysia.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides a description of the methodology used in this paper. The study of Malaysian foodservice firms is based on a primary source through personal interview and questionnaire survey. However, printed and online sources were used along with these primary sources for the purpose of validity and consistency. This exploratory study provides information to be used in analyzing a situation (Zikmund *et al.*, 2010). It is a case study that adopts qualitative method with descriptive approach. The subjects are Malaysian foodservice firms that have expanded their business overseas. By using in-depth personal interviews, information was solicited from the management of the firms. This approach is appropriate when examining current events over which the researcher has little or no control, and when the objective of the research is to explain or explore events (Yin, 2009).

3.2 Qualitative Research

Based on the information obtained from in-depth interviews with top managements of Malaysian foodservice firms, a model for internationalization process was developed. According to Creswell (2009), a qualitative approach may be used when the researcher contributes to the knowledge based principally on constructivist perspectives and seeks to make meaning of individual experiences in order to develop a theory or pattern. The case study is one of the methods in qualitative research in which open-ended emergent data is collected with the intent of developing themes (Creswell, 2009). On the other hand, quantitative research is conducted primarily when the researcher wants to determine cause and effect and/or assign numerical values to the data collected in order to conduct statistical analysis (Creswell, 2009). Since this study is seeking to identify emerging themes from internationalization process, the qualitative approach is more appropriate.

A good qualitative study "starts with a single idea or problem that the researcher seeks to understand" (Robson, 2002, p.166). In this research, the single idea of this qualitative study was to investigate the internationalization process among foodservice firms in Malaysia. Zikmund *et al*. (2010) define qualitative business research as the research that addresses business objectives through techniques that allow the researcher to provide elaborated interpretations of phenomena without depending on numerical measurement. Qualitative data are not characterized by numbers but rather textual, visual, or oral. Researcher must extract meaning from unstructured responses such as text from a recorded interview representing the meaning of some experience. It focuses on stories, visual portrayals, meaningful characterizations, interpretations, and other expressive descriptions. It is applied in discovering true inner meanings and new insights.

According to Zikmund *et al*. (2010), qualitative research is useful when:

a) It is difficult to develop specific and actionable decision statements or research objectives.
b) The research objective is to develop a detailed and in-depth understanding of some phenomena.
c) The research objective is to learn how a phenomenon occurs in its natural setting or to learn how to express some concept in informal terms.
d) The behavior the researcher is studying is particularly context-dependent.
e) A fresh approach to studying the problem is needed.

Therefore, qualitative business research is used in exploratory research when the samples are small, a broad range of questions are asked and subjective interpretation is required.

3.3 Rationale for Case Study Research

To best way to explore the internationalization process of Malaysian foodservice firms is adopting the case study research. According to Yin (2009), the purpose of case study research is “to understand a real-life phenomenon in depth” (p. 18) and “contribute to our knowledge of individual, group organizational, social, political, and related phenomena” (p. 4). It is a good tool for exploratory studies and an effective strategy for exploring “how” or “why” questions. In this case, the third research question of this study fulfilled this requirement. The third research question is “why are Malaysian foodservice firms able to accelerate their business penetration to foreign markets?”

Case study research allows direct observation of a phenomenon in its natural setting, thus promoting profound, realistic understanding (Babbie, 2010). Furthermore, it can be the documented history of a particular person, group, organization, or event. The concepts, themes, and categories found in the case study are identified by the frequency with which the same term (or a synonym) arises in the narrative description (Zikmund *et al.*, 2010). A case study can include a single case or multiple cases. Since this study focuses on three Malaysian foodservice firms, multiple-case study research forms the design of this study and seeks to gain greater insight into a research (Yin, 2009).

By adopting case study approach, researcher can examine contextual conditions by asking open-ended questions and examining many variables that will not be feasible using other research approaches (Yin, 2009). Leedy and Ormrod (2005) suggest that a case study is appropriate when investigating a poorly understood situation. Since the nature of this study is exploratory and in order to determine how the process of internationalization takes place, the case study is deemed to be appropriate. It is expected that this case study will contribute to the process of internationalization in foodservice industry which fills the gap that exists in the literature, thus enabling participants to make more informed decisions in future (Cohen *et al*., 2007).

The case study method was chosen because it provides the opportunity to perform an in-depth analysis of the internationalization process. Saunders *et al*. (2009) note that there are three types of interviews useful for data collection in case study: unstructured, semi-structured, and structured.

In pilot case study for Firm A, unstructured interview was conducted with the primary purpose of identifying some important issues relevant to the problem situation without prior preparation of a planned or predetermined sequence of questions. The result from this interview was useful in order to improve the questionnaire for future interview. This interview is also known as informal interview or in-depth interview and categorized as non-standardized interview (Saunders *et al*., 2009).

For Firm B, semi-structured interview was conducted which commenced with a set of interview themes but were prepared to vary the order in which questions were asked and to ask new questions in the context of the research situation. In other word, the semi-structured interview typically have predetermined questions but interviewer has the flexibility to modify the questions and the order of the questions. The interviewer has further flexibility to omit or add questions based on the interviewer's understanding of the interviewee's responses (Robson, 2002). Therefore, the scope of the inquiry is much broader and less focused than the ultimate data collection plan (Yin, 2009). This informal interview is also categorized as non-standardized interview (Saunders *et al*., 2009).

In the case of Firm C, structured questionnaire survey was conducted with predetermined list of open-ended questions to be asked. This is a formal survey and categorized as standardized survey (Saunders *et al*., 2009). In this case, e-mail was used by Firm C to reply the questionnaire survey.

3.4 The Pilot Case Study

In this study, the researcher seeks to investigate seven Malaysian foodservice firms that are successfully expanded overseas. The first firm contacted will be used as pilot case study. In this case, Firm A agreed to participate in this study. Details on the research design and approach, study setting and sample, data collection and analysis procedures, and validation of the study are explained below.

Figure 3.1 illustrates the research design adopting inductive approach in order to build theory. This is an adaptation from Yin (2009) and Eisenhardt's (1989) replication approach to multiple case studies. The design is divided into four phases: phase 1 defines the particulars of data collection, phase 2 details the data collection, phase 3 involves within-case analysis, and phase 4 entails cross-case analysis.

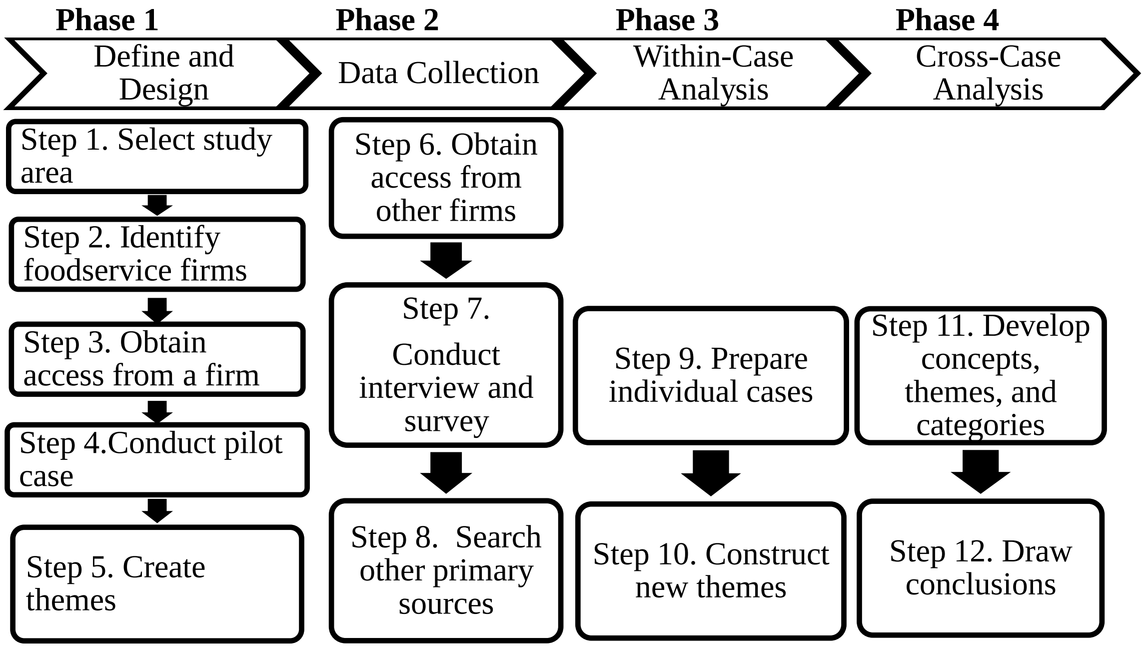

Figure 3.1: Research Design for Theory Building
Source: Adapted from Yin (2009) and Eisenhardt (1989)

Phase one began with the selection of the study area. In this research, internationalization process of Malaysian foodservice firms has been selected as the study area. After that, the foodservice firms were identified and access from one of the firms was obtained. This firm would be the pilot case for this study. A pilot case study refines the data collection plans with respect to both the content of the data and the procedures to be followed (Yin, 2009). It can be so important that more resources may be devoted to this phase of the research than to the collection of data for cases for this case study research.

This qualitative study developed an understanding of how tentatively identified factors contributed to the internationalization process of foodservice firms by asking open-ended questions. Therefore, pilot study was conducted to determine if the researcher’s questions were concise, easy to understand, and clear (Yin, 2009). The questions in questionnaire for pilot case study (Appendix B) were derived from piecing together earlier literature on internationalization. Based on the interview data collected, the researcher took opportunity to not only examine the content of the interview, but also the willingness of manager to discuss openly about firm's strategy by observing his non-verbal and verbal responses during the interview.

Since this is an in-depth interview, open-ended questions were developed. There were a total of 27 questions which were divided into 3 sections. The questions in "Section B: Reasons for Penetrating Foreign Markets", provided the most interesting answers. The full set of the questionnaire for the pilot case study interview is shown in Appendix B. One of the answers given by the manager for the internationalization process of Firm A has been very important asset in designing better questionnaire for semi-structured interview and structured questionnaire survey for Firm B and C respectively. The answers given have also developed competitive theory for this research.

This interview provided the idea of the sequence of internationalization process for Firm A. It also provided considerable insight into internationalization strategy of the Malaysian firms. It was found that not only the involvement of Firm A with its overseas partners in establishing business, but also the important role of intermediary, the Malaysian government.

To begin, the e-mail was used to contact the managing director of Firm A on 2009, February 12. The General Manager, however made interview appointment on 2009, March 2, 2.00 pm at his meeting room in Kuala Lumpur.

Prior to the interview, the manager was informed of the confidentiality and anonymity of his responses. However, he was optimistic by allowing whatever responses to be written in this research. In the case of confidential data, he would just mention directly as "confidential" or the information would not be given.

He also allowed digital camera and recorder to be used for this interview and was very comfortable with them. The request to use additional two mobile phones as backups in case any of these electronic tools malfunction has also been granted. The interview lasted for 1 hour and 35 minutes based on the hours recorded by the digital camera. Although the main points were jotted down, the content of the digital camera and recorder were used to recall the conversation in order to be written in verbatim. The written conversation was then analyzed and later to be used to improve the interview for next session with other foodservice firms.

In this pilot case study, there were many lessons learnt in terms of research design and field procedures. Firstly, sending an e-mail can be convenient and cost saving. An e-mail may not be obstructive for senior manager unlike telephone since she can access the e-mail at anytime whenever she is free. However, the e-mail may not be replied if they are not interested with the research questions. Secondly, the senior manager may give the responsibility of being interviewed to her lower rank officer if she is inconvenient. Thirdly, the rapport with the interviewee is also important to convince her to response to the e-mail and eventually to be interviewed. Fourthly, this interview helps to crystallize the research problem and identify information needs for later data collection (Zikmund *et al*., 2010).

3.5 Data Collection

The sampling frame in this study is the domestic foodservice firms in Malaysia published by Euromonitor International (2011). Euromonitor International (2011) was used as the only reference to identify the qualified Malaysian foodservice firms because it covers a comprehensive review of all foodservice businesses in Malaysia. It assembles all sources of data such as government official statistics, trade associations, trade press, company research, trade interviews and also its 600 analysts and consultants. Since almost all sources data has been analyzed by Euromonitor International (2011), it is the only reference that has an exhausted list of Malaysian restaurants, cafes, food stalls and eateries. In its complete list of foodservice firms, there are over fifty restaurant brands and five years statistics of transactions, units, subsectors, percentage of growth, percentage of value analysis, company shares, etc.

However, in analyzing the foodservice business in Malaysia, it is justifiable to identify only Malaysian owned foodservice firms which have penetrated to at least one foreign market as sampling frame. Therefore, the four segments of foodservice with a total of seven firms that have been successfully expanding internationally to at least one foreign country have been identified. Table 3.1 shows the list of the firms. Three of the firms accept the appointment for interview while four of them decline.

Table 3.1: The Selected Malaysian Foodservice Firms

No.	Segment	Firm (Accepted)	Firm (Declined)
1.	Fast Foods	Firm A	Firm D
2.	Cafés/Bars	Firm B	Firm E
3.	Street Stalls/Kiosks	Firm C	Firm F
4.	Full Service Restaurants	None	Firm G

After the data collected from pilot case study with Firm A, many improvements had been done in terms of literature and questionnaire after pilot case was analyzed. Subsequently, the new literature on internationalization was adopted and the finalized questionnaire was prepared for next interview (Appendix C).

The next data collection was started with the obtaining of access from six other firms. First, the firms' contact numbers were searched and found in Malaysian Franchise

Association’s (MFA) website (www.mfa.my). After they were called, all of them agreed and preferred that e-mail to be sent to them. Therefore, the cover letter (Appendix A) attached with moderated interview questionnaire (Appendix C), Letter of Certification (Appendix D), and my name card (Appendix E) were sent via e-mail.

Cover letter was sent in order to notify the foodservice firms on the purpose and objectives of the research, the contribution of the research, the appointment for the interview, and the guarantee of the confidentiality of their responses. This letter plays an important role to persuade and convince them to participate in the interview. The interview questionnaire was attached to give interviewees idea on the interview questions. This may also give the interviewees opportunity to prepare beforehand and provide the informative printed materials during the interview. The Letter of Certification was sent as evidence that the researcher is the PhD student of University of Malaya. In addition, to convince that the researcher is the credible person, the name card was also sent as an additional advantage since the researcher is the Program Supervisor at college.

The e-mail was first sent on 2011, March 16, Wednesday, at 11.00 am to all six firms. Subsequently, the second email was sent on 2011, April 5, Tuesday, at 6.00 pm. The Chief Financial Officer (CFO) of Firm B was very delightful to be interviewed and was very cooperative. The interview was semi-structured using open-ended questionnaire. The broad questions were used to “thematize” or formulate the purpose of the study. The interview was done on 2011, April 19, Tuesday, 11.00 am at its headquarters in Petaling Jaya, Selangor, Malaysia.

Although the important points were jotted during the interview, the digital recorder was also used to recall the content of the interview. The small comfortable meeting room was granted to be used for this interview. The Digital Voice Editor and two mobile phones were also used to record this interview in case any of these recording tools malfunction. The interview lasted for 1 hour and 38 minutes based on the time recorded in the digital recorder. This recorder was then analyzed and the conversation was written in verbatim. It took about one week to complete the written conversation after listening for a few times.

The main advantage for this interview was that the researcher could ask in more detail on the answers given. The researcher could also emphasize on the questions that were not fully answered and to put on track the answers that deviated from the original questions. It also allowed the researcher to build better rapport with the interviewee at the beginning of the interview.

For the case of Firm C, it responded within 3 weeks which was on 2011, March 20, after the second e-mail was sent. Its Finance Director, General Manager, and shareholder (FDGMS) was very generous to send his answer via e-mail. He sent quite long and detail response with additional information provided. This is the least complicated method of doing research which is the main advantage of e-mail survey compared to other methods. The researcher only waited for three weeks to receive the answered questionnaire. The processing cost and handling of questionnaire paper were also reduced to almost zero.

Firm A and B were willing to be interviewed while Firm C preferred to reply the survey questionnaire by e-mail. These three firms have very convincing track record of penetrating international market. For Firm A, it has penetrated fifteen overseas markets; Firm B, eight; while Firm C, sixteen. In contrast, the four firms that declined to be interviewed had only penetrated a few neighboring countries. For instance, Firm D has only penetrated two countries; Firm E, two countries; Firm F, three countries; and Firm G, only one country. Most of them are new comers in the Malaysian foodservice industry.

For Firm D, in the telephone conversation, it confessed that the reason to decline the interview was that its business was not so good and there were some problems in their management for the time being. Nevertheless, they also admitted that the overseas outlets in Bangladesh and Brunei were still operating even when there were certain problems among shareholders. Similarly, Firm E also declined the interview. Via e-mail, the reason given was that the Board of Directors had instructed all the top managers not to be interviewed by any researcher as they were in the midst of converting their firm to public listed company. However, both Firm D and E did send the information about their franchises.

In the case of Firm F, it showed the willingness to be interviewed at the beginning. However, both General Manager and CEO were too busy and always went overseas. Finally, they declined the interview through telephone conversation.

On the other hand, Firm G has no e-mail and contact number as it is not the MFA member. However, its telephone number was obtained from Yellow Pages. After the headquarters was contacted on 2011, March 11, through the officer of Human Resource Department, the e-mail was sent to her first before she forwarded to the owner. The interview appointment has been set through the officer several times. Finally, after pending for a few months, the owner gave the excuse that she was busy and not keen to be interviewed.

The interview approach revealed the process of internationalization from the interviewees perspectives, expressed in their own terms. All of the interviewees allowed all the contents of the interviews to be revealed in this research writing. However, some figures of the sales of the firms were confidential and had never been given. A few questions that were asked in-depth were not answered because they were considered as sensitive to public such as government policy, religions, and ethnic groups.

3.6 Within- and Cross-Case Analysis

Within case analysis would be done in Chapter 4 using three cases in order to develop themes. The data were analyzed and concluded independently. Merriam (1998) suggests that in multiple case studies, "within-case analysis", must be performed first. At the conclusion of documenting each individual case report (phase 3), the analysis then focused on developing process codes wholly grounded in the research data involving cross-case comparisons. Therefore, after each within case analysis has been performed, cross-case analysis commences.

A distinguishing characteristic of this cross-case analysis process (phase 4) was that, as more and more database transcripts became part of the analysis, fewer and fewer new concepts would emerge, and the existing ones become "saturated". They were used to compare and give insight for the cross-case analysis. The diversity of these three cases allowed for reconsideration of the concepts and opportunity for renewed insight.

This qualitative research is done inductively in order to build abstractions across cases (Merriam, 1998). General explanation is required to fit each case regardless of the differences in their details (Yin, 2009). Miles and Huberman (1994) warn that cross-case analysis is very tricky and researcher must be cautious with its complex configurations of processes within each case.

The result in a unified description across cases may be different from single qualitative case study (Merriam, 1998). In cross-case analysis, many new concepts, themes, and categories can be discovered from an integrated framework. This is important to find out the research gap and issues in order to construct and moderate the research questions and objectives. Most of the initial coding categories were drawn from the conceptual model, the list of questions, and key concepts the researcher brought to the study.

3.7 Open Coding

The set of procedures used for text analysis, as advanced by Corbin and Strauss (2008), is known as open, axial, and selective coding. This technique relies on an analytic technique of identifying possible concepts, themes, and categories according to their properties and dimensions. Once all texts were collected and open coded, the themes were organized by recurring concepts. These themes became prime candidates for a set of stable and common categories, which was originally linked to a number of associated concepts.

Open coding process is typical in grounded theory where the data are broken down into representative concepts (Corbin & Strauss, 2008). They suggest that the researcher first examines the texts in sentences or paragraphs using content analysis. In this way chunks of text were read and categorized by researcher. In this case study, the texts were coded sentence by sentence that best capture the description of the interviewees. Therefore, the interview transcripts were examined and a range of interpretations were considered. In these three cases, open coding is very useful since the data is not fitted into certain existing themes, instead it is opened to all possible themes (Keyton, 2006). With this, certain unknown concepts can be openly investigated.

A coding system was created to organize the data. Each concept found would be compared and contrasted in order to search for similarities and differences before it was labeled. The labels of the concepts were created by the researcher based on these comparisons. For example, the response like “when the minister goes, we’ll join” was labeled as “Trade Mission”; this is a label name selected by the researcher. Besides that, the labels in the concepts were also created using “in vivo codes” where they were taken from the word of interviewees (Corbin & Strauss, 2008). For example, managers’ response "Standardization can minimize the difference among the countries" was labeled as "Standardization".

After all data from interviews are coded for concepts, the data that are found to be ideally similar in nature or related in meaning are grouped under "concept" (Corbin & Strauss, 2008). All transcripts were then carefully evaluated in order to assemble related concepts and segregate different concepts, finally there are only 12 concepts were significantly meaningful to be used in axial coding. The 12 concepts were listed in Chapter 5, Table 5.1.

The process of coding involved the usage of "text highlight color" available in Microsoft Word. For example, the sentences with similar concept for "franchise system", yellow highlight was used. All the interview transcripts were eventually highlighted according to the color of their concept. This coding took place until all concepts become saturated and no new codes emerge (Creswell, 2009).

3.8 Axial Coding

Once the concepts had been developed and explored for their characteristics, the axial coding process began. This stage allowed the data began to be reassembled by exploring the relationship between concepts in order to gather them in meaningful way (Corbin & Strauss, 2008). It also allows continuous comparison with research literature (Keyton, 2006). As relevant concepts were put together to formulate themes, they provided more accurate and complete explanations about phenomena. Not only the relationship among their concepts was discovered, but also the relationship between concept and themes as well as theme and categories were examined in order to place them into sequence of internationalization process.

In the axial coding phase, twelve concepts were found initially. Upon careful scrutiny, similar concepts were then reassembled as a result of the similarities of characteristics. This reduced the twelve concepts into only two themes which would be examined in selective coding.

3.9 Selective Coding

After a lengthy period of data collection, a principle category and related subcategories are developed (Corbin & Strauss, 2008). In this study, the intention is to identify these subcategories in order to relate with the themes and concepts found. The central category found was internationalization process and the subcategories are pre-internationalization stage, internationalization entry stage, and post-internationalization stage. This inductive approach would eventually explore the categories, themes, and concepts in developing the new model of internationalization process.

3.10 Theory Building

Since the study is to develop new theory, grounded theory methodology can be utilized. It is used to debate with the existing theory found in literature review. The theories in sequential and non-sequential stage of internationalization process were compared and contrasted. Therefore, the development of theory through grounded theory methodology was built upon not only the exploratory research using in-depth interviews, but also based on the argument in the existing theories.

The theory building process commenced with the development and presentation of initial conceptual models based on evidence from the literature. The conceptual models then became a vehicle for generalizing to the three case studies which were compared and contrasted with the coding scheme resulting from the pilot case. Second, the design of the research lent itself to cross-case analysis of data (Phase 4) and the search for patterns. Replication logic became the key to the rigorous analysis of the cross case data.

According to Rowlands (2001), cross-case analysis of the participating firms can be compared with non-participating firms. In this case study, the three firms have been compared with four non-participating foodservice firms such as Kyros Kebab, Chakri Palace, Rasamas, and Sushi King in Chapter 5. A number of analytic techniques suggested by Corbin and Strauss (2008) were used to cross-analyze the data. As discussed earlier, open coding, selective coding, and axial coding were adopted in cross-analyzing the data.

The resulting coding framework was empirically valid as it accounted for the unique data of each case, as well as generalized patterns across the cases. That is, the concepts were described based on the interpretation of data. This interpretation led to step 11 of phase 4, which involved developing concepts, themes, and categories in order to formulate theory. However, in reaching conclusion in the last step, step 12, it involved discussion on the theories with the extant literature. It was done by returning to the literature of the theories of internationalization process to note consistency with and departure from findings of earlier research. As discussed in Chapter 6, it involved comparison of the similarities and differences between the existing theories with the findings as well as to look for the reasons for why they were similar and different. To do so, the research indicated the extent to which the findings were supported by previous research and the extent to which the research had added some new perspective or idea about the process of internationalization.

3.11 Collecting Other Primary Sources

Along with interviews, written primary sources are the raw materials of social science research (Ó Dochartaigh, 2002). These sources were used to check the consistency of the data collected from the interviews. They were also beneficial in confirming and updating the data collected from the interviews. In other word, they were useful in obtaining the latest information and providing longitudinal data. For this study, the content analysis was done on the three selected Malaysian foodservice firms using website visits, longitudinal data from annual reports, company documents, and business press and magazines. Ó Dochartaigh (2002) refers these materials as written primary sources since they are raw data that has not been analyzed.

Many primary sources, ranging from newspapers to archived information of foodservice firms, were accessible through Internet. The improved access to such materials was greatest contribution of the Internet to this research. Archives and other specialized collections of primary sources are generally confined to one location or to several locations (Ó Dochartaigh, 2002). To see the archives of a certain newspaper for example, there were a limited number of places where collections of the newspaper were held. Through the Internet however, the archives of thousands of newspapers can be accessed easily. Most of these sources were based on the longitudinal study of the interviews conducted by newspapers, business press, and magazines with the senior managers of the firms. Table 3.2 summarizes the interviews conducted by various primary sources that were used in this research.

Table 3.2 The Interviews in the Primary Sources

Foodservice Firm	Primary Source (Author)	Interviewee	Date
1. Firm A	The Star (Zazali)	Managing director	2012, Mar 28
	The Star (Tan)	Managing director	2010, Aug 19
	The Star	Managing director	2009, Nov 4
	Franchise Business Opportunity	Malaysian Trade Commissioner in the United Arab Emirates	2009, Mar 10
	The Star (Zazali)	Managing director	2009, Feb 3
	The Star (Zazali)	Managing director	2009, Jan 17
	Business Times	Managing director	2007, Dec 27
	New Straits Times	Managing director	2007, Nov 15
	The Hindu Business Line	Vice President of South Indian master franchisee	2007, June 21
	Franchiseek Malaysia	Managing director	2004, July
2. Firm B	Top 10 Malaysia	Chief executive officer and managing director	2011, May
	Business Times	Chief executive officer and managing director	2010, Oct 4
	Bloomberg (Nicholas)	Chief executive officer and managing director	2010, Apr 9
	Borneo Bulletin (Amie & Eng)	Chief executive officer and managing director	2010, Jan 13
	The Star (Kam)	Chief executive officer and managing director	2009, Mar 29
	Malaysian Retailer-Chains Association	Chief executive officer and managing director; Director of Firm B Australia Pty Ltd, the company holding the franchise rights in Australia	2009, Feb 28
	The Star (McIntyre)	Chief executive officer and managing director	2008, Jan 24
	Business Times	Chief executive officer and managing director	2007, Aug 27
3. Firm C	The Sun Daily (Premalatha)	Founder and managing director	2011, Nov 21
	The Star (Tan)	Founder and managing director	2010, Aug 19
	New Straits Times (Presenna)	Founder and managing director	2010, Apr 20
	The Star (Tan)	Founder and managing director	2009, Dec 19
	Business Times (Ooi)	Founder and managing director	2008, Oct 31
	New Straits Times (Vasantha)	Founder and managing director	2007, Dec 22
	New Straits Times (Vasantha)	Founder and managing director	2007, Nov 17

These interviews were primary sources since they were based on reports' account of something that was witnessed firsthand. The most heavily used newspapers were The Star and New Straits Times and one source from The Sun Daily since they are the only two most popular and leading English newspapers in Malaysia. Furthermore, since there is a lack of Malaysian business magazines that publish about foodservice issues, many primary sources were found online. Therefore, relevant websites were used such as company websites, Business Times, Franchiseek Malaysia, Franchise Business Opportunity, Borneo Bulletin, The Hindu Business Line, Bloomberg, and Malaysian Retailer-Chains Association**.**

There were also documents, hard copies of slide presentations, booklets, brochures, posters, and leaflets provided by the firms during the interviews. They were fully utilized to support the interview content.

3.12 Validity and Reliability

Research design is deemed to be logical which represents high quality research. In order to demonstrate credible result, according to Miles & Gates (1994) and Yin (2009), five criteria are needed for case study research: (1) construct validity, (2) Confirmability, (3) internal validity, (4) external validity, and (5) reliability. According to Yin (2009), internal validity will be tested if the research is quantitative and explanatory or causal study. Since this research is qualitative and exploratory study, internal validity was not tested.

Construct validity is concerned with the correct operational measures for the concept being studied (Emory & Cooper, 1991, McDaniel & Gates, 1991). It determines the fitness of the measure used and the theories (Sekaran & Bougie, 2009). For this case study, construct validity is achieved from the development of its construct through literature review. It is also achieved by means of multiple sources of evidence (Burgess, 1984; Jorgensen, 1989; Marshall & Rossman, 1990; and Patton, 1990). Printed and online sources were taken from Malaysian two largest English newspapers namely The Star and New Straits Times; company websites available from Firm A, B, and C, government agencies, Malaysian business magazine and other websites as shown in Table 3.2**.**

In this case study, it established a chain of evidence which took place over an extended period of time begin in year 2004 to 2012. Many senior managers and entrepreneurs such as founder, CEO, managing director, financial controller, Vice President of South Indian master franchisee, and Malaysian Trade Commissioner were interviewed by these sources. These interviewees are different from the people interviewed by the researcher, namely Chief Financial Officer, Financial Director and General Manager. Although the interviews done by researcher were an essential source of evidence of this case study, the other primary research sources adopting interviews were compared with these sources in order to established construct validity.

In addition, this case study possesses systematic process of interview such as structured interview process and structured process of recording, transcribing and interpreting the data which reduce the subjective nature of case study method (Dick 1990; Lincoln & Guba, 1985).

Confirmability is the ability of researcher to satisfy the readers that the case study is conducted in the way it is described (Lincoln & Guba, 1985; Miles & Huberman, 1994; Riege & Nair, 1996). This case study demonstrates confirmability by developing record of data collected in digital recorder, interview transcripts, and secondary sources. It allows the reader to trace the logical progression of reasoning from the evidence presented to the conclusion drawn. It also provides opportunities of key interviewees to review the reports and findings of the case study (Miles & Huberman, 1994; Yin 2009).

In the case of external validity, replication logic for each case had been done in order to generalize the findings (Emory & Copper, 1991; Lincoln & Guba, 1985; Miles & Huberman, 1994; Yin 2009). The theory developed in the case study of Firm A was tested in order to replicate the findings of Firm B and C. Multiple case studies were used to develop analytical generalization through replication logic and corroboration of findings to achieve external validity (Eisenhardt, 1989; Parkhe, 1993; Yin, 2009). The theory developed demonstrated the same results found among Firm A, B, and C. This replication of findings generalizes into a broader theory (Perry *et al*, 1997; Yin, 2009). This study has also achieved external validity though extensive descriptions of data, cross-case analysis, interview protocol, and the use of procedures for coding and analysis (Lincoln & Guba, 1985; Miles & Huberman, 1994).

In order to have high reliability, the case study protocol developed by Yin (2009) was referred. The study had cited specific printed and online sources as well as primary sources from personal interviews and questionnaire survey. The database for both sources had also revealed the actual evidence by stating the time, date, and place for each interview. In addition, it was also consistent with the procedure to call, followed by sending email, then making appointment for the interview. This protocol is important because the interviewees were informed beforehand about the confidentiality of the data collected and preparation of interviewees regarding the questions that would be asked. By doing so, the interviewees would review the questions first before agree to be interviewed and provide materials for the interviews such as informative brochures and firm documents. The establishment of the case study protocol during data collection, the execution of an interview protocol, and the establishment of a case study database indicate the reliability of this research (Eisenhardt, 1989; Merriam, 1988; Parkhe, 1993).

The case study database was also developed in order to be more reliable. The process of coding involve the usage of “text highlight color” available in Microsoft Word. The sentences with similar concept were highlighted. For example, the sentences with similar concept for “franchise system”, yellow highlight was used. All the interview transcripts and printed and online data were highlighted according to the color of their concept. This process of coding takes place until all concepts become saturated and no new codes are emerged (Creswell, 2009).

CHAPTER 4: CASE STUDY

This chapter describes case description organized along with themes identified from within case analysis of internationalization process. The interview provides the themes in individual case studies. This analysis subsequently will be extended to cross-case analysis in research findings.

4.1 Case Study 1: Firm A

4.1.1 Theme 1: Background

In 1981, Firm A began at a small shop lot in Jalan Wong Ah Fook as a husband-and-wife business partnership in Johor Bahru, Malaysia. Since then, the husband has been President and Chief Executive Officer (CEO) while the wife has been Managing Director (MD) of Firm A. At the beginning, it was difficult to win customers and convince landlord to rent their promises to Firm A. Even shopping mall simply did not see Firm A as a crowd puller.

They started with capital of RM120,000 from their own pocket money and also borrow from friends and relatives. The wife had to use her hard earning money from working as tuition teacher and nurse. She started this business at the age of 25 together with her husband who was then 32 years old. At that time, bankers were reluctant to lend money because the fast food business was not popular and directly competing with international fast food brands (Zazali, 2012, Mar 29).

Firm A is a company incorporated in Malaysia on 20 November 1981 under the Companies Act, 1965. Its mission statement and vision are as follow:

Mission Statement:

(1) Excellence in customer service.

(2) High standards in personnel growth and development through consistent training, excellent through high Quality, Service, Cleanliness, and Value.

(3) Increased sales and profits.

Vision:

(1) Customer: Deliver the best overall dining experience of service, food and ambience.

(2) Franchisees: Comprehensive support, operations and training, continuous Research and Development, as well as effective Advertising and Promotion programs.

(3) Staff: Personal growth, career development and achievements.

(4) Nation: Creating more young entrepreneurs and improving the standards of living.

When Firm A started its operation, there were only two foreign foodservice firms, KFC and A&W in Malaysia, while McDonald's joined in the later year. This truly Malaysian brand is a quick-service restaurant that combines American-style fast food with traditional Malaysian flavors. Interestingly, Firm A was among the first fast food outlets in Malaysia to introduce local fare in the 1980s. In fact, Firm A is the first western-style fast food chain to introduce rice in 1995.

Thus, by offering Malaysian inspired menu, Firm A has been able to compete with American fast food giants such as KFC, McDonald's, Burger King, and A&W in Malaysian foodservice industry. Firm A labels itself as family restaurant and "Variety, Quality, and Value" become the characteristics that form the very foundation of an exceptional business opportunity. Its slogan is "Good Choice Good Taste". It has a bright, fresh and contemporary look that complements the lifestyle of today's consumer. Its modern restaurants have an up-to-date, comfortable image both interior and exterior that is visually attractive to the entire family and creates strong continuity from location to location.

Its annual turnover is more than RM1.8 billion, while annual growth is between 10% and 15%. Firm A has over 200 outlets with more than 90 outlets in Malaysia in which 10 outlets are wholly owned. With strong continual growth, Firm A is expanding internationally to ensure that it becomes the worldwide brand.

Besides the existing 15 international market, Firm A has also been negotiating with several parties interested in becoming master franchisees in Afghanistan, Australia, Cambodia, Laos, Myanmar, Russia, South Africa, Thailand, Syria, and Vietnam. In 2012, its franchised outlets are expected to open in Maldives, Kenya, Morocco, Senegal, Jordan, Turkey, Egypt, and Oman.

4.1.2 Theme 2: Brand Name

Unbelievably, Firm A needs just more than a European-sounding name to be perceived as an English fast food icon. The brand name of Firm A seems to be an English lady name which suggests a homey, family-oriented, and a house-hold name. The symbolic of brand name was explained by its General Manager:

> Even though it sounds like an English lady name, it's just a brand name, representing quality fast food chain. It just popped up when our founder wanted to start a fast food business. It's a simple pronounced brand name with international appeal. It has no meaning but easy to remember. Other brands in fashion and cosmetics for example, are difficult to pronounce. We also have mascot for local and international market. Our mascot is Chipmunk.

In the attempt to use a suitable brand name, the important criteria for a firm in foodservice industry offering western food must be carefully thought. This is especially coupled with the intention of a firm to expand overseas in future. The brand name must be international appeal using English name and not Malaysian name. In addition, Firm A must have mascot that is internationally recognized and does not only popular among its domestic market. Like McDonald's, its mascot is Ronald MacDonald, the Jolly Crown. It is the most popular children feature after Mickey Mouse (Walker, 2010). For Firm A, chipmunk is its international mascot. It wanted the outlets everywhere to be portrayed as funny and friendly place for family. This in turn, would create excitement among customers in international market. The General Manager highlighted the importance of adopting western brand name in order to penetrate overseas markets.

> …The payoff won't be just in terms of profit, it's a brand image. We use English-sound name as our brand like other well-known fast food restaurants: KFC, McDonald's, [and] Pizza Hut. Many people think we're American brand. We believe in our brand image. TV ads and rebranding can't deliver operation; they don't guarantee 100% success. Even various local (Malaysian) restaurants also use English name like Radix [Fried Chicken], Secret Recipe [Cakes and Café], Oldtown [White Coffee], etc.

Not only the popular international foodservice brands were using American-sound brand name, but also local brands were adopting it. Therefore, the use of an English brand name of the approach adopted by Firm A is to increase brand image (Zazali, 2012, Mar 29). He also found foreign foodservice firms in Malaysia shared certain similarities with his firm and at the same time were mutually competing.

> Our direct competitors are KFC, McDonald's, Pizza Hut, Burger King, and A&W. Interestingly we also have 3 syllables like these 5 brands: K-F-C, Mc-Do-nald's, Piz-za-Hut, Bur-ger-King, and A-&-W. We're 4th biggest chain in Malaysia in terms of number of outlets. KFC is no. 1, McDonald's is no. 2, and Pizza Hut is no. 3. We cover about 10% of market share in terms of number of outlets. In fact, all foodservice firms in Malaysia are competing with us even Radix Fried Chicken (local fast food restaurant selling organic fried chicken) and mamak stalls (Indian Muslim stalls) are also our competitors.

There was a stiff competition in local foodservice industry not only among local firms, but also foreign firms. KFC and McDonald's had created the brand with stable, good and quality image. Three-syllable pronounced brand name was expected to portray international image of foodservice firms like its foreign competitors. This strategy is important in order to develop Firm A as global brand. Therefore, the General Manager stressed that adopting American-sound brand name can be an advantage for Firm A to be perceived as international brand:

> Our brand name is always perceived to be international brand because we use European sound name. In fact, many customers thought we're American brand. People may not loyal to the product based on the country of origin but loyal to the brand. That's why customers always choose that particular brand even though they go to different countries. We've also penetrated to 12 countries [in 2009]. We also offer international foods like fried chicken and burger. We will not solely depend on the name of Malaysia, but our own world recognized brand.

Firm A was not using the name that sound similar to its competitors, instead it was very concern over the similarity with other international renowned foodservice firms in terms of criteria for its brand name such as European-sound name, three-syllable pronunciation, easy to pronounce and remember, and internationally appealed (Zazali, 2009, January 17). Hence, the well-known international foodservice players had been the role models for Firm A in creating brand awareness in its intention to penetrate foreign markets.

4.1.3 Theme 3: Foodservice Concept

Since the brand name of Firm A is perceived as western brand, its foodservice concept must be harmonized with its brand name. In the struggle to be appealed as international brand, Firm A strategized to offer international food as in its General Manager's statement:

> We offer fried chicken, burger, French fries, bread, fish and chip as international food. Over 70% of the menu items offered in our outlets is western food. At the time we offered fried chicken [in 1981], A&W and KFC were already household names in Malaysia. Both American brands have been offering the menu like what we're offering but they've been there for more than ten years before us. Many don't believe that we can be successful in fast food industry. We make it by matching international brand with international food. If we use eastern brand name and offering mostly eastern food instead, we may face difficulty in expanding overseas. It's because we're competing with international brands which mostly are strong western brands. International food like pizza, fried chicken, and burger are accepted worldwide. So, if we offer only eastern food, we may not be successful in overseas. Even though we offer mostly western food, we still offer certain local food. For example, nasi lemak (coconut-cream rice), which is the unique and traditional Malaysian food offered in our modern style of outlets. This is also a popular menu item in Singapore, Indonesia, Brunei, even Dubai and India. Less than 30% of which is eastern food even our outlets are set up in eastern countries.

Foreign brands found in Malaysian foodservice industry were mostly western brands. For Firm A, being western brand meant being international brand. However, since A&W set up its outlets earlier in 1967 and KFC in 1973, Firm A struggled to differentiate its product when it started later in 1981. Both American fast food restaurants were popular with burger and fried chicken. To be more competitive, Firm A had to offer local foods to Malaysians. It also realized that Malaysians were almost impossible to have three meals of fried chicken, burgers and French fries daily, therefore it offered locally inspired dishes such as chicken rice, nasi lemak (coconut-cream rice), chicken porridge, satay (skewed checken or beef), and acar (pickled vegetables) which were found alongside the ubiquitous chicken burger, fried chicken and mashed potatoes to satisfy domestic market needs. By learning what was experienced in Malaysia, Firm A quickly learnt that it was also capable to offer Malaysian foods in international market. Nowadays, this array of Malaysian food is also popular in the overseas markets which makes Firm A more competitive and differentiates its brand from other international competitors.

With its western brand name and western food concept, Firm A seems to be western icon instead of just simply Malaysian brand. It was the nature of its fast food that had been perceived by many international customers as KFC clone from Malaysia. It adopts western brand name and specialization of western food concept in order to facilitate the acceptance in international market. In China, the outlets offer lively atmosphere, complete with a juke box and pool table, and the food is surprisingly good. The western concept is more competitive in the international market.

In Malaysia, since there are many American foodservice firms which have been well established in the international market, the entry of Firm A seems to gradually erode the dominance of well-known international brands such as A&W, KFC and McDonald's. This is evidenced by Firm A in UAE (United Arab Emirates) where it has successfully converted all three outlets of international fast food giant, A&W, to its outlets with its strong brand image.

The advent of a sheer number of foreign foodservice firms in Malaysia has given advantage to Firm A. The General Manager explained how this phenomenon provided advantage for Firm A to learn from the foreign foodservice firms through their operation system in Malaysia:

> …they (foreign foodservice firms) have S.O.P. (Standard Operating Procedure); we also use stringent S.O.P. We've standard manual in preparing sauce. It doesn't stay if it's not documented. That's why we write our manual as it's also used by our international franchisees. They (foreign foodservice firms, especially McDonald's) use the principle of QSVC (Quality, Service, Value, and Cleanliness). We also depend on the same principle to help us to build team, care for customer service, training and development. With these, our operation is consistent. At the end, we got reward, which is our profit. In fact nobody owns QSVC, even McDonald's…However, we don't use mystery shoppers like KFC, McDonald's, and Pizza Hut…The principle of CHAMPS (Cleanliness, Hospitality, Accuracy, Maintenance, Product, and Service) is used by KFC and Pizza Hut. For us, this evaluation is done for external part of restaurant. We prefer to look into internal part of the restaurant. That's why I myself as General Manager will check the

> outlets. It's similar as though I'm mystery shopper…Even though Rasamas (Malaysian restaurant) used CHAMPS, but it's not successful. We've research and development department to monitor the quality control. For example, our nasi lemak (coconut-cream rice) becomes popular in the international market because of the food quality offered to our customers.

Foreign foodservice firms in Malaysia had influenced its operations. They had systematized processes in their operation. Standard Operating Procedure (SOP) detailed the key operation or procedures of their business. This operation manual explained an operation in sufficient detail that an employee could follow it unaided and gained the right result. Franchises are successful for a very simple reason. Each one has identified a set of customer winning practices and developed operational methods for consistently replicating them.

Firm A leant from foreign foodservice firm in terms of quality control by adopting SOP and QSVC. Its manager would ensure that the standard required was strictly complied instead of using the service of mystery shopping in which high management cost may incur. In addition, it had strong research and development capability. It was always innovative in food production in order to compete with renowned fast food restaurants.

Ironically, some of its foodservice concept ideas had been replicated by the foreign foodservice firms as claimed by its General Manager:

> KFC in the past didn't have variety menu items to offer. We started to offer many local (Malaysian) menu items like chicken rice, nasi lemak (coconut-cream rice), sambal (hot and spicy sauce), curry, and dhal. KFC copied from us by extending its menu items with these local foods. KFC started to offer rice only recently in 2008. Even McDonald' offered porridge which we'd started first.

In this case, it was found that mutual learning took place when there were international firms available in home country. Not only the local foodservice firm as in the case of Firm A learnt from foreign foodservice firms in the home country, but also foreign foodservice firms like KFC and McDonald's took advantage to learn in the host country. Therefore, mutual learning not only takes place between franchisees and franchisors, but also between two different firms in the same country.

4.1.4 Theme 4: Government Supports

Malaysian government through its agencies, MATRADE (Malaysia External Trade Development Corporation) and MFA (Malaysian Franchise Association), and MITI (Ministry of International Trade and Industry) has always encouraged local firms to go abroad by participating in international exhibitions. MFA for example, plays the role of promoting Malaysian franchise firms in international market. As a result of government to government (G2G) relations, Malaysian government organizes the trading trips to the countries friendlier to Malaysia. Since Malaysia diplomatically has very close relationship with neighboring Asian countries and Muslim countries especially Middle East region, most of these trips are targeting those countries.

Its General Manager's statement below shows Firm A's success story depends on government support.

> Our government is business friendly. They are business minded; they want investment which gives more job opportunity. That's why foreign investors are allowed to do franchise business in Malaysia. I've chance to visit certain countries, no government is as supportive as Malaysian government in franchise industry. We join government trade mission. We don't only deal with the overseas potential franchisees; we also visit many other fast food outlets. We want to observe the pricing, food portions, and how they localize their menu.

For Firm A, only Malaysian government was supportive to assist local foodservice firms which adopted franchise system to expand overseas. With this business trip, Firm A was not only looking for new partners, but also experiencing the operation of competitors in the host countries. Its objective is to be a global foodservice franchisor;

and this is parallel with Malaysia government vision. The General Manager further described how government assistance led to international expansion:

> We depend on government's invitation to promote our brand overseas, especially Malaysian Franchise Association (MFA), MATRADE (Malaysia External Trade Development Corporation), and Franchise Development Division under the Ministry of Domestic Trade, Cooperatives, and Consumerism. For example, under the Ministry [of Domestic Trade, Cooperatives, and Consumerism], we participate in the exhibition for Franchise International Malaysia 2008 and China Franchise Expo in Beijing. We also went with Dato' Seri (now Tan Sri) Rafidah Aziz, the former Minister of International Trade and Industry (MITI) who led 80 representatives to Middle East in 2007. We managed to open outlets in UAE and Saudi Arabia, the minister even witnessed the opening of our new outlet in Manama, Bahrain. We're successful in India, and China. This year (2009) we signed franchise agreement during the trade mission in Batam, Indonesia, Maldives, and Azerbaijan. These franchised outlets are expected to open within this year. We're also going for Malaysia Services Exhibition in Dubai this year…With overseas expansion; income is flowing in for Malaysia. The ministry also asked us to present in the seminar to new entrepreneurs who are interested to be our franchisees…MATRADE subsidized exhibition booth and our lodging. We appreciate the support provided and proud to be Malaysian brand…We are proud to be a local franchise brand name and we are thankful to MATRADE for helping us in expanding our outlets abroad over the years.

The appreciation of the role of Malaysian government was revealed in this interview. It was found that MFA, MATRADE, and MITI were very active in organizing the trade and investment missions. These government agencies were targeting the countries which were friendly to Malaysia such as China, India, and Middle East due to G2G relations. With these trade missions, it was very effective for Firm A to promote its brand and successful signed franchise agreements with its partners from UAE, Saudi Arabia, Azerbaijan, etc. In this case, it recognizes that the franchise system is accepted as a tool to deal with international partners.

In the response to the government supports, Firm A involved itself in the government franchise scheme in helping the locals to be active in entrepreneurship. He listed a few important franchise schemes:

> To enable our participation in government trade missions, we support government through its franchise schemes. We liaise with 4 government-linked companies (GLCs) in franchising scheme, but each franchisee has to obtain their own financing. First, through PUNB (Perbadanan Usahawan Nasional Berhad), it offers PROSPER scheme. This scheme is for graduates who're interested in entrepreneurship by channeling financial assistance to them. Second is PNS (Perbadanan Nasional Berhad). It offers financing scheme for franchisees. Third is through CGC (Credit Guarantee Corporation) which offers Direct Access Guarantee Scheme (DAGS). This is specifically for SMEs (Small- and Medium-Enterprises) like us. Lastly through CIMB (Malaysian second largest finance provider) which offers franchise financing scheme. Those are the franchise loans that government agencies offered to the franchisees.

These franchise schemes had been the stepping stone for Firm A to be active in government trade missions. Government would give priority to the firm that was supportive in its franchise scheme. This involvement had facilitated Firm A to join any business trips organized by government agencies.

4.1.5 Theme 5: Franchise System

Malaysian government always supports franchise businesses. Franchising has becomes the main entry mode to expand internationally. For Firm A, it franchises in all foreign markets that it penetrates (The Star, 2009, November 4). Although initially it was very difficult to convince the foreign franchisees to partner with Firm A, but now it had signed franchise agreements in 15 different countries. With this development, it had become the rival to the international foodservice firms especially American-based fast food chains such as A&W, KFC, Pizza Hut, and McDonald's. The General Manager revealed how he convinced overseas partners to accept his franchise deal:

> As the largest local (Malaysia) restaurant chain, we won numerous awards from our government such as the 'First Local Fast Food Franchise' which was recognized by the Malaysia Book of Records, the 'International Homegrown Franchise' for six year running since 1998 and the 'Malaysian Franchisor of the Year' award. These achievements are used to convince overseas partners to consider our franchise.

As the largest local fast food chain, unsurprisingly, Firm A won numerous awards such as the ‘First Local Fast Food Franchise’ in the Malaysia Book of Records in 1998, the ‘International Homegrown Franchise’ for six year running since 1998 and the ‘Malaysian Franchisor of the Year’ award in 2002 and 2003. Other additional awards are shown in Appendix F. A total of 18 awards won by Firm A were able to convince its foreign investors to sign franchising agreement. The foreign partners believed that the success of the franchisor could definitely contribute to their success as well. These achievements had shown the capability of Firm A to grow in Malaysian market, and now it tapped international market by bringing along its good track record to other foreign countries.

In expanding overseas, he acknowledged the benefit of creating brand image in international market. He described Firm A’s franchisees in international market:

> We’re using franchising method in going abroad because it’s less risk on the HQ (headquarters). Most of our outlets are owned by franchisees. We’ve about 10% of the outlets wholly-owned by us where all of them are located in Malaysia. There is one in Genting and seven in Johor. We appointed one master franchisee in Middle East, Al Abbas Group; one master franchisee in Southern India, MGM Entertainment Pvt. Ltd. The rest are small franchisees. In China, we appoint many master franchisees because of the size of the country and its population. The master franchisees have to pay upfront fees for 8 to 10 years and can be up to 15 years depend on the country…In Malaysia, the franchisee has to pay RM 80,000 upfront fees for 8 years…We’ll help franchisees in terms of advice and promotion. The franchisees will handle the photography and printing of leaflets and pamphlets, and also advertise in TV and radio.

Firm A established a kind of joint venture with host country’s firm known as “master franchising” in its international expansion. It worked best for controlling subsidiaries in order to overcome the geographical distance of the firm from its foreign franchisees and the enormous number of franchisees. Signing the franchising deal was not only to increase the income through franchise fee and exportation of main raw ingredients, but also to advice franchisees on outlet sites, employing labor, sourcing, designing menu items, and studying the competitors in the host country. By adopting franchise system, Firm A earned foreign exchange through franchising fee payable in US Dollar. It also reduced the risk of expanding internationally since the franchisees possessed local knowledge and were fully responsible for the profit.

Given the relative small size and stagnation of domestic foodservice market, the need to grow rapidly had been the main reason for Firm A to venture internationally as stated by its General Manager:

> The overseas expansion gives us the opportunity to grow. In China, it's because of the mass population. It increases income through franchise fee. We get the fee in USD. We export certain ingredients like our standardized flour. We also want to make our brand name more well-known. Lastly, it can increase the "share of stomach" among our franchisees.

In this interview, it was found that Firm A earned additional income through international expansion by receiving franchise fee and exporting its standardized ingredients to host countries. China had been targeted as the main destination for its rigorous foreign market expansion. The term "Share of stomach" refers to the total food an average person consumes in a day and what percentage of it can be filled with food of Firm A. He further broke down on the income earned from overseas expansion:

> …100% of equity will be owned by foreign franchisees. We'll get royalty of 4% on their gross sales. The highest revenue is from Middle East with 50% of our total foreign sales. This is because they've high income per capita and high purchasing power.

The right foreign partners would ensure that they were financially capable in order to provide income to Firm A. Therefore, there were many important and stringent criteria of overseas partners in the selection process as he further elaborated:

> Before expanding overseas, we use more stringent selection criteria, that is, they (foreign partners) must have experience in doing business. We also choose the

> country with low labor cost, good infrastructure, and free or flexible tax facilities. We're looking into cost advantage country. For example, staff cost and other raw materials are low. The overseas partners must have an average master franchisee fee of USD 100,000 with additional USD 10,000 for every outlet. Another investment of USD 250,000 per outlet is needed for the operations. It's different from country to country. For example, in Dubai, the rental fees are very high, so the investment cost is also high…Our foreign partners must also responsible for their own logistics cost and taxes. They will advise us about the culture of the country and their taste and preference included government regulation. They know the authority…They must be able to build the brand in their country. They must be initiative, creative, endurable, and enthusiastic to do the business. Like Bangladesh, we've problem to find local sources and difficult to import and export to their country. But, in Tanzania we can easily export to their country.

Basically, Firm A looked for the international franchisees that had strong financial background. The franchisees must also have well-established networks to expand its brand in the host country. The local knowledge such as local government policy and legal issues as well as local sourcing was important for its overseas operations. Since Tanzania was one of the African countries that still remained an untapped market for Malaysian entrepreneurs, Firm A took this advantage to penetrate this country. Firm A was interested with Tanzania as a result of the facilitation provided by its government to allow Firm A exporting its food ingredients in order to standardize its products. With franchising being a proven business model, Firm A managed to build market opportunities in Tanzania. The process of expanding business overseas for Firm A is revealed in Figure 4.1.

In its internationalization process, Firm A began with formulation of its foodservice concept first. With the government support in business trips, it was ready to venture overseas. After appropriate foreign partners were found, the agreement would be signed. After that Firm A would provide assistance such as location review, site measurement, advertising preparation, product preparation and menu costing, store renovation, and training before the foreign outlets were opened.

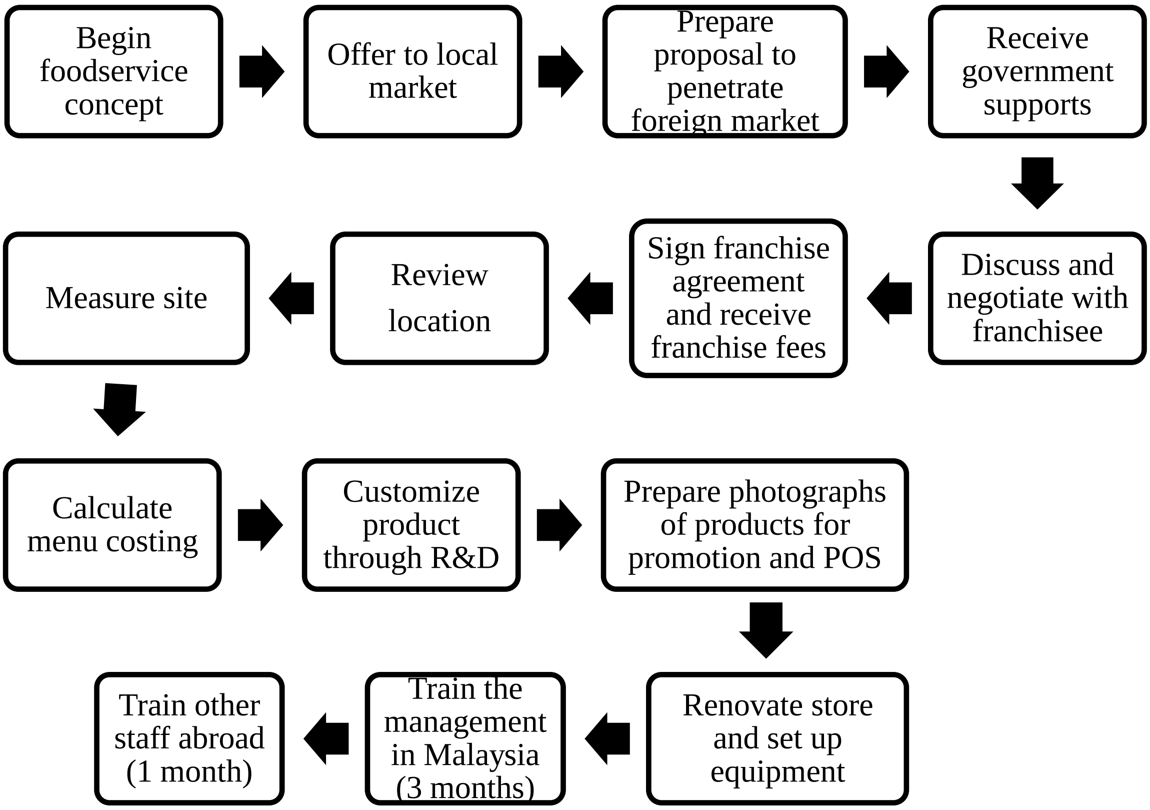

Figure 4.1: The Internationalization Process of Firm A
Source: Interview with the General Manager on 2009, March 2

Firm A was very careful in selecting its potential market. If there were problems related to local sourcing and restriction to import and export like in Bangladesh, it would hinder Firm A from investing in that market. However, for the case of Firm A's failure in overseas operations, it was not just simply because of the restriction imposed by host government. According to its General Manager, some of its franchisees failed in the foreign markets because of financial problems:

> Some outlets have to be closed because they lost brand awareness. We only close those particular outlets but not closed in that country. About 10 to 20% of our outlets are closed because of poor sales, competition, and poor cash management on the franchisees.

Besides the stringent selection process of international partners, there was homework for Firm A to do:

> We appointed business branding consultant company to help us in expanding overseas…Government will organize trade mission only, we've to look for this

> company to do research for us…It depends on their works like market and legal survey; we pay on our own about USD 3,000 to 5,000 per assignment. For legal survey, we appoint our own lawyer to deal with the legislative matters especially on whether the profit can be transferred or not and the percentage of tax applied, etc.

Survey was conducted by branding consultant company in the host country to determine the business feasibility. However, after successfully penetrated international market, this branding company service was still needed for product and pricing strategy. Certain preparations needed to be done after negotiating the franchise agreement which required the involvement of branding company. The following were comments given by the General Manager:

> After expanding overseas, we strive to train and educate our franchisees to seriously do the business as their own business. We need them because they're experience and long enough in the business, they've run franchise business before…We also use pricing strategy in competing with various local foodservice firms in the host countries, such as restaurant and also food stalls. Price survey and research on the competitors' food product are done on regular basis. Since our menu and product can be easily duplicated, we've to get the assistance of branding company as well.

In terms of menu pricing, Firm A's price is very low compared to other international giants such as McDonald's and KFC, thus the entry to the countries which had lower per capita income is not the main problem. Since the selected countries had mass population such as India, China, and Middle East, it guaranteed growth opportunity.

Based on the countries that Firm A had penetrated, it began expanding to the countries with short psychic distance. According to its General Manager:

> Yes, at first we expanded to Southeast Asian country like Singapore, Brunei, and Indonesia which are closed to us and have also same culture. After that, we found China is a large market to tap; we set up there by appointing Malaysian General Manager to manage the outlet there. Our Managing Director is there also to handle China market. We also expand to Southern India and Sri Lanka where they're huge markets for low cost fast food. We're very successful in Muslim countries especially Middle East, which has similar religion with us. Since we're Malaysian brand and Malaysia is Muslim country, these two factors are our strength to sell our

> product in Middle East. We strategize to enhance our professionalism to be internationally recognized in their area of business. Our government also chooses the countries that are friendly to Malaysia, for example the members of OIC (Organization of the Islamic Conference).

So far, the outlets were set up in developing countries only. It focused on the Asian continent, started with ASEAN (Association of Southeast Asian Nation) region, followed by China, India, and the Middle East. ASEAN region is seen as neighboring market where they have very close psychic distance with more similarity in culture especially in terms of food. China and India are huge markets for Firm A while Middle East offers lucrative market basically for its *halal* food.

Franchise system is the entry mode that accelerates the expansion of Firm A. However, according to the General Manager, the effort of the entrepreneur contributed to the speed of Firm A's overseas expansion through franchise system as he explained:

> Over 80% is entrepreneur effort that contributes to the speed of internationalization process. The top managements have vast experience in this area of foreign business after 30 years in foodservice business. Our CEO and MD often visit foreign restaurants in their personal overseas trips which are not part of government trade missions. They want to experience the operation offered by foreigners. They encountered so many difficulties when they started foodservice business because lack of experience and knowledge. Through 30 years of operation and continuous research, they've mastered food production and franchise system. I myself was among the pioneer in KFC. I've over 20 years experience with KFC before joining this firm in 2006. With this experience and exposure in the field, we make our effort to expand overseas.

The founder has to go through expensive learning curve to acknowledge the effectiveness of franchise system to expand internationally (Business Times, 2007, December 12). Therefore, the knowledge and experience of Firm A of entrepreneur are highly contributed to the acceleration of internationalization process. In franchise system, as long as foreign partners have strong financial background and networks in addition to local market knowledge, the international expansion poses no problem.

Other entry mode such as wholly-own may require more experience and market knowledge to venture overseas. Clearly, franchising is the factor that facilitates internationalization process of Firm A.

4.1.6 Theme 6: International Expansion to India

MGM Entertainment Pvt. Ltd. is the master franchisee of Firm A for Southern region of India. The first outlet was opened in Chennai at Anna Nagar in 1999. In year 2004, it had 12 outlets in India. Since then, it expanded to 32 outlets in 2011: 20 in Chennai, 2 each in Bangaluru Chennai, Cochin, and Trichy; while one each in Chindambaram, Coimbatore, Salem, Erode, Madurai, Podicherry, and Trivadrum.

As a franchisor, Firm A provides training, marketing, and raw material supports to the franchisees and also helps maintaining quality and ambience in the fast food outlets. Of its 16 outlets, the master franchisee owns 10 and the rest are sub-franchised.

In India, the size of it outlets is approximately 2000 to 3000 square feet. It serves between 100 and 150 people. Total investment is approximately 5,000,000 to 7,500,000 Rupees (between USD 100,000 to 140,000) based on the factors such as physical size and current condition of the premises and the area selected.

Firm A is very successful in Chennai. Chennai is formerly known as Madras, which is a fast growing city with improved infrastructure. This has encouraged many people from all over India to choose Chennai as a place to live. Firm A sets up its subsidiaries there owing to its status of international city. Furthermore, this is one of the largest metropolitans and ranks fourth most populous metropolitan area in India. It is also India’s second largest center for information technology and a major chunk of automobile manufacturing industry is based here. Chennai hosts a large cultural event annually and it is the second largest movie industry in India next to Mumbai. As a result, it offers one stop entertainment arena for the people of Chennai. Since it has become shopping and entertainment destination in Southern India, Firm A is enjoying profitable franchise business in this city.

In southern India, the infrastructure and entertainment available are crowd puller for Firm A in addition to the preference of local people in fried chicken. Foods offered to the local people had been adapted to suit the local taste. Many studies have been done among food connoisseurs to suit local preference. Though there are many fast food joints today with universal appeal, Firm A is attracted to the locals because its food has been prepared according to the Indian palate. As most of the population is Hindu, beef is not offered as the Hindus believe that the cow is sacred.

Although chicken is a universal food, Firm A offers vegetarian food which is popular among Hindus. The outlets also provide facilities and separate kid food to cater its family segment (The Hindu Business Line, 2007, June 21). With the appropriate location and localization strategy, Firm A has shown the drastic expansion in Indian market and has a vision to be the largest and finest food chain in India.

4.1.7 Theme 7: International Expansion to Middle East

In Middle East, Firm A set up the first Malaysian fast-food outlet in Dubai, United Arab Emirates (UAE), in January 2001. After more than 10 years, Firm A has set up 25 outlets with the best sales are from Dubai. Among 20 international brands at the food court of Jebel Ali FTZ, Firm A registers the highest sales (Hamisah, 2007, November 15). This shows its significant achievement in Dubai. Firm A also set up its outlets at Dubai Airport, Sahara Mall, and Diera.

After Dubai Financial Crisis in 2009, Firm A has re-expanded its franchised outlets to Middle East by using Dubai as a platform. Rentals in Dubai have significantly dropped by about 30% because of increased supply in space but lower demand. Property prices, likewise, have decreased to 50%, which provide opportunities to obtain better location at lower rate. Dubai remains competitive in terms of tax-free incentive, free-market conditions, free zones, less restriction in opening franchised foodservice outlets, and strategic geographical location in Middle East (Zazali, 2009, February 3). With these factors, Firm A is convinced to increase its existing outlets after more than 10 years of operation in the Middle East.

Firm A's expansion in the Middle East is administered by Food & Life General Trading L.L.C. Global Flavours, the member of Al Abbas Group. Besides UAE, this group which is a master franchisee for Firm A in Middle East region has further expanded its brand to the total of seven Middle East countries as illustrated in Table 4.1.

From Table 4.1, it shows that Middle East is the second largest market with the total of 51 outlets, next to its country of origin, Malaysia. Almost half of it, 25 outlets, are located in UAE, while other Middle East countries comprise 26 outlets with Qatar, Iran, Bahrain, Syria, and Saudi Arabia have five outlets respectively; Kuwait only has one outlet. The regional office is located in Dubai in order to support the Middle East market.

Table 4.1: International Market of Firm A for Year 2011

No.	Country	Number of outlets	Company Holding the Franchise Rights
1	Malaysia	90	"Firm A" Fried Chicken (Malaysia) Sdn. Bhd.
2	Singapore	01	Singapore Airlines Limited
3	Indonesia	01	N/A
4	Brunei	02	N/A
5	China	23	N/A
6	India	32	MGM Entertainment Pvt. Ltd.
7	Sri Lanka	03	N/A
8	UAE	25	Food & Life General Trading L.L.C. Global Flavours, member of Al Abbas Group
9	Saudi Arabia	05	Food & Life General Trading L.L.C. Global Flavours, member of Al Abbas Group
10	Iran	05	International Credit Care Fze, member of Al Abbas Group
11	Qatar	05	Food & Life General Trading L.L.C. Global Flavours, member of Al Abbas Group
12	Bahrain	05	Food & Life General Trading L.L.C. Global Flavours, member of Al Abbas Group
13	Syria	05	Food & Life General Trading L.L.C. Global Flavours, member of Al Abbas Group
14	Kuwait	01	AlGhunaim Trading Co.
15	Tanzania	01	N/A
16	Azerbaijan	01	ANS Group

Total Outlets = 205

Middle East Countries

Note: N/A = Data not available and/or considered as confidential
Source: Personal Interview with the General Manager on 2009, March 2
and company websites (2011)

Besides the investment cost is lower, Firm A always aims Middle East as its international expansion destination owing to its Arabic partners' familiarity with franchising business. The region has good infrastructure which allows rapid international business activities. More than half of its international revenue is gained from this region. The opportunities are that the population is about 300 million with many of them are high net-worth individuals. Franchise business sales in Middle East amounted to USD 10 billion with the yearly franchised growth rate is about 27%, where fast food and retail segments accounted for 60 per cent of total sales (Tan, 2010, August 19). In this case, Middle East market provides the best opportunities for the franchise business to grow.

Despite the uncertain global economy, Middle East is still a lucrative market as Firm A experiences better sales and higher profits. Rapid business expansion in the Middle East is also due to high income per capita and strong purchasing power. The oil-rich Gulf countries has gross domestic product per capita ranging from USD 7,000 (RM 23,660) to USD 29,000 (RM 98,020).

With this, Firm A's existing outlets in Middle East countries are very successful. Malaysia is a well-known country in Middle East (Franchise Business Opportunity, 2009, March 10). For Firm A, this is the advantage to deal with them. The partners selected in Middle East have high capability to develop its brand, multiple the outlets, and manage the chain. Since Firm A offers high service quality and *halal* concept, Middle East businessmen trust Malaysian brands (Zazali, 2012, March 28). They perceive Firm A as trustworthy and reliable. The partnership developed in the Middle East is known as "master franchisee". It is the best entry mode for foodservice firms.

Saudi Arabia remains the potential biggest market in Middle East because it is renowned for religious tourist attraction destination. Jeddah, Medina, and Mecca are three cities which are destinations that must be visited by Muslim when they are performing religious rites, umrah. During the haj month, as many as 2 million Muslims are visiting Mecca and Medina, while another 1 million are performing religious rites outside the haj month. Therefore, the franchised outlets in Middle East are growing aggressively.

4.1.8 Theme 8: *Halal* Commitment

Being a *halal* Malaysian brand helps Firm A to market its business and convince master franchisees in the Middle East to take up its franchise. In the interview with its General Manager, he indicated the importance of *halal* food:

> Being a Malaysian brand, it helps us to expand to Muslim countries. We're known as 'the largest *halal* brand' in Asia. They trust our *halal* concept and high quality of service. In Middle East, they're convinced to take up our franchise just because Malaysia represents Muslim country. They don't doubt on the food offered by Malaysian companies. Even in non-Muslim countries like India and Sri Lanka, we still put *'halal'* in our restaurant banner. They'll still accept our product as long as the quality is good. There is no prejudice of being *halal* in the non-Muslim countries that we've entered.

The advantage of Malaysia's global reputation of *halal* hub has given opportunity for Firm A to partner with franchisees in Muslim countries. Many untapped Muslim countries like Pakistan, Afghanistan, and Kazakhstan, and Turkmenistan are potential markets for Firm A. In addition to its international markets with 51 outlets in Middle East illustrated in Table 4.1, other ASEAN countries such as Indonesia, Brunei, and Malaysia itself are the large *halal* market that had been successfully tapped earlier. The penetration to so many Islamic countries has proven the success of *halal* strategy for Firm A.

Even in non-Muslim counties such as China, Singapore, Sri Lanka, and India, Firm A still offers strictly *halal* food. The General Manager described one of the approvals received from the country expanded:

> In Sri Lanka, we get "All Ceylon Jamiyyatul Ulama" certified, which is the *Halal* Certifying Body and recognized by Malaysian government. We don't obtain any *halal* certificate from other foreign countries [except Sri Lanka]. We just use Malaysian *'halal'* [in other Muslim countries]. This is already sufficient to show that we've fulfilled the *halal* criteria.

This statement shows that Malaysian *halal* is recognized by other fellow Muslim countries. The reason is laid on Malaysia itself is Islamic country.

4.1.9 Theme 9: Product Standardization and Adaptation

The signing of franchising agreement with the foreign partners requires Firm A to assist the outlets operation in the foreign markets. Firm A has always exerted tight control over the quality of the product and standardized the taste of fried chicken everywhere. In the interview, the General Manager describe in detail on the standardization of its menu:

> We standardize fried chicken to protect our core competency. We only export the very important ingredients such as pepper and herbs, and our branding flour. The mixture of herbs is done in Malaysia. We also mix our branding flour for battered chicken. The sauces have also been standardized according to the procedure that we've set. This is to ensure the standard of taste in order to maintain our quality and the secrecy of recipe will be well protected. Our secret recipe is kept by the trusted person to ensure that the menu and product can't be easily duplicated like our marinated gravy and the combination of herbs used. When we export, it takes up to 3 months through shipment to certain country. In Tanzania for example, it takes 45 days to reach. We must have proper chilled storage for this long journey. We can export frozen nuggets and fish fillets if the franchisees aren't able to source in their country.

The standardization strategy required Firm A to manufacture its core product in Malaysia before exporting to the host countries. In this case, the taste of fried chicken could be standardized using Malaysian made marinated ingredients and sauces (Franchiseek Malaysia, 2004, July). Therefore, Firm A had to manufacture the batter and herbs and spices in Malaysia to be used for marinating the chicken and fish as well as making sauce in Southeast Asia, China, India, Middle East, and Tanzania. Clearly, the exportation of batter and herbs and spices was not only to maintain its taste but also to control and protect its secret recipes while at the same time, standardize the products throughout the world.

In order to standardize its products, Firm A had to source in its home country. However, if other ingredients such as frozen nuggets and fish fillets were not available in the host countries, it had to export. In fact, the export strategy can ensure the standardization of its recipe throughout the world.

On the other hand, Firm A is quite flexible when it comes to introducing other menu items popular with the locals of the respective countries. The General Manager described how the adaptation of product was done in the host countries:

> I think 30% of the products are adapted to foreign markets because we alter food portion, taste, and presentation. We empower the master franchisee to adapt to local taste. We loosen the control over customized menu to better target foreign consumers. In fact, franchisees have full control over menu in their country except for standardized menu. They just need to inform what new items they want to offer, we'll assist them in terms of QA (Quality Assurance) and R&D (Research and Development). We're mutual learning to adapt to other countries. This can improve our experience curve.

Many foodservice players are offering products in the host countries which are tailored according to local taste and preference. Firm A needed to be also more adaptive in offering food by tailoring to local palate (Franchiseek Malaysia, 2004, July). This strategy seemed to be effective in gaining more market share from its competitors in the foreign countries as it showed concern to the host country's customers. Firm A had also learnt about the differences in various countries' food culture with its R&D. The local food had to undergo stringent quality control before offering to its customers.

Therefore, the outlets located in Middle East may have different offerings than one in China. He further explained the products that were adapted to foreign markets:

> Except for fried chicken, burger, fish and chips, fries, nugget, [and] bread, we adapt all products to foreign markets. In India for example, roti prata (fried flour-based pancake) is offered in our outlets. In Middle East outlets, we offer chicken kebab (pieces of meat roasted on a skew). In fact, chicken satay (Malaysian marinates, skewered, and grilled meat) is popular in UAE because it looks like kebab. We also serve loose rice in Arab countries rather than Malaysian sticky rice. In China, we offer noodles. In Southeast Asian region, we offer nasi lemak (coconut-cream rice).

> In fact, we've our own strong identity of food. Even our nasi lemak (coconut-cream rice) is popular in Tanzania and Dubai.

Firm A always thinks global but act local. The product in host country can be similar to home country if both countries possess similar characteristics. However, there will be certain adjustment in terms of the product characteristics to suit to local taste. In this case, Firm A has adapted local food such as roti prata in India, satay in Middle East, nasi lemak in Southeast Asia, Tanzania, and Dubai; while noodle in China.

Firm A also allowed the raw ingredients to be sourced locally in the host countries as elaborated by its General Manager:

> We locally source certain raw product in the host countries such as chickens, fishes, potatoes, vegetables, breads, rice, and other products like chili and tomato sauce. Mostly are the perishable products. This is to save cost in logistic and to ensure the efficiency of the supply. However, the franchisees have to bear the cost of inventory and food sourced locally. We outsource almost everything. That's why we don't have to wait until we're perfect to venture overseas. KFC and Pizza Hut may have their chicken slaughtering center and chili farms in Malaysia, but we don't need this. We've worked closely with our trusted suppliers. Even the countries that we venture, we found many Malaysian firms are there [to be our suppliers].

Firm A was very comfortable with local sourced raw product in order to localize its menu items. It was also very dependent on its reliable suppliers in order to be more cost effective in running the operation overseas. Therefore, Firm A needed not to own supply chain in the host countries. Furthermore, there were many other Malaysian firms available to be part of its supply chain.

In this interview, it also shows that Firm A is proactive franchisor, instead of waiting for the brand first to be popular in the domestic market, it quickly expand its business internationally to take advantage of image creation through its franchise system.

By the combination of standardization and adaptation of the product, the General Manager agreed that Firm A had offered better quality to its customers everywhere:

> Yes, standardizing can maintain the quality of the product in all of our international outlets. Localizing the product will let the franchisees to be more competitive in offering the product as they've to compete with their local competitors.

To certain extent, he disagreed with the over control exerted by his firm to the franchisees. Too much control over foreign franchisees could give wrong signal to them. In this case, they may be over reliant on headquarters and may not be learning and have the mindset that franchisor would always help them in operation.

In the interview with the General Manager, he admitted that Firm A had encountered many challenges because of their third world mindset among the host countries.

> Since we invested in third world countries, we've to change their third world mindset which has various working attitudes. In India, there are unproductive. Many staff are doing the same work at the same time. In Middle East, many of them are unknowledgeable. Fast food is something new for them. We need to expose them with fast food environment. In Tanzania, we found they're conservative. They don't like to makeup and wear uniform. We've to provide more training for them. However, they're very appreciative and perceive their job as very valuable. We provide training in English. We base the three-month on-the-job training in Genting (Malaysia) where our largest outlet is located. We also provide formal [off-the job] training at our headquarters, Johor Bahru (Malaysia). These centralized training venues are set up to better control quality worldwide. [However,] In China, the training is conducted in Mandarin language.

Since majority of the subsidiaries were located in the developing countries, Firm A had to provide more training for its franchisees to improve their capability to run its outlets. All the franchising trainings were conducted in Malaysia except in China where it had its own training center.

4.2 Case Study 2: Firm B

4.2.1 Theme 1: Background

Firm B was founded in 1997; the founder is now Chief Executive Officer (CEO) and Managing Director (MD). He started this café business with his three nephews who are bakers, in order to provide expertise in operating this business. Determined to be a trend-setter, he introduced the first alfresco café concept. This concept represents a casual dining, lifestyle café which offers great contemporary ambience and variety of quality food at affordable prices. Below are philosophy, principle, and corporate value of Firm B:

Philosophy: Consistent quality and high standards in every endeavor.

Principle: To give absolute satisfaction to all of its valued customers.

Corporate Value:

(1) Integrity & Truth: Transparency in declaring whatever actions taken or planned, be it written or verbal in all dealings.

(2) Honesty: Without malice and being truthful in managing all dealings and responsibilities assigned to.

(3) Sharing of ideas and Best Practices: Teamwork and carrying the best practices for the interest of the company, team members, shareholders and community.

(4) Proactiveness: Willingness to take the first step without being told or having the initiatives, leadership by example, going the extra mile. Walk and talk.

(5) Act Now and Don't Procrastinate: Time is the essence. Capitalizing of opportunities. Maximizing speed with clarity.

(6) Personal Discipline: Do what it takes to get it done in the most effective and efficient way.

(7) Credibility: The pursuit of personal excellence.

Firm B started its first café in SS2, Petaling Jaya, Malaysia with only two staff. After 15 years in foodservice industry, it has the total of 270 outlets worldwide including 66 outlets overseas and almost 4,000 employees. Firm B is the largest café chain in Malaysia with very high brand awareness among Malaysians. With all the outlets located in 8 Asian countries, namely Singapore, Thailand, Indonesia, the Philippines, China, Pakistan, and Brunei included Malaysia itself, it has been working towards the possibility of penetrating into the Western market. Australia is the latest international outlet and the first western market penetrated in 2010.

Its core product is cake, but several other foods and drinks such as pastries, local and western meals as well as gourmet coffee are offered. There are more than 20 types of fusion food, 40 distinctive cakes and pastries, together with a flavorful range of ice cream and beverages. Its target market is the youngsters and adults from medium and high income background who are affordable financially in patronizing its outlets.

As an international café chain, it must showcase a strong interior mix representation that can be accepted and adapted in any potential market. Firm B is identifiable by its blazing red signage and simple store design as well as pair strong European coffee and pastries. Natural colors are integrated with a splash of vibrancy, to suggest an up-tempo lifestyle of the brand. Firm B is conceptualized to the clean environment set up with comfortable seat arrangement, classy lightings, and relaxing atmosphere for its customers.

4.2.2 Theme 2: Brand Name and Foodservice Concept

The brand name, Firm B, is selected to reflect its well-guarded recipes for a wide selection of extensive and irresistible range of fine quality gourmet cakes, baked desserts and creative fusion food as well as distinctive service inspired by cultures around the globe. In the interview with its CFO, she described the important of branding in order to expand business overseas:

> I think branding is the most important. Knowing our brand can attract more foreign franchisees to join our business. We're the largest chain of café brand in Malaysia. We've penetrated into 8 countries – Singapore, Indonesia, Brunei, Thailand, the Philippines, Pakistan, China, and Australia. Now people travel very frequently. If we meet their requirement, they'll look for us in any countries.

She realized that the customers were experience in traveling overseas and dining in various restaurants. It was important for the firm to meet the taste and preference of international customers so that potential foreign entrepreneurs were attracted in its business partnership. She compared the brand name of Firm B with other renowned international fast food chains:

> Like McDonald's, it's a person's name; while KFC refers to a place in U.S., Kentucky. The name for "Subway" was founded by 18 years old boy who got advice by doctor family to sell sandwich…At first we're discussing among the co-founders about what name to be given to our café. The brand name was founded by our owner who dreamt about this name and wrote in a piece of paper. When he brought into the meeting, all the co-founder unanimously agreed with this name. It's a name that can be easily accepted as a name of food and can be used in any foreign market. Our product is cake. Even though it's considered as western food, it's universal food. The brand name and the product are easily associated to. It's not exaggerated. It represents food and portray fun and enjoyable.

She hinted that the brand name given was spontaneous, straightforward, and quickly associated to foodservice firm. Unlike other international brand name, its brand name depicted the secrecy of ingredients in making food. She also envisioned that this brand had the potential to be recognized globally. The brand name must be food related and western sounding name in order to be accepted internationally (Kam, 2009, March 21).

Overseas customers were impressed with Firm B as a result of its western brand name. The interview with its CFO uncovered the reason to use English name:

> We use English word for our brand which is easier to pronounce, easy to remember and associate with. For example the French brand, “Schwapp” was very difficult to pronounce. It had to use television advertisement to teach the customer to pronounce, [and] then finally it died off.

As English is international language especially in business, the brand name in English will also imply international brand. Brand name must be easily pronounced, possesses identification potential, and tied easily with the theme of the foodservice offered. She compared Firm B’s brand name with other brand names from other firms that had penetrated international market:

> Brand is associated with positioning, no matter from western or eastern [countries]. For example, Ferrari is associated with fast car; Mercedez is associated with luxury car; Rolex is associated with luxury watch…For the firms that penetrated to China’s market, its English brand name must be able to translate accurately to Chinese [language]. For example, when Carrefour (from France) goes to China, it’s translated into 家乐福 (“Jia Le Fu”) means ‘Happiness Family; Starbucks use 星巴克, (“Xin Ba Ke”), literately also means “Starbucks”. For [Firm B], we use “食之秘 (“Shi Zhi Mi”) in China, literately also means “Firm B”.

No matter what language is used, as long as the brand can position itself into its market, it will be recognized. In addition, the brand name of Firm B is associated with the product offered. Besides brand positioning, she recognized other aspects of Firm B that could be portray itself as global brand:

> …in terms of market penetration, we are global brand because we present in 8 countries. Whether it’s global or not, people must be able to access, know, and aware about us. Many people don’t know that this (Firm B) is Malaysian brand. In Singapore, when we won international franchise award, people thought it’s a Singaporean brand. In Malaysia, most people and staff who’ve just joined-in thought it’s an American brand because it’s English name and the ambience is different from other [Malaysian] restaurants. They don’t assume it’s a foreign brand but rather directly set in their mind that it’s a foreign brand. Some people thought they saw somewhere in Hong Kong or Taiwan, but we haven’t been there yet. This signifies our presence in the world globally.

She acknowledged the importance of using English name in order to take advantage of being recognized as international brand. In this case, being perceived as foreign brand can facilitate the international expansion. For comparison, she cited one of the local brand names which depicted itself as eastern foodservice firm:

> …If they are expanded to Asian countries, they should offer eastern food. The Chicken Rice Shop for example, it's very difficult to go overseas because it focuses on Malay market in Malaysia. This is because we cannot get good chicken rice in Malay stall. That's why many Malay will patronize this stall. Even though chicken is universal, chicken curry, chicken rendang [spicy Malay-styled chicken], and steamed chicken are only eaten by Asian people. Rice is also only eaten by Asian.

Therefore, eastern brand will not be easily accepted as international food. The brands which offer eastern food may confine their opportunity boundary to expand internationally. In order to venture overseas, ones must appear to be western brand. If they reveal themselves as eastern brand, they may limit their market to the short psychic distance country. Therefore, to date, The Chicken Rice Shop only manages to expand to Singapore, Malaysian neighboring country.

The concept of Firm B is appealed to wide demographics of any age, race, and gender. It offers universal product which is cake and the western-style café concept. This reveals a favorite place for afternoon tea, discussions, or casual meetings with friends, families or business associates. In addition, over 20 types of fusion menu items are offered to adapt to Asian market. In the interview with its CFO, she described the types of food offered in Firm B:

> We consider our food as fusion food. For overseas, it's about 70% of western food, 30% is Malaysian food. In Malaysia, it's 99% [western food] with exception of Nasi Goreng [Malaysian fried rice]. Even we offer Tom Yam Fried Rice [Thai fried rice], it's still not originated from Malaysia.

Since 70% of its food is western food, Firm B is recognized more as western brand. She further differentiated between western food and eastern food:

> Our food has taste which is as good as international taste that suits the palate of our customers. It also portrays high quality product. We've more than 60 types of cakes offered to our customers…I consider western food as international food. Fried chicken is international food. If it's sushi, it's Japanese food; if it's Tom Yam, it's Thai food, they are not international food. Local food is Malaysian food which we offer only in Malaysia, such as Nasi Goreng (Malaysian fried rice). However, char kueh tiau (Chinese-style fried flat rice noodle) is popular in Malaysia, but we don't offer in our outlets in Malaysia because it can be found everywhere and cheaper, we do offer in Australia as it's rarely available and we can sell in higher price.

Since western food is perceived as international food, the food offered will symbolize the brand. In addition to its English brand name, Firm B also offers western food. As both English name and western food are international language and international food respectively, they signify that Firm B is international foodservice firm. The western concept portrayed by Firm B facilitates its presence in international market.

4.2.3 Theme 3: Competitors

The entries of enormous number of foreign foodservice firms have stirred the competition in Malaysian foodservice scene. They are not only competing among the similar segments of foodservice, but also with local players in foodservice industry. In the interview with its CFO, she preferred to compete in café segment:

> We found there're too many fast food restaurants but lack of casual dining especially in Malaysia. Even though we produce cake, we don't want to be known as "cake shop". We want to be known as "café" in which we can offer various cakes as well as other fusion food.

Firm B wanted to avoid offering fast food concept as there were too many well-established international players in the market such as KFC, McDonald's, A&W, etc. It was able to differentiate itself from international competitors in terms of food and ambience offered to its customers (Top 10 Malaysia, 2011, May). In the interview with its CFO, she described the competition among foodservice firms in Malaysia:

> …If we talk about food, anybody can be our competitor. If we read newspaper today, there is an advertisement of Pizza Hut offering 50% discount for pizza, spaghetti, and drinks…All restaurants now try to offer breakfast, lunch, dinner, and tea break, included us. Subway also offers sandwiches for breakfast. Even 'kopitiams' (local coffee shops) also have half-boiled egg and toasted bread for breakfast. Foreign restaurants also offer breakfast, KFC offers coffee and nasi lemak (coconut-cream rice); McDonald's offers scrambled egg, sausages, waffle and hash brown with RM5. There are very innovative and trendy. We've to find niche for ourselves since there are many food competitors. In the past 5 years, Mong Kok Coffee Shop and Kim Gary were very popular, but now they're gradually disappeared. People nowadays prefer cozy ambience with Wi-Fi (Wireless Fidelity). They like to add thrill and fun into it.

Since many international fast food restaurants are offering breakfast in local scene, Firm B has to follow this trend. She cited certain foodservice firms such as Mong Kok Coffee Shop and Kim Gary which were not kept an eye on the current trend had lost their market. New generation of people like to have the concept of fun, casual, and excitement when they are dining. In this case, she admitted that the role models of foreign foodservice firms in Malaysia affect the way of local foodservice firms in operating their business. In the following interview, she agreed that particular approaches of the operation of international foodservice firms were adopted by Firm B:

> Yes, foreign foodservice firms are our role models in the sense of market, the system and infrastructure, and the passion of these companies (foreign foodservice firms) to go overseas. For example, many companies (foreign foodservice firms) like to go to China as it's a big market. We also have the same target.

She further elaborated the role models of foreign foodservice firms in Malaysia:

> It's not the foreign foodservice firms influencing our operation, but we look at how they grow. [Foreign] Firms are more customer oriented, customers are always right, they know their choice. As a local operator, we've to benchmark them and be innovative. We don't have to be follower, we can be initiator. We're the first mover. In fact, we're the first café chain in Malaysia before [The] Coffee Bean [& Tea Leaf] and Starbucks which also offer alfresco concept. Of course, we've to evolve fast because local people nowadays travel very frequently; they have

> knowledge about restaurant brands in overseas. They tasted many types of drinks and food internationally. [However,] We're concerned about the service provided and also customer comments just like other foodservice firms, KFC, McDonald's, A&W, Délifrance, etc.

Instead, it was found that Firm B had never replicated the operation or concept of any foreign foodservice firm in Malaysia. Firm B was inspired by their focus on customer service. Customers nowadays are more knowledgeable because they have been traveling overseas frequently and experience dining in the international restaurants. Therefore, they know which brand is good and able to offer high quality of service.

Ironically, Firm B was able to influence foreign foodservice firms in Malaysia as described as its CFO:

> Délifrance, after being taken over by Singaporean [firm] last 2 years ago, it improves its service by offering table service like us. They also extend their menu with lamb chop, spaghetti, and other pasta items. Restaurant like KFC copied our color. We started with red and white. They use these 2 colors in their restaurant design and offer the same ambience like us. They also have the cake painted on the wall and also the placement of mirror on the wall. It also offers coffee and spaghetti like us. Like [The] Coffee Bean [& Tea Leaf], initially, it offers only coffee and maybe sandwiches. Now they copy from us by offering food like spaghetti. Starbucks offer muffin and croissant like us, but it's expensive. If you buy only breakfast in Starbucks, it's like you're having a lunch or dinner in "Firm B".

She found that foreign foodservice firms duplicated the concept of Firm B in terms of menu, interior design, and ambience. Délifrance extended its menu resembled Firm B's while KFC revamped its interior similar to Firm B's ambience. Likewise, The Coffee Bean & Tea Leaf and Starbucks were offering pastries on a par with Firm B alongside with its contemporary ambience.

In terms of price, Firm B seems to be in advantage. The interview with its CFO confirmed the advantages of offering adaptive food and affordable price:

> The secret of our success is to combine fusion food available in Southeast Asian region with our popular pastries and cakes. The price we offer is more affordable. That's why many franchisees are attracted to partner with us.

Firm B extends its menu to more than 20 types of fusion food such as Tom Yam, variety of noodles, and rice which are popular in the Southeast Asian region in addition to its core product, cakes. The prices for cakes and light meals are about 15 to 20% lower than its competitors, such as Starbucks and Gloria Jean's (McIntyre, 2008, January 24, & Nicholas, 2010, April 9). Besides the price, its CFO also recognized other differences between Firm B with its competitors:

> Firms like Starbucks and [The] Coffee Bean [& Tea Leaf] may have similar concept like us, but their main product is coffee, but ours is cake. Alexis, even though it offers cake like us, it's very expensive. Dôme also offers the same concept with some cake items, but we've more variety. Délifrance offers bakeries but mostly only bread, croissant items, spaghetti, and tarts, but not cake.

Apparently, The Coffee Bean & Tea Leaf, Starbucks, Dôme, and Délifrance are its close competitors. Even with certain similarities, Firm B is able to be differentiated with its close competitors in terms of price and main product offered.

With the advent of many foreign foodservice firms, there are possibilities that the local foodservice firms take advantage to learn from the international well-known brands. However, Firm B denied any replication from foreign foodservice firms. Instead, its CFO appraised how Firm B kept renovating its café in order to update the operation in Malaysia:

> We're not copying from foreign foodservice firms, but we're traveling and looking around. We follow the trend like Starbucks. Within these 14 years of operation in Malaysia, we innovate to suit to the trend. Every 3 years we'll change. For example, in the past, we used wooden chair, now we use rattan chair, which is more comfortable. In the past, we used bluish color for our ambience, now we change with white and red. Different colors will be rotated for at least every 3 years. We also used white table in the past, now we are using brown and black table.

Foreign foodservice firms were very adaptive to the current trend in doing business. This gave ideas for Firm B to react to the trend like Starbucks. She analyzed how foreign foodservice firm's reaction influenced her decision to react to the external environment changes:

> Foreign restaurant reacts very fast to the current situation. McDonald's for example, always goes along with economic situation. When the petrol price increases, its meal price is very competitive. That's why during economic downturn, we offered RM10 per meal on average as competitive as the price of other foreign restaurants. We also react quickly to the local taste…Restaurant like KFC offers big portion of food in a pail for family, which now McDonald's is replicating. However, we cannot offer big portion of food for family. In China, the situation is different because a family may be three or four people: a father, a mother, and a kid, and maybe a grandparent. In Malaysia, we may have a family up to ten members. That's why we can't offer big portion…Even though we don't offer many choices for kids, we can make smaller portion for them.

The entry of foreign foodservice firms has been influencing the way of Firm B to adjust to the changes of industry and economy. In this case, foreign foodservice firms have set themselves as role models for Firm B. In spite of being competitors, they are mutual learning in order to enhance their brand image worldwide.

4.2.4 Theme 4: Internationalization Strategy

As a leading and largest café chain to date in Malaysia, the firms currently operates more than 200 outlets throughout Malaysia and 66 cafés overseas, spreading its success across the Southeast Asian region, Asia, and Australia. The firm plans to establish its outlets in Vietnam, India and the Middle East this year. Table 4.2 shows the countries penetrated by Firm B, the number of outlets and year of establishment in each foreign country, and also the foreign companies holding the franchise rights.

Table 4.2: International Market of Firm B for Year 2011

No.	Country	No. of Outlets	Year of Establishment	Company Holding the Franchise Rights
1.	Malaysia	204	1997	"Firm B" Cake & Café Sdn Bhd
2.	Singapore	10	2001	"Firm B" Café Pte. Ltd.
3.	Indonesia	12	2001	"Firm B" Café (Indonesia) Ltd.
4.	Thailand	14	2005	"Firm B" Café (Thailand) Co. Ltd.
5.	China	17	2008	"Firm B" Café (China) Ltd.
6.	Pakistan	1	2008	Food Technologies (Pvt.) Ltd.
7.	Philippines	4	2009	Global Life-Style Ventures Inc.
8.	Brunei	3	2009	MS Titanstar Restaurant Sdn. Bhd.
9.	Australia	5	2010	"Firm B" Australia Pty. Ltd.

Total Outlets = 270
Source: Personal interview with the CFO on 2011, April 19
and the company websites (2011)

Based on the countries expanded, Firm B started with short psychic distance countries first. Singapore (2001) was the first foreign country expanded owing to its similarities in social and culture. This was followed by other neighboring countries in Southeast Asian included Indonesia (2001), Thailand (2005), the Philippines (2009), and Brunei (2009). China (2008) and Pakistan (2008) were quite late, and the latest was Australia (2010). In the interview with its CFO, she ranked the performance of Firm B in the foreign countries:

> Thailand has many kiosks. We started in Singapore first, but now saturated…I can't give you the figure of the sales. But of course, the highest sales are from Malaysia. China is our largest overseas sales because of the size of its market. Shanghai for example is as big as Malaysian 13-state market. Then, it's followed by Australia and Thailand.

For Firm B, the purpose of international expansion is to penetrate foreign markets in order to prevent saturation point. By doing so, Firm B taps new market, gains better sales, and improves revenues. According to her, among the important criteria of selecting partners in expanding business overseas were the partners must have business sense, strong financial background, and stable business. She further explained the speed of Firm B's international expansion:

> 90% of our speed of international expansion is affected by entrepreneurship; because our entrepreneur has gut feeling, business mind, and is risk taker. He takes extraordinary effort compared if he were the employed manager. Others (reasons for the speed of international expansion) are our outstanding background as quality cake producer, our exceptional franchise systems, and also our top management staff readiness to go overseas.

She admitted the importance of entrepreneur or owner in expanding business overseas. As opposed to manager who is only employee may not have the courage to risk his company. The effort of the entrepreneur was paid off when Firm B has been receiving a total of 47 awards since its establishment in 1997. She believed that these achievements and awards can persuasively convince the foreign partners to venture Firm B's business:

> We are choosy in competing to get any award; it must be prestigious and recognized by government and internationally. Some awards you just need to pay money to get it. It's not just simply private award like Kris Award.

Since 2003, the café has been winning numerous awards in Malaysia and overseas for its authentic food recipes and fine quality cakes such as "Most Competitive Company Award 2003" and "The Largest Café Chain" by the Malaysia Book of Records. Since then, it continued to obtain the award of "Superbrand of Malaysia 2003-4" and "SMI Brand Builder of The Year Award 2004. A total of 47 awards received are depicted in Appendix G. Through the award received, it has been recognized as a leader in the industry. The firm has been growing in double-digit for the past 5 years. More than 240 cafés were set up within the short period of ten years throughout the region.

Firm B is very ambitious to expand globally by planning to have the ratio of 1:2 between international outlets and domestic outlets. In the interview with its CFO, it was found that a few criteria were reinforced in order to be more successful in penetrating foreign markets:

> Even though we're [Malaysian] Chinese, if we expand our business to China, we still have to learn their (China) culture. We also must know their law…we must understand people's culture, their local laws, and look at surrounding. That means we have to start with a few outlets first. If we started with only 1 outlet, we can't expect people to know our brand. In Australia, within one year, we had already set up 5 outlets there.

By studying the local culture, legal, and investment climate, Firm B was able to set up subsidiaries successfully abroad. To create brand awareness, Firm B had to put a few outlets in overseas for trials in order to build its brand. She reviewed the important criteria that had to be taken into account before the overseas expansion took place:

> Before the expansion, we need to know the legislation, political issues, how is the business in that country. For example in the Philippines, the retail fund is not mobile. If the fund needs to be used, we must get permission from our partners. For renovation, we have to determine how much is needed to spend per hour. We also have to determine the percentage of foreigners employed…After that, we've to look into tax, location – which province, rental, and do market study on taste and preference…After we've successfully penetrated foreign markets, we've to maintain our brand in that particular country.

For Firm B, the process of going international requires remarkable effort. Before expanding overseas, country issues such as legislation, politics, and economics had to be taken into consideration. For example, retail fund is unavailable in the Philippines because its legislation disallows the fund to be transferred from other country to the Philippine.

Subsequently, after international expansion, it had to maintain its performance in the country invested. If Firm B failed to maintain its presence in international market, it would be difficult to rebuild its brand in the same foreign country. With the strategies above, she illustrated the future of Firm B's international expansion:

> Many people prefer our concept in India. India is big, but they don't have many shopping complexes and still coming up (under construction). People are not usually going out to eat. Labor can be cheap, but electricity can be expensive; you

> must rent a building a year in advance to start a business. Next future we'll be out to Shanghai, UAE, India, and U.S.

Indian market is huge, café concept is preferred, and labor cost is low, Firm B however, has not set up there since there are inadequate shopping malls for her outlets as crowd puller. In addition, Indians seldom dine out and building rental fees and electricity are expensive. Since Firm B found many large foreign markets had not been tapped like India, Middle East, and United States, it took advantage of their large population and potential facilities for future investment.,

4.2.5 Theme 5: Franchise System

In expansion its outlets internationally, Firm B adopts franchise system. 60 percent of its local outlets are franchised outlets. Its CFO outlined how Firm B's franchise system started in Malaysia before it was adopted as an effective tool in international expansion:

> We adopted franchise system in 2000. At the beginning, we just wanted to franchise to our close friends and relatives in Malaysia because we trust them in keeping our recipes secret and protect our trademark. With franchising, we found that the feedback was overwhelming in Malaysia. Later, there were also many foreign franchisees demanded to be our partners. We eventually adopt franchise system which we believe it can maintain the quality of our menu items.

At first, Firm B started to franchise in local market and found it was very successful. Through franchising, he is able to exert tight control over the quality of food produced and protect his trade secrets (Top 10 Malaysia, 2011, May).

Since the local outlets were more matured and outnumbered foreign outlets, she confirmed that local franchised outlets contributed the most to its revenue:

> We've located our outlets in many large cities, but we found that there're still many small cities available to for us to expand in Malaysia. We've been enjoying double-digit revenue since 2001. Outlets in Malaysia contribute to most of our revenue.

> Even though our outlets in foreign countries are still at the beginning stage, their revenue always increases from year to year.

The overseas franchise outlets of Firm B were still in infancy stage and they contribute less to its total revenue **(**Business Times, 2007, August 27). This can be depicted in Table 4.2 where the combination of all overseas outlets is only 66 which contribute to much lesser revenue compared to local outlets, which are 204.

Majority of Firm B overseas outlets are managed on franchise basis. However, there are other entry modes adopted by Firm B. In the interview with its CFO, she examined the modes of entry in order to expand business overseas:

> We use franchising in Malaysia and also most of the countries penetrated, it's about 99% of our business. This is because we already had franchising experience in Malaysia and Southeast Asian countries. It always works. Franchising is easier; we just need to sign the agreement with our partner. So long we select the right partners; they can handle everything without problem. However, in Australia, we use joint venture because it's a developed country. Our partner there claimed that it's a big market, he needed our involvement. We'd 51% of majority shares; while Australian partner's 49%. We hold the majority control. Franchising law is very strict there, as strict as America. In Malaysia it's still lenient, but the legislation in Australia is very complicated. That's why we choose joint venture in Australia. In the case of China, we use wholly-own in order to tighten our control over the operation in big population which means also big market. We've been there for 3 years. It's actually about political issue, if we want to do franchising, we must have at least one year presence in China.

There are three entry modes for Firm B: franchising, joint venture, and wholly-own. For all Asian countries except China, franchising is the proven successful mode of entry. With unique legislation and market in China, wholly-own seems to work. However, in more developed Western country like Australia, joint venture is eligible due to the country legislation requirement.

In penetrating foreign markets adopting its main entry mode, franchising, firm B has stage-by-stage process in internationalization process. Figure 4.2 depicts the internationalization process of Firm B.

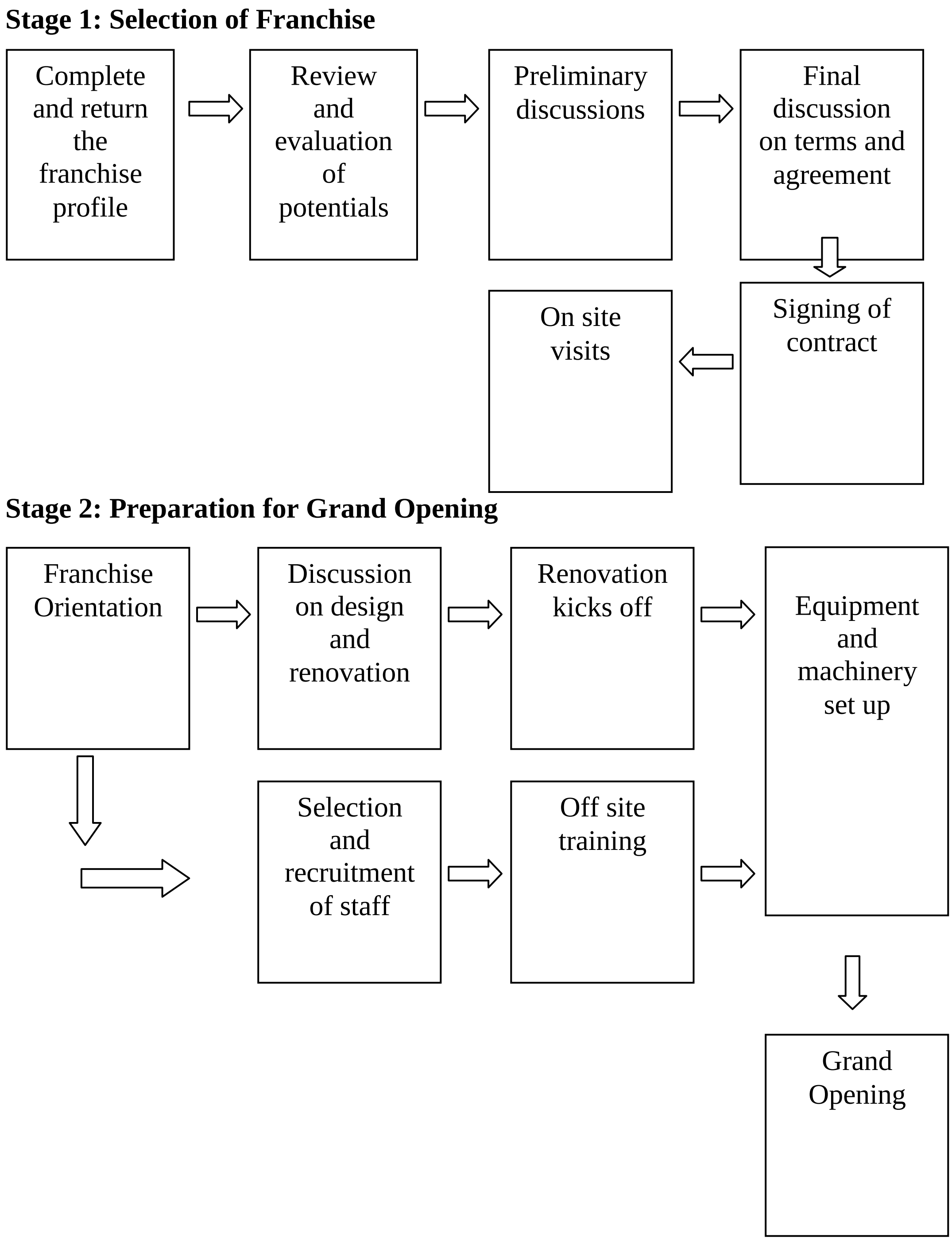

Figure 4.2: The Internationalization Process of Firm B
Source: Company websites (2012)

In terms of contract signing based on the stage 2 of the flow of international process in Figure 4.2, Firm B has its own franchising contract. According to its CFO:

> We offer 5-year contract and the option for the extension for 3 years. We train them from scratch on how to cut cake, how to cook, how to make coffee, how to manage shop, how to be an entrepreneur, and how to do paper works.

The contract signing also spelt out the percentage of equity. She admitted the foreign franchisees were in advantage in terms of equity:

> In foreign countries, 100% of equity is owned by the foreign franchisees, we just collect royalty fees [based] on their sales; the trademark belongs to us but the ownership is the foreigners. The overseas entry mode is 100% franchising. Except for China and Australia [partners], the equity owned by them (other partners) is 51%.

Since foreign equity is owned by foreign franchisees, it is very important for Firm B to ensure the right master franchises are selected. In fact, the success of its franchising mainly contributed by it effective partner selection. This will determine its viability in the international market. The CFO likened Firm B success with other international foodservice giants in Malaysia in terms of partner selection:

> All the countries that we've invested are very successful. We must have money to access to the foreign countries. The good brands must have strong financial background just like McDonald's, KFC, and Pizza Hut which can open 200 to 300 outlets in Malaysia. Even [The] Coffee Bean [& Tea Leaf] and Starbucks require Malaysian conglomerates, Berjaya Group, which has strong financial background to be their franchisee. We also must get good partners who have strong financial background in overseas.

For Firm B, the availability of fund was utmost important reason to expand to foreign countries; even potential franchisees must be financially strong in order to be selected as partners. In addition, foreign renowned foodservice firms also look for wealthy local franchisees in Malaysia like Berjaya Group to partner with.

4.2.6 Theme 6: International Expansion to Singapore

When “Firm B” brand was first introduced in Singapore in 2001, it had to compete with more established foodservice brand names from the United States, Europe, Australia, Hong Kong and even Singapore itself. With Starbucks, The Coffee Bean and Tea Leaf, and Délifrance, Firm B almost did not receive any attention. It currently has 10 outlets in Singapore, which is one of the nearest neighborhoods of its country of origin. In the interview with its CFO, she expressed the difficulties faced by Firm B in its attempt to expand to Singapore:

> We targeted Singapore as our first international market. Since Singaporeans are more demanded and their brands are often perceived as much better than Malaysian brands, we’ve to strive to ensure our brand is on the same par as Singaporean brands. Back to 2001, our brand was still new, it‘s very difficult to convince Singaporean customers to patronize our outlets. But, certain shopping complexes gave us chance to place in their strategic location in the malls to start our business.

The first foreign outlet was very difficult for Firm B since it had no experience in overseas markets before. International players were competing directly with Firm B. Even the local Singaporean brands were perceived as more prestigious than Malaysian brands (Top 10 Malaysia, 2011, May). With Malaysian brands are always perceived as inferior to Singaporean home brands and Singaporeans are made demanding, she explored what Firm B did to expand in Singapore:

> When we decided to penetrate Singaporean market, we found out that our major difficulty was to convince shopping malls on popular Orchard Road to rent us a space for our outlets. At that time, nobody knew about us, so they’re reluctant to a accept us. Thanks to the close affiliation of our owner with David Mercer, the former educational director of Toni & Guy London Academy. Our owner himself also involves in hair and fashion industry. He is one of the partners for global hairstyle academy of Tony and Guy. At first our owner introduced Singaporean market to his academy in year 2000. David Mercer, together with our owner’s influence in Singapore, they convinced the Singaporean shopping malls to allow Firm B to set up in shopping malls. Shopping malls are important for us because they are crowd puller.

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Unbelievably, Firm B just needs the influence of a well-known international firm together with the effort of its owner in order to penetrate Singaporean market. The location of Firm B at shopping mall is also another factor that serves as crowed puller. The Singaporean shopping malls trusted Firm B that it would be a successful international brand in future. This is an important strategy that has changed the faith of Firm B to set up its international outlets. With its first international success in Singapore, it continues to open more outlets at shopping malls

With determination to build its brand internationally, Firm B's effort was eventually paid off when they were awarded "Excellent Food 2004" and "International Franchisor of the Year 2007" in Singapore.

4.2.7 Theme 7: International Expansion to Australia

In Australia, Firm B had to compete stiffly with Starbucks. In July 2008, Starbucks closed 61 of its 84 Australian cafés as a result of its failure to break the domination of the competitors which offered European-style coffee culture with stronger brews at lower prices (Business Times, 2010, October 4)**.** In the interview with its CFO, she described the failure of Starbucks and how Firm B concept matched with Australian lifestyle:

> In Australia, there're many food connoisseurs. It's the first developed country [that we expanded to], [the rest are] mostly Southeast Asian countries. The work of life is there. There are about 200 over different cafés in Australia. They drink 5 cups of coffee every day. Starbucks failed in Australia just because the Australians didn't drink gourmet coffee. That's why when we're in Australia; we offer real coffee to Australian market. They also accept our cake and food now.

The failure of gourmet coffee business provided by Starbucks had given advantage to Firm B to shine. In the interview with its CFO, she was optimistic with the distinctive Malaysian food in Australia in addition to its coffee:

> The menu in Australia is designed to cater the local Australians and at the same time to introduce our Asian food. This combination of eastern and western food is offered alongside with our award winning cakes and other pastries. We think this is something very different for Australian customers and it is still new in Australia.

This interview verified that Firm B was very particular in offering fusion food. Even its first Melbourne outlet in upscale Chapel Street sells nasi lemak (coconut-cream rice) (Malaysian Retailer-Chains Association, 2009, February 28). However in Malaysia, Firm B does not sell the rice dish because it can be easily available elsewhere.

The firm also adapts to local taste by offering Australian favorite food and distinctive cakes. In the interview with its CFO, she described the challenges in adapting Australian market:

> When we franchised in Australia, we adapted to Australian taste and preference by offering local menu items. Australian customers don't like sweet items as compared to Asians. We've also modified the ingredients in making Napolitana sauce to suit to Australian preference. We employed Australian cooks to prepare delicious Australian food. One of these is Chicken Parmigiana which becomes our most popular menu item. We found the crowds are unexpectedly greater. 4 outlets there are performing well. Majority of our customers there are local citizens and only 20% are the migrants who stay there…Since Australian cake shops are always outsourced the cake products because of the high cost in employing skilled workers, we're in advantage. This is because many cake shops will have the same cake products supplied by one source. For us, we produce our own cakes. This also means that we accommodate the need of Australian customers to have different and variety of bakeries and pastries.

The taste and preference of Australians are very different from Malaysia (Malaysian Retailer-Chains Association, 2009, February 28). The local adaptation is very important to be successful in Australia. Firm B invited Australian chef to cook the favorite dishes for the local Australian customers (Top 10 Malaysia, 2011, May). Its cakes were also differentiated from the local cake supplier. Other cake shops sold almost the same variety as a result of sourcing from the same supplier.

4.2.8 Theme 8: Government Supports

In terms of government supports, it seems that the certain government agencies do facilitate Firm B in its operation such as Malaysia External Trade Development Corporation (MATRADE), Ministry of International Trade and Industry (MITI), and Malaysian Franchise Association (MFA). In the interview with its CFO, she indicated these three government agencies that deal with Firm B:

> MATRADE and MITI always deal with us, but MFA just collaborates with MATRADE and MITI to come out with exhibition booths. Exhibitions are usually done by them.

These agencies supported Firm B in terms of promoting its brand by organizing trade exhibitions. They led certain foodservice firms and introduced to the countries visited. She clarified the assistance of government agencies:

> They do match-mix. They'll set the trips based on categories. For example, "Firm B" is in foodservice category. Others [supports] are like franchising, exhibitions, organizing exhibitions and trips…After we'd already expanded overseas, government did provide grant for us to do promotion and create branding overseas through MATRADE and MITI. [RM] 2 million were given somewhere in year 2005 to a few companies, we're among the lucky companies. We allocate to various countries to build brand. This is one-time grant. We use this grant for 3 years to do advertising, printing brochures, building trademark, joining exhibitions, etc. The standard booth for exhibition is 3 x 3. MITI offers this grant as part of the 10 years plan by government to assist the local brands. However, we have to spend first before we can reimburse 50% of this money…[In the case of MFA], we started off first before [the existence of] MFA. We got the contacts from MFA. MFA did help us in promoting our brand locally and also in UAE and other Middle East countries where there are many Muslims there.

Government provided fund and facilities for Firm B to promote and create brand awareness overseas. Business trade was also organized to penetrate Middle East region. In spite of Firm B always deals with these government agencies, its CFO denied their assistance in other countries:

> I don't see government provides any assistance [in other countries]…To go to China, Australia, and even Southeast Asia countries, it's [all] through our effort.

> Government has only brought us once to Nanning, China. We have to employ our own experts, lawyers and so on without any support from our government…when we're in Chinese Embassy, they did not have much time to deal with us. The government helps are very rare, instead it asked us to share our experience to about 10 to 15 new franchising companies in expanding to Chinese market. The embassy is not doing business; they don't have knowledge about that. We have to, instead, brief our local franchisors on how to run business in China. We can't depend on government; we must have gut feeling and money to expand. We've to use money to learn. There are many uncertain rules to learn, you've to look at it… MITI only bring us to Muslim countries like United Arab Emirates (UAE).

Although the supports of government are limited to only providing small amount of fund and business trip, Firm B took the advantage of these two supports provided to interact with the host countries' business community in order to liaise in foodservice business overseas. At the beginning of its international expansion, Firm B had to spend its own resources such as money and experts to deal with international partners. Its CFO cited government business trip that Firm B had participated:

> Basically it's (the business trip) for franchising and exhibition purpose; they organize, then we go. When the minister goes, we'll join. In the past, I traveled with [Tan Sri] Rafidah Aziz (former Minister of International Trade and Industry) to India. In business trip we participate, we sell our franchising business concept but not the products.

However, the business trips organized by government agencies did not guarantee its international expansion. In Indian trade exhibition for example, Firm B failed to sign any franchised agreement. Even during Asian Financial Crisis in 1997, Malaysian government did not provide any support specifically to local foodservice firms; only Bumiputeras (native people) were supported. She commented on the government policy:

> In 1997 and 1998, during economic downturn, government did not support us, tax was reduced only about 1%. In 1998, franchising business was also still not very popular. In year 2001, franchising business became popular. In year 2003 after we've grown, government started to strengthen franchising legislation in Malaysia. Prime Ministry at that time, Dr. Mahathir realized the importance of franchise in encouraging foreign business to Malaysia. This is how government tries to help Bumiputeras' (native people) fresh graduates who are unemployed and also

> develops women entrepreneurs in franchising…Only Bumiputeras are given with this support. They are granted with RM 500,000 without collateral. When Dr. Ng Yen Yen was the Deputy Finance Minister, every Bumiputera get instant cash to do business. In the case of non-Bumiputeras [like us], they have to sort their own family money to start the business…Perbadanan Nasional Berhad (PNS) and Malaysian Franchise Association (MFA) approaches us to get Bumiputera into our franchise. Since they are many candidates apply to be our franchisees, we are asked to give to Bumiputeras. If you have Bumiputera partners, government can help you. "Firm B" has also helped them to apply PNS's loans.

For Firm B, government supports were limited and selective. Native people who wanted to be entrepreneurs were provided with government financial assistance. Instead of gaining support from government, Firm B's role was to support the native people to apply loans and accept them as their franchisees. In this case, government supports for Firm B were providing one-time fund for expanding business, reducing small amount of taxes during economic downturn, and organizing business trips to overseas.

4.2.9 Theme 9: *Halal* Commitment

Halal is the food permitted under Islamic law and the compliance with animal slaughtering practice. With the *Halal* Certification awarded by JAKIM (Department of Islamic Development Malaysia), it affirms Firm B's commitment to adhere with the standards of preparation of all food in the restaurant in accordance to the regulatory guidelines. In the interview with its CFO, she recalled how the *halal* policy was introduced:

> When we joined [foodservice industry] in 1998, the *Halal* certification was a kind of privatization, anybody could buy the certificate. Since some people use inconsistent *halal* logo, misuse the logo; when JAKIM found out, they were very strict in giving *halal* certificate. They have surveillance team. The policy of *halal* only came in about last 3 years ago. For the last three years, *halal* has been certifying by government, JAKIM, and *Halal* Development Council. We also get 5-star food safety rating and HACCP (Hazard Analysis and Critical Control Points) certified. When our government declared Malaysia as *Halal* Hub, we've to gear up our effort to offer *halal* food.

With adherence to *halal* practice and HACCP (Hazard Analysis and Critical Control Points), Firm B is very particular in food safety and government recognition. Although government encourages Malaysian foodservice firms to offer *halal* food, it is not a compulsion. She clarified on this issue:

> We have more Muslim population in Malaysia. Government did not impose or force the company to be certified *halal*. It's up to the company whether to have *halal* or not. In *halal*, it's not simply no pork, but it's about cleanliness, standard of hygiene, and the Islamic slaughtering of chicken. We don't want to go to the restaurants which are dirty.

Halal practice was not just to fulfill the need of Muslim market, it also could ensure high standard of food preparation for Firm B. She examined more detail on the *halal* criteria:

> In the production lines itself, even though we've HACCP certified, we still need *halal* certified; therefore we just pay additional RM 200 for the *halal* certification. In fact, some restaurants sell alcohol but still can get *halal* certification because the food production is in *halal* manner. In the case of hotels, they may not have *halal* logo for their hotel because they sell alcohol, but their kitchen can be *halal* certified…Well, of course, when the *halal* food is sensationalized, people are fanatic, they're scared the products without *halal* certified are not safe, that's why we're very particular in offering *halal* products.

Firm B obtained both *halal* and HACCP certification in order to convince customers to dine in its outlets. Firm B had always maintained its *halal* concept because there were many Muslim communities in foreign markets and also many Muslim travelers everywhere (Business Times, 2007, August 27).

By having *halal* certified, Firm B has more credential in appearing in Muslim countries. However, in the interview with its CFO, she was optimistic with Malaysia as a brand to convince the Muslims in international market to patronize Firm B's outlets:

> We don't have to convince them because they themselves trust us. Muslim countries are confident with Malaysian brands and always recognize our products as *halal*.

> This is because Malaysia chairs OIC (Organization of Islamic Conference). Since Malaysia has declared as *Halal* Hub, our government requested other Muslim countries to set their *halal* legislation [for trading in Malaysia] – rules and policies for this purpose. It's not only to build confidence, but also to practice *halal* principles.

Muslims all over the world are confident with Malaysian *halal* legislation since Malaysian is known as Islamic country. They are not skeptical in selecting Malaysian outlets because Malaysians have knowledge of *halal* which is part of their lifestyle. *Halal* Hub policy will encourage more *halal* products trading among international food producers. Firm B is taking this advantage to look for foreign partners to set up its subsidiaries overseas.

Since Malaysia is an Islamic country, food-related businesses require *halal* as the market advantage. To convince local customers, Firm B filled 90% of the job positions in food preparation for its Malaysian outlets with local Muslims. By doing so, the Muslim customers will not hesitate to patronize its outlets (Amie & Eng, 2010, Jan 13).

Halal is one of the important elements in expanding overseas. No matter the countries expanded are Muslim or not, Firm B consistently offers *halal* food even the beverage is not *halal*. The interview with its CFO revealed this truth:

> Alcoholic beverages are not *halal*. In Australia, wines are offered, but the foods are *halal*. In China, beers and wines are offered, but the food is still *halal*. Same goes to other countries.

Stringent *halal* preparation procedure is necessary when it deals with food. In terms of beverage, alcohol still can be offered to non-Muslim countries such as China and Australia. She further uncovered the *halal* criteria that the firm had fulfilled in foreign countries:

> In Singapore, it's (the *halal* certification is) from Malaysia. In Australia, it associates closely with Malaysian *halal*; the process of slaughtering chicken, beef, and lamb must be certified *halal*. In Thailand and China, *halal* certification is not critical as it's unnecessary.

Being *halal* has given additional advantage for Firm B to expand international market as Malaysia government will provide support in terms of overseas trade missions. Even though government did not state that only *halal* certified firms would be selected to join the government business trips overseas, its CFO, was confident that it was useful when the firms needed government support to go overseas:

> I have no idea about whether the companies that follow MITI's (Ministry of International Trade and Industry) business trips are *halal* certified or not, but I think most of them are *halal*. MITI usually bring the *halal* certified company in their business trips.

Halal commitment has contributed to the acceleration of Firm B's international venture.

4.2.10 Theme 10: Product Standardization and Adaptation

When Firm B first started the chain in 1997, it had a selection of 12 to 25 cakes. Four years later in 2001, when it went into fusion meals, it had only four items on the menu. But Today, Firm B has more than 50 types of menu selection, 20 types of fusion food, 40 cake creation and pasties in addition to a flavorful range of ice-cream and beverages. Only 15% of product adaptation applied in the foreign countries. The cake products are all standardized. Firm B exports the raw ingredients for cakes making to the countries expanded in order to tighten the quality control. In the interview with its CFO, she elaborated the way Firm B adopted the combination approach of global and local:

> We have centralized kitchen in Petaling Jaya (Malaysia) to distribute the cake to all the café chains throughout Malaysia. Ingredients in cake are premixed in order to control the cake quality. We've centralized kitchen in overseas, we train them and monitor them. We'll give them the formula of cake making to overseas outlets. We export certain cake and food ingredients to the countries expanded. In China, there is one centralized kitchen. In Thailand, there is one centralized kitchen. In the

> Philippines, there is one centralized kitchen… Cheesecakes are imported straight from Malaysia. But, certain food like local food [in host countries], even pasta, we will prepare in their own outlets, not in centralized kitchen.

It was found that Firm B made adjustments to its food but not the cakes in Western countries. As a way to offer consistent cakes to all outlets in every single country, Firm B built a centralized kitchen in each country to supply standardized cakes to its outlets. Standardization of cakes was necessary to attract international market while a wide variety of adapted local foods such as Tom Yam was served to Thais and noodles to Chinese. This was ascertained in the interview with its CFO, she recognized the product standardization and adaptation as the strategy in expanding overseas:

> Every foreign market has its own distinctive characteristics. We've to customize our product based on the demographic of a country. In China, the customers there are not really used to western cuisine. So, we customize the local preference by offering noodle-related food to cater Chinese market.

In China, Firm B's core product, cake, cannot be the main meal for the Chinese. Therefore, it has to offer a variety of noodles which are the Chinese favorite (Top 10 Malaysia, 2011, May). In the interview with its CFO, she described how menu was adapted to the taste and preference of other foreign markets:

> In Singapore, we offer Singaporean Laksa (Singaporean-style Malay spicy noodle soup), Malay Fried Rice, Japanese Soba (Japanese noodle), Lasagna, spaghetti, Lamb Stew (western food). In Malaysia, we don't sell Nasi Lemak (coconut-cream rice); but we sell in Singapore, Thailand, and China; they love it. We also offer Mee Mamak (Indian Muslim's noodle) and Laksa Johor (Johorean-style Malay spicy noodle soup) in China; they like it. We realize that Chinese like noodles, that's why we offer to them. Tom Yam which is Thai food is also popular in our China's market. This is because Chinese like sour and spicy. Same goes to Laksa (Malay spicy noodle soup) in Singapore. We also sell Chicken Parmigiana which Australians like it and promote roti canai (Indian bread) in Australia.

Firm B concept is flexible; it offers different menu items in different countries. Malaysian favorites such "nasi lemak" (coconut-cream rice), "mi goreng" (fried noodle), "laksa" (Malay spicy noodle soup), and "Tom Yam" (Thai spicy food) are available in some overseas outlets like Singapore, Thailand, and China; even Malaysian "roti canai" (Indian bread) is served in Australian outlets. These types of food are acceptable owning to its short psychic distance with Malaysia. In the interviewed with its CFO, she stressed how the concept of "think global act local" facilitated its expansion in international market:

> We've over 60 different types of cakes and 20 over types of baked desserts which are standardized. We've also food that tailored to suit quite number of people which we call fusion food. This is East meets Western. Our cakes and café concept are recognized worldwide. This factor reduces the factor to penetrate to foreign markets. Many entrepreneurs from U.S., U.K. and Europe are willing to have joint venture with us. We're having ongoing negotiation with them. They believe in our concept since about 15% of product offered is tailored to local palate [in the host country]…While for Southeast Asian market, we don't modify our food menu so much because the palate is quite similar among customers there. For Middle East, we've to modify part of our menu because there are different menu items for different seasons.

In Southeast Asian region, the similarity of culture had eased the menu offered since the taste and preference were almost identical. In Middle East region, Firm B had to alter its food to a certain extent in order to adjust to the palate of the Arabs (Business Times, 2007, August 27). Since some products were adapted to foreign markets, they may have to source locally in the host countries. In the interview with its CFO, she confirmed that the adapted products were sourced locally:

> Cheese, kebab, duck noodles, fish ball soup, [but] not so much about lamb and chicken are adapted and sourced locally. In China, noodles are very popular. We always look for agents. [For] Cheese product, we have agents. The agents can help us to find other suppliers; we can also get online like Alibaba.

Except for cake ingredients, Firm B sourced locally especially the raw products which offered in that country. However, not all raw ingredients are sourced locally. She further explained about the imported raw ingredients and the reasons for importing certain raw product from other foreign countries:

> Flour [is exported] from Malaysia; diary product and nuts are [imported] from Australia and New Zealand. Marshmallow which consists of gelatin is imported

> from Pakistan where we can get *halal* food. Malaysian's marshmallow is low in quality. For local Malaysian market, lemongrass is not [imported] from Thailand, but from Malaysian vegetables suppliers….[However,] Lemongrass and limau purut (Tom Yam ingredients) are imported from Thailand to China. The reasons are because the distance from Thailand to China is nearer, easier and better quality compared to if these ingredients were imported from Malaysia. If we export to china, we will face certain problem in custom department. In China, we've to translate every single word into Chinese. That's why we let Thailand to export to China. This can reduce our difficulties to do translation. In China also, the cakes have to be sent in for quality check before it can be released. It took about one month to be approved.

To control its food quality, Firm B had to look from other countries to source its raw products in the case where the local suppliers were unable to meet its specification. As a result, it had to import in order to meet its stringent requirement. For example, diary product and nuts were imported from Australia and New Zealand; Marshmallow was from Pakistan; while Lemongrass and limau purut (Tom Yam ingredients) were imported from Thailand to China. In this case, the quality of raw products is not compromise when it operates in international market; it insists on the strategy to import for better alternatives and quality control.

In China, Firm B faced difficulties to obtain certain ingredients especially lemongrass in making "Tom Yum", the typical Thai food. It had tried to import Malaysian lemongrass, but failed to do so as Thai lemongrass was more welcome in the Chinese market. Thai lemongrass was selected not only because of its quality, but also good bilateral international trade between Thailand and China.

Overall, by localizing and standardizing the product, the firm is able to maintain its presence in the international market. For its standardization strategy, she admitted the advantage:

> Yes. Standardization can minimize the difference among the countries. It's one of the criteria to be successful. We assure when customers go everywhere, the quality

> is the same. Customer feedbacks are very important. We give people assurance that it'll be the same everywhere.

The standardization practice imparts consistency and ensures the quality is always maintained for all of its international outlets.

4.2.11 Theme 11: Overseas Lessons

After Firm B had expanded overseas, it learnt from its counterparts to improve in managing its operations. In the interview with its CFO, she listed and compared what they had learnt from overseas outlets:

> [In terms of] the method of operation, we learn a lot from Australia because of their standard, food quality, and stringent staff working attitude…In China, we learn a lot about their legislation, their people, and their fast changing trend. Within a year, the [restaurant] concept can change. Unlike Malaysia, the trend is about 3 years behind. For example hand bag, China and Hong Kong will get one year earlier than us in terms of new model…Singapore's trend is also very fast. Malaysia is about 6 months later. Product will launch first in Singapore before come to Malaysia. Anyway, Singaporean culture and taste are almost the same like Malaysia. In Thailand, the culture is very different, they don't speak English. We use tutorial to teach our franchisees. They love our cakes but at the same time, they prefer their own local food. To fulfill their market demand, we set up many small kiosk in their shopping malls such as I-setan and Paradon (local hypermarket).

Australians are concerned about standard and quality of foodservice while Chinese in China and Singapore are trendy customers who always demand for new taste. In the case of Thailand, despite being the close neighborhood to Malaysia, Thai culture is very different. Thais are not English speaking people but there is a rise in preference for cake and pastries. As majority of the cafés are located in Asian countries, it is important for Firm B to adapt to Asian trend for tea break. This concept seems to be successful in the young segment especially in the office executives from metropolitan city.

It was found that the lessons that learnt by Firm B were used as assets to improve its operations abroad. This mutual learning eventually enhanced Firm B's performance in international market. By looking into the development of trend, Firm B was also adjusting its western café concept into semi-fine dining concept. In the interview with its CFO, she confirmed the gentle change in his concept:

> Even though we adopt the franchising of western-style café concept; we try to differentiate ourselves from our competitors. We always import the good quality ingredients from other countries and export our (country of origin's) quality raw products in order to standardize our menu in all the outlets globally. We're now introducing new western-style semi-dining concept known as "ZEN". This concept aims at young working adults.

Franchising is American concept that learnt by Firm B to duplicate its outlets for the sake of business expansion. After its alfresco concept is accepted in international market, Firm B has learnt the new concept offered in overseas which it introduces as "ZEN". ZEN is a term used by Firm B for its new semi-fine dining eatery. Unlike its current cafés, it aims at office workers and young professionals who are not reluctant to pay slightly higher prices (McIntyre, 2008, January 24, & Nicholas, 2010, April 9). By learning restaurant operation from foreign foodservice firm, Firm B manages to offer western concept and expands its business internationally.

4.3 Case Study 3: Firm C

4.3.1 Theme 1: Background

Firm C started as a shop that sold toys and household goods. In 1985, when a corn farmer convinced the firm to sell his corn, it quickly turned toy shop into popular corn-on-the-cob under its former name, "Firm C" Connection. Since then, the shop has been restructured and it creates a franchise business when his corn trade flourished. Eventually, Firm C pioneers "*corn-in-cup*" concept in the world offering to consumers of all ages. With its strive to be the world leading corn-related foodservice firm, it formulates the following mission and vision:

(1) Mission: To contribute to country's a rising breed of entrepreneurs by providing an opportunity to own an affordable franchise business serving healthy and enriching food that can be enjoyed by people anytime, anywhere.

(2) Vision: To be the country's leading corn and ice cream franchise by providing a complete variety of Quality nutritious food and to be represented in the global markets.

Based on the vision and mission statement of Firm C, the word "CORN" can be attributed as:

(1) C = Creating a Lifestyle

(2) O = Outstanding Products

(3) R = Return of Investment

(4) N = National Success

In 1985, Firm C started with two outlets in Perbadanan Kemajuan Negeri Selangor, Shah Alam and Jaya Shopping Complex. The Ministry of Entrepreneur Development was convinced that this franchise business would offer more opportunities for local entrepreneurship in Malaysia. Since then, it has been one of Malaysian franchisors that frequently joins Malaysian government business trips in promoting its brand internationally.

Its outlets are usually located strategically in major shopping complexes selling sweet corns in small kiosks. Firm C's ambitious to expand internationally turned the brand into a profitable franchising business in Malaysia and abroad especially Indonesia, Saudi Arabia**,** China, and Turkey. With its ubiquitous outlets in the foreign countries, Firm C was recognized as "The Most Number of Overseas Outlets" among all Malaysian franchisors in 2006.

4.3.2 Theme 2: Brand Name

Its brand name is originated from the name of the founder. He is also holding important position in Malaysian Retailer Chains Association (MRCA). According to its Finance Director, General Manager, and Shareholder (FDGMS), Firm C's brand possesses very significant meaning:

> Our brand is named after our founder himself, "Firm C"…It is important to use a brand name that can be easily remembered and does not carry negative meaning…Our brand name means a successful corn in cup business. It symbolizes the best quality corn kernel sold internationally, over 16 countries worldwide and other corn related products. It also symbolizes successful franchise system a Malaysian home grown brand where we serve quality snacks.

In naming his brand, it is important that the brand name must be appealed to the international market. To show his brand name is easily penetrating overseas based on its international appealed brand name, he evidenced with his success in 16 countries worldwide. It had more than 800 outlets with 90% was located abroad. The brand name of Firm C must be also easily associated with corn as its core product.

However, the western brand name adopted by this firm is clearly depicted. Its FDGMS revealed the perception of the brand name of Firm C as American brand or western origin in Middle East region:

> …when we were introducing "Firm C" in Saudi, the Americans were engaging war with Iraq. Although "Firm C" is a Malaysian brand but the name "Firm C" can portray American or Western influence. We then use (replace with) N&A. N is being "Firm C" and A is Alfi, our master franchisee in Saudi. After the war was over, "Firm C" trade name is now placed at the kiosks along with N&A.

The brand name of Firm C demonstrates the element of western influenced name. It provides evidence on the local brand that appeal to be western brand in the eyes of foreigners. The advantage of being thought as western brand has given opportunity for Firm C to be appealed as international brand. Besides this reason, the importance of offering high quality of product to customers was also stressed by its FDGMS:

> The product that we produce is always appreciated by our customers. The product can tell customers about our quality. Product quality represents our brand. If we concern about brand but ignore about quality, it will not improve our revenue.

Good quality product is the brand itself (Presenna, Apr 20, 2010). Other elements that may contribute to the brand such as good location, concept, and service are second priority. That is also the reason for Firm C not to put effort in the advertisement. In this case, the firm spends less than 1% in advertisement. Its FDGMS convinced that his brand name could be easily expanded overseas based on his interpretation of Firm C as global brand. According to him:

> Malaysian food is welcomed in many countries. Malaysia itself is an international brand. We are well known in producing good quality and tasty food…we have outlets in 16 countries worldwide.

For him, Malaysian food is international food owing to Malaysia as a multiracial country where there are Malay, Chinese, Indian, and even western foods are popular. Malaysia is a brand itself. It represents country offering quality product.

4.3.3 Theme 3: Foodservice Concept

Firm C is the first company in the world to offer the concept of 'Corn In Cup' to the international market. This concept is incorporated into its slogan: 'Wholesome Goodness On The Go!'. The purpose of this tagline is to educate and provide its customers with a healthy, nutritious and hassle-free alternative for eating corn. Corn is rich in vitamins and full of nutrients and fibre. It also develops a new trend and to promote healthy eating habits among snack lovers because an 8 aunces corn contains 150 mg of Vitamin C with zero cholesterol.

Firm C portrays foodservice concept with highly attractive and brightly designed kiosk. In recent development, its kiosk concept has extended into café business as part of its diversification plans (Vasantha, 2007, November, 17). The café offers not just only snack, it extends the menu items to fusion food including noodles and rice. Its FDGMS highlighted the restaurant concept offered to the customers:

> We offer not only kiosk, we also extend our menu by offering variety of food to our international customers. Based on today's trend, we introduce café concept for low end market. We want to improve our foodservice concept. Recently, we found that there is a niche market for low price *halal* dim sum (Chinese dumpling). This menu item is usually served in Malaysian luxury hotels. Since there is a new product for our customers, we decided to invest by offering this menu…To source for the raw ingredients, we look for the suppliers which also supply to hotels. The difference is that our price is 50% lower than what is offered by the hotels.

His concept is based on the kiosks but differentiated itself from other foodservice competitors by offering variety of local foods with low price (Vasantha, 2007, December 22). In 2008, Firm C opened at least 15 cafés in Malaysia to expand its retail venture. It also extended its product range by selling corn bread and corn-based items in the supermarket in the same year. The packaged ready-to-eat items were also launched in the cafés which could be just microwaved prior to serving (Vasantha, 2007, November 17). The western appearance of its concept immediately portrays itself as western brand. This perception is another advantage for Firm C to be renowned as international brand.

Its FDGMS considered the types of food that Firm C offered as international food:

> Almost all of our foods are western foods. Even our dorayaki (Japanese pancake) is look like American pancake. Our ice-cream potong (sliced ice-cream) is also western food. Our corn cobs, corn kernel can be used with western food serving. We have already introduced corn in cup to more than 14 overseas countries. Also, our Belgian waffles, dorayaki (Japanese Pancakes), corn juices, corn smoothies, corn soup has found international market. Even our ice-cream potong (sliced ice-cream) has found international market. Most of our food sold locally can be introduced internationally.

It illustrates that corn-related items such as corn juices, corn smoothies, and corn soup are international foods since they are universal foods. Corn kernel, on the other hand, is frequently used in serving western food such as steak, chicken chop, or lamb cutlet. Besides home-grown corns, it also sells ice-cream with a range of tasty flavors and choices such as ice cream yogurt, ais krim potong (sliced ice-cream), waffle cone ice cream, and softy curls. Other Fruit juices and RO (Reverse Osmosis) water are also available. Offering international food can be more successfully than just offering local foods. This is an advantage for the Malaysian firm which wishes to expand overseas. The universal food can be more recognizable and people do not doubt to try it. Offering local food will be given perhaps only one-time trial for most of the customers because it may not suit to their palate.

Its FDGMS revealed the lessons learnt from foreign foodservice firms available in Malaysia that yielded his achievement today:

> We have learnt a lot from foreign firm such as constant research and development in our product and services, upgrading process methods, proper training, easy operation methods, speed in services, responsible Franchisor, location selection and ensure high success rate for the franchisees.

The existing foreign foodservice firms in Malaysia have been role models for local foodservice firms. Malaysian firms have learnt from them which cut short the learning curve especially in certain aspects as described above. He specified the examples that set by foreign foodservice firms in Malaysia:

> Foreign foodservice firms such as Dunkin' Donut, Baskin Robbins, Haagen Dazs, and even 7-Eleven have simple operation system, proper training for their franchisees and their operating staff, frequent promotion and introduction of new products, competitive pricing, strategic locations and good supervising methods. We have learnt from such good practices from the foreign foodservice firms. However, we have also reduced our set up cost and also our kiosks are designed in such a way that they can be easily dismantled and assembled. Lower set up cost will encourage more franchisees to join in and the flexibility in our kiosks design reduces the losses incur in moving our kiosks to another location.

Firm C gains knowledge from foreign foodservice firms which have international experience and well-established practices such as operation system, training, promotion, pricing, managing quality, etc. However, it outshines international foodservice firm since it is easy to assemble and dismantle, therefore, reduces the cost and hassle of transferring to a new location. The simple operation of its concept also indicates that the outlet management is less complicated and no special skill needed. Thus, the potential international partners need low initial capital to start its business as it is more affordable. Foreign partners not only can take advantage of low investment in setting up new outlet abroad, they also can expect a return of investment in less than a year.

In terms of venturing overseas, he described how foreign foodservice firms in Malaysia affected the way of local foodservice firms in expanding his business overseas:

> Most foreign foodservice firms such as KFC, McDonald’s, Pizza Hut, and A&W operate their outlets professionally and have presence in many countries in the world. We, as a Franchisor must learn from their success stories and put in place good practices. Foodservice hygiene is very important and getting world certification is important for foodservice operator. Overseas health authorities will ensure food operators in their country meet international accepted certification.

This statement indicates that foreign foodservice firms in Malaysia are its role models in expanding internationally. Firm C had to ensure that the hygienic of food and its certification in foreign markets. By doing so, it could convince their customers in host countries to patronize its outlets. Since foreign governments were very concern over the issues related to health, it strived to achieve international standard. It has to benchmark its standard. Therefore, in the matters related to health and hygiene, Firm C is very particular when come to the operation in international market.

Despite foreign foodservice firms in Malaysia are the role models for Firm C, Firm C is also proud of itself since it is able to exert greater influence to other local and foreign foodservice firms in Malaysia like Tony Romas, Manhattan Fish, Kim Gary, and Nando’s. They replicated its products by offering corn cob and corn products in their outlets. Although there are not direct competitors of its kind, the product replication demonstrates that Firm C concept is accepted in foodservice industry and also inspiring other foodservice firms.

4.3.4 Theme 4: Franchise System

Franchising is the fastest way of expanding a business by converting proven chain store operations into a franchise system. After 10 years of selling corn in foodservice industry, its concept is accepted and popular among Malaysian consumers. Firm C then decided to start its first local franchise outlet which was launched in Penang, Malaysia in 1995. By adopting franchise system to expand business, Firm C required no expenditure to expand its outlets; instead the partner, who is franchisee, will have to source the fund. In this case, the franchise fee is between RM 3,000 and RM 12,000; the initial inventory is between RM 2,000 and RM 5,000; while the guarantee deposit is RM 5,000. For both advertising fee and service fee, they are to be mutually agreed. As a franchisor, Firm C will license out its trademark to franchisee. The role of franchisor is to provide management know-how to operate its identical business system in various markets.

All foreign franchisees that are interested to sign franchising agreement are from various countries. Table 4.3 shows the countries penetrated by Firm C.

Table 4.3: International Market of Firm C for Year 2011

No.	Country	No. of Outlets	Company Holding the Franchise Rights
1	Malaysia	80	“Firm C” Franchise (M) Sdn Bhd
2	Brunei	N/A	The Everwin Company
3	Indonesia	N/A	P.T. Mia Food Products
4	Philippine	N/A	D Y World Inc.
5	China	25	“Firm C” Franchise (Shenzhen) Co. Ltd., “Firm C” Franchise (Xiamen) Co. Ltd., “Firm C” Franchise (Beijing) Co. Ltd., Healthy Global Pte. Ltd.
6	Saudi Arabia	350	Al-Alfi Trading Est
7	Kuwait	100	Boston System Company
8	Syria	N/A	N/A
9	Turkey	N/A	Enelsan Lojistik
10	Germany	N/A	“Firm C” Europe Gmbh
11	Bulgaria	N/A	LPN Limited
12	Romania	3	Filiala Bucuresti
13	Russia	N/A	Star Invest
14	Sweden	N/A	N/A
15	Kazakhstan	N/A	N/A
16	US	1	“Firm C’ USA LLC
17	Australia	N/A	N/A

Source: Questionnaire survey on 2011, March 20 and Company websites (2011)
*Note: N/A = Data not available and/or considered as confidential

Currently, Firm C franchises more than 800 outlets in 16 foreign countries as shown is Table 4.3. In Malaysia there are 80 outlets which represent 10% of total outlets worldwide. In terms of income, Firm C posted revenue of RM25 million in year 2010 with its overseas business contributed about 70% to the firm's revenue. Compared to year ended December 31, 2006, it recorded RM20 million in revenue, of which 80% was contributed by its foreign outlets. This shows an increase in revenue gained from overseas markets despite a decline in percentage of overseas contribution. For 2012, Firm C targeted its total sales would increase by 60% to reach RM40 million. This was based on its plan to penetrate into developed countries which had high purchasing power such as Japan, South Korea, and New Zealand. The franchise network was expected to grow over 30% worldwide.

Its FDGMS highlighted a few reasons for internationalizing his business: expansion of business volume, promoting Malaysian brand overseas, better position to withstand economic slowdown in certain region, and improving our competitiveness since with international experience will broaden our knowledge.

Based on the countries expanded depicted in Table 4.3, Firm C started expanding its international outlets in the countries with similar cultures or language first before expanding to greater psychic distance countries. It began franchise with its neighboring countries first, which are Brunei, Indonesia, and the Philippine. After that, it tapped to China market before setting up in Middle East countries such as Saudi Arabia, Kuwait, Syria, and Turkey between 2006 and 2007. It later penetrated developing eastern European countries such as Bulgaria, Romania, and Kazakhstan between 2008 and 2009 before ended in more developed countries in Europe, Russia and Germany in 2009. The latest countries penetrated were western developed countries, Australia and United States between 2010 and 2011.

However, with 16 foreign countries penetrated at the present, Firm C took into account the psychic distance factors when selecting its new franchisee. Its FDGMS explained about selection of its foreign markets:

> …We do ask the interested parties to conduct market survey. With the information from the market survey we will use financial tools to determine the viability of the business in the said country. When we find it viable then we will pursue with getting suitable master franchisee to handle the country. If we find it not viable we will not pursue.

The market survey was done first in the potential country. Based on the survey result subsequently, the selected franchisees with financial viability would be appointed in that country. Therefore along with the factor of psychic distance, the financial background is the main criterion in selecting foreign partners.

According to its FDGMS, the important criteria of overseas partners in its selection process were: financially stable, dedicated to built the business in the country, able to secure good locations, preferable knowledge in foodservice, and have a team of dedicated management team. He also emphasized that the criteria that were important after the firm had penetrated international market were the viability of his business in that country, sufficient supply, and suitable master franchisee candidate. These criteria will help Firm C to market its brand and maintain its operation overseas.

Hence, not only the product guarantees its success in overseas market, but also stringent approval on locations and designs for its outlets, registration of its trade mark internationally, and careful selection of representation in countries for Master Franchise rights also contribute to its success.

There were a few factors that attracted and convinced foreign partners to sign master franchising agreement. Its FDGMS listed:

> [Firstly,] More participation in food fair and other exhibition as well to introduced our franchisee system and also our products for distribution. [Secondly,] We have outlets that are strategically located in high traffic areas for foreigners. [Thirdly,] Our attractive kiosks design, our award winning products, our tasty products, and our government initiative to promote our brand have attracted many foreign parties to seek our representation in their countries. [Fourthly,] Our website and also websites of our foreign master franchisees have attracted many overseas parties to contact us to promote our franchise and products…With awards received from our government together with our achievement both locally and internationally, foreign partners know that we have a formula to introduce successful foodservice business in their countries.

There are four important criteria that attract its potential franchisees. One of these criteria is its awards and achievements. Based on the strong characteristics of its concept and product diversification, Firm C won many awards and achievements. Since 1997, Firm C has been winning a total of 12 awards as depicted in Appendix H. It began with first award in 1997 by receiving 'Most Promising Franchisee' award. In the following year, it won 'Franchise of the Year' award and 'Home Grown Franchise' award. After waited for two years, Firm C was given the 'Outstanding Franchisee' award. A year later, it won "Largest Corn & Ice-Cream Franchise" award. For the following two consecutive years, it was awarded 'Outstanding Franchisee'. In 2006, it received three awards, namely 'Global Growth Award – Platinum Award', 'The BrandLaureate – SMEs Chapter Award', and also 'Most Number of Overseas Outlets for Malaysian Franchise' based on its fast growing franchises in more than 15 countries with more than 500 outlets worldwide. Lately, it won Gold Award for 'Global Growth Award 2008', Bronze Award for 'Industry Excellence for Franchisors 2008', and 'The Highest Sales per Square Feet of Year 2010' by Kuala Lumpur International Airport. These results had convinced the potential foreign partners to join his business. With its successful achievements in local and foreign markets, international franchisees recognized its capability in operating a successful foodservice business in host countries.

These awards and achievements are always presented in the trade fairs attended. It allows Firm C to exhibit its outstanding performance to potential franchisee overseas.

4.3.5 Theme 5: Government Supports

In the internationalization process of Firm C, government plays very important role in supporting the growth of the outlets. This is affirmed by its FDGMS. He revealed the reason for government support in attracting foreign franchise business to Malaysia:

> Our government wants foreign direct investment (FDI) in Malaysia. Franchising is the best way to encourage local people to be entrepreneurs. Local entrepreneurs can learn from foreign franchisors in doing business

To ensure the local business community is benefited from foreign direct investment, Malaysia government urges the local entrepreneurs to adopt franchising businesses. Apparently, Firm C had benefited from the foreign foodservice available in Malaysia. It became an entrepreneurial firm and eventually it learnt how to expand business to foreign markets. In penetrating overseas, it had undergone a complex process to be a successful franchisor. Its FDGMS revealed the process of internationalization of Firm C:

> Our first step was we set up our own outlet and with our success record we started to set up our franchise business in Malaysia. When setting up our franchise business we registered ourselves with our Government body regulating the Franchisors in Malaysia. Proper guidance was given by the Government body. We also engage a solicitor to draw up our franchise agreement. In the agreement it spells out the responsibilities of both the Franchisor and the Franchisees. After having established ourselves as a successful Franchisor in Malaysia we participated in trade fairs overseas. Interested overseas parties came to Malaysia to review our successful operations and with our local success stories the interested parties are asked to conduct market survey to introduce our business overseas. Information from the market survey helps us to jointly determine strategies for our overseas expansion with our identified master franchisee operator for each country or territories. Master

Franchisee agreement was drawn up along with projected cash flow and profit and loss account for the Master Franchisee.

Based on his description, the diagram that illustrates the process of expanding overseas for Form C can be shown in Figure 4.3 below:

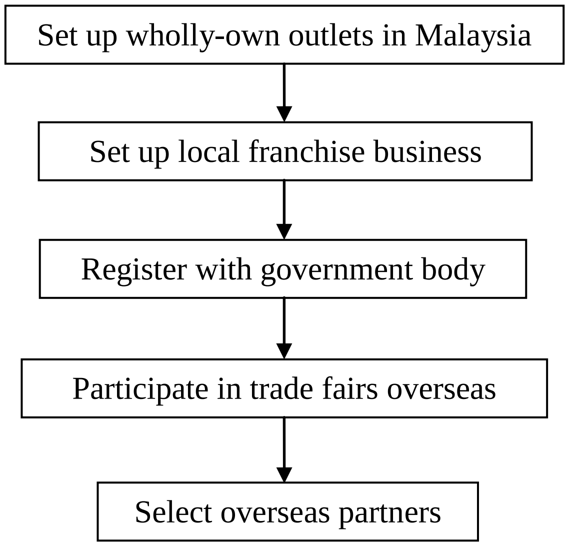

Figure 4.3: The Internationalization Process of Firm C
Source: Adapted from questionnaire survey on 2011, March 20
and Company website (2011)

As depicted in Figure 4.3, after Firm C had successfully set up its local franchise system in Malaysia, it looked for overseas franchisees. Since it registered with government body, the priority was given to Firm C to join the government organized business trips. The government body that deals with franchise in Malaysia is Malaysian Franchise Association (MFA). With government support, Firm C selected the capable international franchisees which possessed strong financial background.

The franchising schemes that Firm C has involved are Master Franchise Scheme for a country, Territorial Franchisee, Exclusive and Non-exclusive distributorship, outlet franchise, and joint venture partnership in promoting its franchise. Firm C has also participated in exhibition via its local master franchisees in expanding franchise business in that particular country. Its FDGMS revealed government agencies that he dealt with and their roles in assisting Firm C to expand overseas:

> Two government agencies, MATRADE (Malaysia External Trade Development Corporation) and MRCA (Malaysia Retailer Chain Association) are assisting our overseas penetration…MATRADE annually participates in overseas exhibitions. We have participated in many countries via MATRADE – Germany, China, Vietnam, India, [and] Dubai (UAE). The MRCA is also very active in introducing retailer chain operator like us to overseas retail association. We have participated in China, Taiwan, USA, and Hong Kong via MRCA…[By] participating in trade fairs, we are able to promote our products and identify suitable locals to handle our foodservice business. The Association (MRCA) has organized local retailers to meet up with the overseas retailers, visit their operations, and also find out their success stories.

There were two government agencies actively assisting Firm C, MATRADE (Malaysia External Trade Development Corporation) and MRCA (Malaysian Retailer Chain Association). MATRADE is government agency that supports any local firms which intend to promote their brands in international market through trade fairs. MRCA, on the other hand, support the Malaysian retailer to introduction their product abroad. Since Firm C concept is foodservice segment and part of retailing business, it deserves government support from these two agencies. With the supports provided by government, it accelerated Firm C international expansion.

Trade fairs that organized by MATRADE and participated by Firm C were Anuga Fair in Germany, Swedish food Fair, Nanning Food Exhibition, and Macau Franchise Exhibition. MRCA had also brought Firm C in its trade mission to Vietnam, Taiwan, Shanghai, and USA.

In addition to trade fairs, when Firm C encountered financial problem during Asian Financial Crisis in 1997, Malaysian government provided financial supports. Its FDGMS revealed the type of financial support provided by Malaysian government during economic downturn:

> …The working capital financing scheme. The credit facility has enabled us to purchase our raw materials with a discount. The active overseas exhibition organized by MATRADE, which was partially subsidized by the government, has helped us to get some overseas orders.

In this case, government supports are not only the trade mission and business trips, it also involves monetary assistance. Malaysian government provided capital financing scheme, credit facility, subsidy for overseas exhibition during Asian Financial Crisis in 1997. These financial supports had facilitated the internationalization process of Firm C during difficult time.

4.3.6 Theme 6: *Halal* Commitment

In 2007, Firm C penetrated 15 countries with altogether 600 outlets around the world, including setting up 350 outlets of which were located in Saudi Arabia and the remaining across Kuwait, Indonesia, and China. The Middle East region has since become international key market owing to the sheer number of overseas outlets located there. With the huge market in Middle East, *halal* becomes an important issue.

According to its FDGMS, Firm C emphasized of the importance of *halal* to its outlets:

> Our outlets do not offer non *halal* products….our outlets are *halal* and our corn products are HACCP (Hazard Analysis and Critical Control Points) certified. As our Corn products are exported from here (Malaysia), we provide the JAKIM's (Department of Islamic Development Malaysia) *halal* certification to our overseas importers…For corn products, most overseas markets do not ask for *halal* certification. [Therefore], HACCP certification is important. For other products such as Belgian waffle, dorayaki etc., *halal* certification is important.

As a franchisor, Firm C requires *halal* certification as preferred by Malaysian market since the country is dominated by Muslims. Foreign franchisees are also requested to be *halal* certified especially in Middle East region. In this case, foreign partners were given *halal* certification from JAKIM (Department of Islamic Development Malaysia). This certificate would be obtained personally by Firm C to its overseas franchisees as well as importers. By doing so, the corn products are certified *halal* in Malaysia before they are delivered overseas.

On the other hand, HACCP (Hazard Analysis and Critical Control Points) is required in non-Muslim countries. In addition to *halal* and HACCP, Firm C also met the strict GMP (Good Manufacturing Practice) and ISO (International Organization for Standardization) for cleaning, blanching and freezing using advanced machinery and equipment at its plant.

In United States, it possesses addition FDA (Food and Drug Administration) Certification and non-GMO (non-Genetically Modified Organism) in order to meet the stringent requirement of developed country.

4.3.7 Theme 7: International Expansion to Middle East

Franchising businesses are becoming popular in the Middle East and Asia-Pacific. The application to participate in the franchise business demonstrates the enthusiasm among Middle East customers to Asian products. The FDGMS of Firm C revealed this reality:

> There are many businessmen from Middle East who are interested in our franchise. Nowadays, they have experience traveling to many Asian countries. They found many ways in doing new business and are innovative in selling their foodservice product. They target low-end market for their products.

Since there are many potential franchisees from Middle East who have vast experience in dealing business with other Asian counterparts (Tan, 2010, August 19), they are the target franchisees for Firm C.

Despite Dubai financial crisis in 2009, Firm C is still confident with the speed recovery of the crisis. It is looking for opportunities to further expand in the Middle East. Its FDGMS provided the reason for the action:

> During Dubai Financial Crisis in 2009, American and European renowned foodservice brands became more expensive for Middle East businessmen. [Therefore,] these businessmen are searching for other foodservice firms from Asia. They are especially interested in Malaysian brands since we are fellow Muslim country which offers *halal* products. Some other Malaysia firms which have done business earlier there have also shown excellent achievement in Middle East. These reasons give us advantage to do business there.

Dubai financial crisis had become opportunity for Firm C to tap Middle East market. The branded product from developed countries were expensive, thus Asian brand like Firm C would be a favorite choice (Tan, 2009, December 19). The optimistic of Firm C in the Middle East market resulted in increasing number of outlets in this region. Its FDGMS explained the reason for organizing business trips to Middle East:

> We participate in this trip to expose ourselves with Middle East market. We target Dubai as a stepping stone to penetrate other Middle East countries as well as African region.

The visit to Middle East had secured his franchisee in North African region, East African and also Gulf Cooperation Council (Tan, 2009, December 19). There are many businessmen from Middle East who bought Firm C's products asked to be franchisee. They were convinced with the potential of its brand in Middle East (Presenna, Apr 20, 2010).

4.3.8 Theme 8: Product Standardization and Adaptation

To ensure the quality of product is standardized all over the world, Firm C exerts tight control over the corn supplied to its franchisees in the foreign markets. All the corns are exported to overseas market from Malaysian plants. This in turn, will increase its revenues in addition to franchising fees. Since its core product is corn, export became a very important activity. Its FDGMS explained about the standardized corn:

> We have our species of corn seed called “Firm C 28”. In Cantonese dialect, the number, “yee faat” (28), has similar pronunciation with “easy to prosper”…This corn has less fibre, is sweeter, easy to plant and grow. “Firm C 28” corn seed is its own grade that planted by our selected farmers in Chemor, Kota Kinabalu and Johor Bahru with a total of more than 1000 acres of land.

In order to standardize its corn, it had to grow company’s hybrid seed, known as “Firm C 28”. This species of corn had to be processed by its own plant and shipped to the host countries to ensure quality and reliability in supply. These corn kernels are derived from a new generation of hybrid corn based on three years of extensive research and development. The seed is not only more nutritious and delicious but also higher in quality compared to other corn species (Ooi, 2008, October 31). Figure 4.4 illustrates the process of developing its corn before reaching consumers.

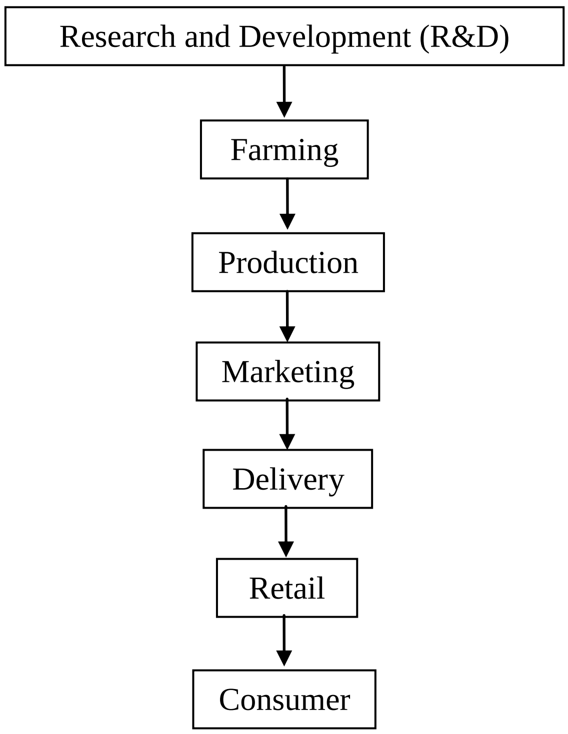

Figure 4.4: Process of Developing Corn Business from R&D to Consumer
Source: Adapted from questionnaire survey on 2011, March 20
and Company website (2011)

Research and development is the fundamental step in offering high-quality corn before farming. The corn is harvested between 60 to 65 days before sending to sophisticated plant for producing corn-related items. This is to ensure high quality, price stability as well as consistency in supply. Subsequently, the marketing activities are necessary to look for franchisee. Once franchise agreement is signed, Firm C will deliver its corn to its retail outlets overseas before reaching its international consumers. The systematic handling of its corn business yields positive result for Firm C.

Its FDGMS also uncovered the successful strategy of Firm C relevant to its process of developing high-quality corn:

> [We have] successful operation in Malaysia, continuous research and development (R&D) on products and services can standardize our local outlets and also foreign franchise outlets. R&D also helps us venturing into activities that give us competitive advantage in supplying our products. [For] example, developing our own standardized corn seed, farming our corn, processing our own corn and patent our special process to produce corn cobs, manufacture our own standardized Belgian waffle and Japanese pancakes, develop more products using corn kernels such as corn smoothies, corn soup, corn juices etc.

Basically, its corn supply has to be sufficient and reliable in order to consistently produce according to its menu. The products from the processing plants are transported by refrigerated trucks throughout Malaysia and shipped to international franchise holders. Its FDGMS elaborated about corn production in order to fulfill the demand of its overseas outlets:

> With reliable corn supply, we can continue to penetrate new markets. At present, our capacity is about 300 tonnes per month. This amount is sufficient to accommodate the demand of our 800 outlets in 17 countries. If we found new foreign markets, we have to ensure the supply is able to fulfill the demand of new markets. We will secure a land with the size of 607ha by the end of 2012. Current land size is 324ha which is only enough for the existing demand…We are not only source corn kernel from our existing owned plantation, we are also dealing with other large corn producers and sign the contracts with them. These commercial contract farmers will be given with our standardized high quality seed, “Firm C 28”. They will learn from us to

> grow our corn...We will require them (foreign franchisees) to import our standardized high quality seed in order to maintain our quality in foreign markets.

Local suppliers may be lack of capacity to produce the quality corn demanded. Therefore, Firm C was forced to vertically integrate through the local food industry to provide technical assistance on producing better quality of corns (Premalatha, 2011, November 21).

Firm C began as only corn retailer in 1985 before involved in franchise system as a tool to expand its outlets nine years later in 1994. Seven years later, it started to involve in corn processing at its plants located in the state of Perak and Sabah. In 2005, it engaged in contract farming (Premalatha, 2011, November 21). The contract farming required a partnership with its contract corn farmer. All the contract farmers involved were supplied with its standardized seed, “Firm C 28”. Having 27 years in foodservice industry, Firm C gradually developed vertical integration to ensure smooth flow of its corn delivery system especially since this core product had to export overseas.

With the overseas franchises offering standardized product, Firm C exported over 100 tonnes of corn per year. This business had also provided job opportunity to families around the farm.

Principally, all foreign outlets have to offer its standardized product. Its FDGMS revealed Firm C’s localization of product:

> For corn related products, foreign country operator uses our products directly. Locally if they want to sell any other products they must obtain our written approval…Even sourcing local products [also] needs our written approval…All corn related products are exported by us to the overseas operators. They (foreign franchisees) also import our kiosks, advertising materials, steamers, waffle bakers, Belgian waffles and Dorayaki.

Firm C compelled its overseas outlets to import its corn as well as other side dishes and its concept was also imported in order to standardize its operation everywhere. Therefore, almost 100% of its products were standardized. However, if its outlets overseas planned to introduce other products in its local market and to source the product locally, they were required to obtain written approval from Firm C. This is to ensure that the adaptation to host markets would not jeopardize its operation standard.

Its FDGMS also emphasized the importance of an entrepreneur to understand and adapt to the host countries environment:

> …The entrepreneur must know the local taste, law, competition, import duties, operation cost, logistics and viability of his foodservices in the country he wants to expand to. It is a common practice that entrepreneur searches for overseas entrepreneur and appoints suitable overseas party to represent them. The overseas party will understand the local environment better and will shorten the time to introduce the foodservice business…A very high percentage of the entrepreneur effort is required to increase the speed of the overseas expansion…

The franchisees in the host country play important role to customize their operation by innovating the existing products and introducing new products in their outlets. This is because they have local knowledge which reduces the learning curve for the franchisor. If Firm C were to enter the foreign markets by adopting wholly-owned strategy, it had to spend longer time to learn the local environment.

CHAPTER 5: RESEARCH FINDINGS

5.1 Introduction

In cross-case analysis, concepts were determined by within-case similarities coupled with inter-case differences. Within-case similarities would strengthen each concept while inter-case differences will build a new concept (Corbin & Strauss, 2008). By looking into the combination of research problem, existing literature, and researcher choice; the concepts, themes, and categories of dimensions therefore were determined (Eisenhardt, 1989). Based on the unstructured qualitative analysis, the theory was developed for the process of internationalization for Malaysian foodservice firms.

Based on the results of three cases, the internationalization process of Malaysian foodservice firms could be analyzed by looking into the initial influence of foreign foodservice firms until their overseas ventures. In this case, the sequence of the categories was based on the logical order of the phenomena. Therefore, the international expansion of Malaysian foodservice firms began with (1) Pre-internationalization Stage; then (2) Internationalization Entry Stage; and lastly (3) Post-internationalization Stage as shown in Table 5.1.

Table 5.1: The Theory Development Based on Concept, Theme, and Category

No.	Concept	Theme	Category
1	Role Models	Foreign Embeddedness	Pre-internationalization Stage
2	Western Concept		
3	Government Initiatives	Government Influence	
4	*Halal* Commitment		
5	Franchise System	Foreign Embeddedness	Internationalization Entry Stage
6	Foreign Partners		
7	Government Agencies	Government Influence	
8	Trade Missions		
9	Standardization	Foreign Embeddedness	Post-internationalization Stage
10	Adaptation		
11	Import and Export	Government Influence	
12	Sourcing and Learning		

As in Table 5.1, two themes were developed for each stage, namely “Foreign Embeddedness” and “Government Influence”.

For the first theme, “Foreign Embeddedness”, it was developed based on the 6 concepts found at each stage: “Role Models”, “Western Concept”, “Franchise System”, “Foreign Partners”, “Standardization”, and “Adaptation”. At first, it was themed as “Western Firm Strategy”. However, the term “Western Firm” was misleading as the concepts like “Standardization” and “Adaptation” involved in host countries which were not western country but eastern countries. The theme of “Firm” was also inappropriate because the 6 concepts generally referred to country, market, or strategy. Therefore, the term “Western Firm” has been replaced with only “Foreign” to depict any western or eastern country, market, or strategy.

Since “Foreign” was influencing the local firms, the term “Strategy” had been used to explain this phenomenon initially. However, after thorough scrutiny, the term “Strategy” was less suitable because the concept like “Role Models” and “Foreign Partners” cannot be “Strategy” and it was replaced with “Embeddedness”. The concept of “Embeddedness” is coined by Granovetter (1985). It is the measurement of the overlapping between social and economic ties within and between organizations that enmeshed in social network. Therefore, based on this definition, the term “Embeddedness” is appropriate in internationalization process.

The second theme is “Government Influence”. It was developed based on the 6 concepts, namely “Government Initiatives”, “*Halal* Commitment”, “Government Agencies”, “Trade Missions”, “Import and Export”, and “Sourcing and Learning”. At first, it was categorized as “Government Correspondence”. However, the term

“Correspondence” was less suitable and it was replaced with “Influence”. This was because the term “Influence” reflected control, guidance, rule, pressure, authority, and power, instead of just correspondence. It was to measure the extent of the need of local firms to rely on government based on their confident and trust over government authority. It was also authority in host countries that facilitated the international expansion of Malaysian foodservice firms. Therefore, the term “Government Influence” was adopted.

5.2 Category 1: Pre-Internationalization Stage

Category 1 is the first stage of internationalization process, which is named as “Pre-internationalization Stage”. This is the term used to describe strategies of Malaysian foodservice firms before they expand internationally. It is considered the most important stage which builds a strong foundation and determinant for Malaysian foodservice firms to expand overseas. This category was developed based on 4 concepts in 2 themes below.

5.2.1 Theme 1: Foreign Embeddedness

For this theme, it was developed based on (1) Role Models; and (2) Western Concept. Both concepts were derived from the influences of foreign foodservice firms which were doing business in local scene. Therefore, they were themed under “Foreign Embeddedness”. The following is the analysis of the formulation of these two concepts:

5.2.1.1 Concept 1: Role Models

The internationalization process of Malaysian foodservice firms started with the entry of foreign foodservice firms in Malaysian market which influenced the way of doing business among the local firms. Based on the cross-case analysis, the three firms found to have common pattern that developed the concept of “Role Models”:

Firm A:...We use English-sound name as our brand like other well-known fast food restaurants: KFC, McDonald’s, and Pizza Hut. Many people think we’re American brand…We offer fried chicken, burger, French fries, bread, fish and chip as international food. Over 70% of the menu items offered in our outlets is western food. At the time we offered fried chicken [in 1981], A&W and KFC were already household names in Malaysia. Both American brands have been offering the menu like what we’re offering but they’ve been there for more than ten years before us…Our direct competitors are KFC, McDonald’s, Pizza Hut, Burger King, and A&W. Interestingly we also have 3 syllables like these 4 brands: K-F-C, Mc-Do-nald’s, Piz-za-Hut, Bur-ger-King, and A-&-W….They (foreign foodservice firms) use the principle of QSVC (Quality, Service, Value, and Cleanliness). We also depend on the same principle…

Firm B: Yes, foreign foodservice firms are our role models in the sense of market, the system and infrastructure, and the passion of these companies (foreign foodservice firms) to go overseas…We’re concerned about the service provided and also customer comments just like other foodservice firms, KFC, McDonald’s, A&W, Délifrance, etc…We follow the trend like Starbucks…Foreign restaurant reacts very fast to the current situation. McDonald’s for example, always goes along with economic situation. When the petrol price increases, its meal price is very competitive. That’s why during economic downturn, we offered RM10 per meal on average as competitive as the price of other foreign restaurants…All the countries that we’ve invested are very successful. We must have money to access to the foreign countries. The good brands must have strong financial background just like McDonald's, KFC, and Pizza Hut which can open 200 to 300 outlets in Malaysia. Even [The] Coffee Bean [& Tea Leaf] and Starbucks require Malaysian conglomerates, Berjaya Group, which has strong financial background to be their franchisee. We also must get good partners who have strong financial background in overseas…All restaurants now try to offer breakfast, lunch, dinner, and tea break, included us. Subway also offers sandwiches for breakfast. Even 'kopitiams' (local coffee shops) also have half-boiled egg and toasted bread for breakfast. Foreign restaurants also offer breakfast, KFC offers coffee and nasi lemak (coconut-cream rice); McDonald's offers scrambled egg, sausages, waffle and hash brown with RM 5.

Firm C: Most foreign foodservice firms such as KFC, McDonald's, Pizza Hut, and A&W operate their outlets professionally and have presence in many countries in the world. As a Franchisor, we must learn from their success stories and put in place good practices. Foodservice hygiene is very important and getting world certification is important for foodservice operator. Overseas health authorities will ensure food operators in their country meet international accepted certification…Foreign foodservice firms such as Dunkin' Donut, Baskin Robbins, Haagen Dazs, and even 7-Eleven have simple operation system, proper training for their franchisees and their operating staff, frequent promotion and introduction of new products, competitive pricing, strategic locations and good supervising methods. We have learnt from such good practices from the foreign foodservice firms….

The case study research based on the three firms demonstrates that international foodservice giants such as McDonald's, KFC, Pizza Hut, The Coffee Bean & Tea Leaf, and Starbucks are among the key foreign players in Malaysian foodservice industry. They have one common characteristic, which is, the country of origin is United States of America.

Many American foodservice firms invest in Malaysia. It can be evidenced by over 70% of foreign franchising sales in Malaysia are from American franchisors, followed by United Kingdom, Taiwan, Singapore and Australia. The universal nature of American food has rendered the convergence of western taste among Malaysians. In this case, American firms dominate fast food and other foodservice segments as shown in Table 5.2.

The entry of foreign foodservice firms has changed the landscape of foodservice industry in Malaysia. Due to the high capital investment required for foreign foodservice firms to operate in Malaysia, they appoint local firms which tend to be Malaysian conglomerates and wealthy investors. Large local conglomerates appear in local foodservice scene such as QSR Brands Bhd., Berjaya Group, and HPL Group (based in Singapore). They are active players in Malaysian franchising market, each of them are holding a number of foreign and local franchising brands.

Although these are Malaysian firms, they do not have absolute ownership for the American-origin brands. Most of them hold master franchisee or licensee rights to a number of countries in the region. They adopt franchising as a strategy for regional expansion as shows in Table 5.2. Berjaya Group, a Malaysian major conglomerate which was listed at KLSE (Kuala Lumpur Stock Exchange) for example, ventured into franchising in 1984 with the establishment of 7-Eleven convenience stores in Malaysia.

Table 5.2: Major American Franchisors in Malaysia

American Franchisor	Local Master Franchisee Holder	No. of Outlets	Year Established	Territorial Rights
1. Kentucky Fried Chicken 2. Pizza Hut 3. Seattle's Best Coffee	QSR Brands Bhd	514 220 3	1973 1984 2001	Malaysia, Singapore, Brunei Malaysia, Singapore Malaysia, Singapore, Brunei
4. Kenny Rogers Roasters 5. Wendy's 6. Starbucks Coffee 7. 7-Eleven	Berjaya Group	64 8 115 1212	1994 2008 1998 1984	36 countries in Asia Pacific Malaysia Malaysia Malaysia
8. A & W	KUB Holdings Bhd	44	1967	Malaysia, Singapore, Brunei, Thailand, Hong Kong, Korea, Philippines
9. Gloria Jean's Coffee	TT Resources Bhd	15	1999	Malaysia, Singapore, Brunei, Thailand
10. Dunkin' Donuts	Golden Donuts Sdn Bhd	25	1986	Malaysia
11. Baskin Robbins	Golden Scoops Sdn Bhd	56	1988	Malaysia
12. Haagen Dazs 13. Hard Rock Café 14. Planet Hollywood	HPL Group (Singapore)	12 4 1	1993 1988 1999	Malaysia, Singapore 13 countries in Asia Malaysia and Guam
15. TGI Friday's	Melewar Group (Negeri Sembilan Royalty)	14	1994	Malaysia, Thailand, Singapore, Indonesia
16. Chili's Restaurant	T.A.S. Group (Pahang Royalty)	7	1994	Malaysia
17. McDonald's	Golden Arches Restaurants Sdn Bhd (McDonald's Corp, US owns 49%)	204	1982	Malaysia
18. Burger King	Cosmo Restaurants Sdn Bhd	26	1997	Malaysia
19. Domino's Pizza	Dommal Foodservices Sdn Bhd	48	1997	Malaysia
20. Shakey's Pizza	Shakey's Peninsular Malaysia Sdn Bhd	20	1988	Malaysia

Source: Adapted from Euromonitor International (2011), individual company website (2011), and Opportunity Malaysia (2005)

They have since acquired the rights to Kenny Rogers Roasters, Roadhouse Grill, and Starbucks Coffee, making them one of the major players in the industry. QSR Brands Bhd. on the other hand, is holding international franchising right for KFC, Pizza Hut, and Seattle’s Best Coffee while at the same time holding local franchising right for the brand known as “Rasamas”.

In spite of the emergence of local master franchisees show the direct influence of foreign foodservice firms, they have limited expansion to other region. Their international expansion is only within Malaysia or certain Southeast Asian countries. However, with the existence of another group of foodservice firms, they have absolute authority to expand their business all over the world. These groups of firms are local franchisors originated from Malaysia such as Firm A, Firm B, and Firm C.

In Malaysia, the top performers in the fast food segment are KFC, followed by Pizza Hut, and McDonald’s. However, A&W and KFC are the earliest foreign foodservice firms set up in Malaysia before any local franchisors are established. KFC, Pizza Hut and A&W are the subsidiaries of international parent company, known as Yum! Brands. Each of them is the leader in their respective category: KFC is the leader in fast food fried chicken; Pizza Hut is the leader in pizza; while A&W is the leader in root beer. They have exerted strong influence in Malaysian foodservice industry. For Yum! Brands, Malaysia is one of its top ten markets. Table 5.3 shows the comparison among 25 international markets of Yum! Brands.

Table 5.3: Top 25 Markets of Yum! Brands by Unit Count for Year End 2010

Markets	KFC	PH	TB	A&W	LJS	Total
United States	4,979	6,006	5,190	322	964	17,461
China	3,244	642	-	-	-	3,886
Japan	1,140	365	-	23	-	1,528
Great Britain	731	651	2	-	-	1,384
Canada	725	311	58	-	-	1,094
Australia	602	269	-	-	-	871
Indonesia	396	209	-	200	-	805
Malaysia	514	220	-	44	-	778
South Africa	614	-	-	-	-	614
Thailand	410	76	-	41	-	527
Mexico	322	176	-	-	-	498
Korea	142	304	1	-	-	447
Philippines	186	154	4	-	-	367
Saudi Arabia	127	161	-	-	-	288
Taiwan	122	158	-	-	-	280
India	105	171	2	-	-	278
France	117	117	-	-	-	234
New Zealand	96	87	-	-	-	183
Puerto Rico	89	50	34	-	-	173
Poland	120	51	-	-	-	171
Hong Kong	71	93	-	-	-	164
Russia	148	15	-	-	-	163
Egypt	101	60	-	-	-	161
Singapore	79	49	-	-	29	157
UAE	83	61	3	-	-	147

Note: KFC = Kentucky Fried Chicken; PH = Pizza Hut; TB = Taco Bell;
A&W = Allen & Wright; LJS = Long John Silver's
Source: Yum! Brands (2011).

Yum! Brands is one of the largest fast food franchisors in the world. The company is the world leader in terms of system units with about 36,000 restaurants in more than 117 countries and territories (Yum! Brands, 2011). In Table 5.3, in terms of number of outlets among the international market listed, A&W Malaysia is ranked third; KFC Malaysia is ranked eighth; while Pizza Hut is ranked eleventh. For the total outlets of Yum! Brand, Malaysia is ranked eighth. This reveals the strong influence of Yum! Brands in Malaysia as compared to size of Malaysia with other listed countries. Even many larger countries with larger population like Russia, India, Egypt, New Zealand, Poland, Saudi Arabia, and Mexico have fewer outlets compared to Malaysia.

The influence of foreign foodservice firms like Yum! Brand and other international foodservice giants such as McDonald's, Starbucks, The Coffee Bean & Tea Leaf, etc has translated into the role model for local foodservice firms. As revealed in the case study, it was found that Malaysian foodservice firms adopted the business operation model, restaurant concept, and international expansion strategy of foreign foodservice firms in setting up their foodservice firms domestically, before eventually expanding abroad.

Since there was no significant presence of other foreign franchisors in Malaysia except American, in terms of international expansion strategy, Malaysian foodservice firms adopted American franchising strategy in expanding their business locally and internationally. This strategy is originally adopted by American foodservice franchisors in expanding their business overseas. Master franchising and licensing are popular entry modes used by the American firms. Likewise, Malaysian franchisors begin to look for franchising as a way to diversify their markets, consistent with the strategy of foreign foodservice firms. Furthermore, as more and more foreign firms heading towards China and other neighboring low-cost labor markets in Asia such as India and Middle East, Malaysian foodservice firms are also moving to the same direction. Table 5.4 shows the countries expanded by the three firms in the case study.

Table 5.4: The Adoption of Role Models and the Countries Penetrated

No.	Malaysian Foodservice Firms – Foodservice Concept (Year of Establishment)	Foreign Foodservice Firms which are the Role Models (Year of Establishment in Malaysia)	Year to Start Expanding Overseas – Countries Penetrated
1.	Firm A – Fast food (1981)	A&W (1967), KFC (1973), and McDonald's (1982)	1993 – Singapore, Indonesia, Brunei, China, India, Sri Lanka, UAE, Saudi Arabia, Iran, Qatar, Bahrain, Syria, Kuwait, Tanzania, and Azerbaijan.
2	Firm B – Cake and Café (1997)	A&W (1967) , KFC (1973), McDonald's (1982), Délifrance (1990), The Coffee Bean & Tea Leaf (1996), and Starbucks (1998)	2001 – Singapore, Indonesia, Thailand, China, Pakistan, Philippines, Brunei, and Australia.
3.	Firm C – Corn in Cup Kiosk (1985)	A&W (1967) , KFC (1973), McDonald's (1982), Pizza Hut (1984), 7-Eleven (1984), Dunkin' Donut (1986), Baskin Robbins (1988), and Haagen Dazs (1993)	1996 – Brunei, Indonesia, Philippines, China, Saudi Arabia, Kuwait, Syria, Turkey, Germany, Bulgaria, Romania, Russia, Sweden, US, and Australia.

Source: Individual Company Websites (2011) and
Personal Interview and Questionnaire Survey

Clearly, based on the case study, Firm A, B, and C basically have foreign foodservice firms as their role models. In this case, A&W and KFC have been set as role models for most of Malaysian foodservice firms owing to their status as pioneer foreign foodservice firms in Malaysia.

Based on Table 5.4, the year of establishment of Malaysian foodservice firms is compared with the year of the foreign foodservice firms penetrating Malaysian market. The comparison is used to determine how long Firm A, B, and C learn business operation and strategy of foreign foodservice firms in Malaysia before expanding overseas. As in the cross-case analysis, the brand names of foreign foodservice firms mentioned in the personal interviews and questionnaire survey show that they are the role models. This result indicates that the foreign foodservice firms which set up earlier than these three firms in Malaysia are their role models.

For Firm A, based on the year of its establishment in 1981 and also its foodservice concept which is fast food, A&W and KFC therefore obviously are the roots of the role models. Both A&W and KFC set up their outlets 14 and 8 years earlier than Firm A in Malaysia respectively. McDonald’s, however, established its outlets in Malaysia a year later in 1982 when Firm A had started its business. Nevertheless, Firm A was never expanded to overseas market until 1993. Thus, McDonald’s could be also the role model as it had been established before Firm A started to franchise its outlets internationally. Firm A was able to learn about the systematic operation of foreign foodservice firms before penetrating foreign market.

Likewise, Firm C also experiences the same situation like Firm A. It establishes the kiosk concept of Corn-in-cup which offers similar concept like fast food. The mild differences are that it is just lack of variety and smaller in terms of store size. As revealed in the result of questionnaire survey, the role models are also A&W, KFC, and McDonald’s. These three international firms are set up earlier than Firm C in Malaysia. For the other four foodservice firms mentioned in the survey namely Dunkin’ Donut, Baskin Robbins, Haagen Dasz, and 7-Eleven, their concept of kiosk, parlor, and small store resembles Firm C’s. Although they set up subsidiaries later than Firm C in Malaysia, they had set role models for Firm C before it started to penetrate foreign market in 1996.

For both Firm A and C, it was found that the first three pioneer foreign investors namely, A&W, KFC, and McDonald's offering fast food concept in Malaysia had been their role models. Even in the interview with Firm B, the three pioneer foreign fast food chains were mentioned as role models. However, the café concept of Firm B is more akin to the operation of The Coffee Bean & Tea Leaf and Starbucks. Firm B also offers pastry products just like Délifrance which is originated from France and the only non-American brand mentioned in the interview. These three foreign foodservice firms therefore, have become its role models. In this case study interview, the interviewee used specifically the term "role models" to describe how the foreign foodservice firms set examples for Firm B. The Coffee Bean & Tea Leaf and Délifrance were set up in Malaysia one and seven years earlier than Firm B respectively. Firm B had taken advantage to learn their business operation and strategy before expanding overseas. On the other hand, Starbucks was established a year later than Firm B in Malaysia in 1998. Similarly, Starbucks became one of the important role models since Firm B learnt from it before its first international expansion in 2001.

In this study, it also revealed that the duration began from business operation in domestic market to foreign markets penetration could be used to measure the speed of internationalization process. In this case, it was found that Firm A took about 12 years to expand overseas despite being the first Malaysian foodservice firms to start franchising business. Likewise, Firm C took about 11 years to expand its business abroad.

The fact showed that international expansion of Firm A took place in 1993 while for Firm C, 1996. Between the year of the establishment and international expansion for Firm A and C, Malaysia encountered economic recession especially in 1985-86. These two firms were impacted but managed to recover in 1990s. This event however, had reduced the speed for these two firms to penetrate foreign markets. Both of them took more than ten years to internationalize their firms overseas. In addition, at that time, franchising was still new and government did not realize the important of foodservice industry to Malaysian economy. During those period nevertheless, Firm A and C took advantage to learn from foreign foodservice firms in Malaysia and set them as role models.

For Firm B, it just took about four years to internationalize its business overseas. Obviously, Malaysian economy suffered from Asian Financial Crisis in 1997 which was also the year Firm B was founded. However, the quick recovery of Malaysian economy had given chance for Firm B to penetrate foreign markets more rapidly. By the time Firm B started to operate its business in 1997, there were many foreign foodservice firms set up their outlets in Malaysia compared to 1980s when Firm A and C had just established. It therefore, provided advantage for Firm B to learn from them in much shorter time compared to Firm A and C.

As the domestic market seemed to be less attractive during the period of recession, Malaysian franchisors started to look for the countries which were not affected by economic downturn such as Singapore, Brunei, China, India, and Middle East region as shown in Table 5.4.

The local foodservice firms that are established later than foreign foodservice firms tend to adopt and adapt their concept. They have shortened the learning process and facilitated the internationalization process. Therefore, it can be summarized that the entry of foreign foodservice firms has exerted influences over Malaysian foodservice firms by their role models.

5.2.1.2 Concept 2: Western Concept

In terms of foodservice concept, Malaysian foodservice firms that expanded internationally have common criteria in foodservice concept. They prefer to offer western foodservice concept as western fast-food firms have set examples in expanding internationally. Western-style fast food chains are doing very well, which are numbering more than 1,000 outlets in Malaysia (Euromonitor International, 2011).

Prior to penetrating international market, Malaysian foodservice firms had already adopted strategies to expand overseas. The potential local firms embedded western foodservice concept. The concept of “Western Concept” would be formulated from the combination of the concept of “Western Brand Name” and “Western Food”. First, the concept of “Western Brand Name” was developed based on the cross-case analysis for three firms below:

Firm A: ...We use English-sound name as our brand like other well-known fast food restaurants: KFC, McDonald’s, [and] Pizza Hut. Many people think we’re American brand… Our brand name is always perceived to be international brand because we use European sound name. In fact, many customers thought we’re American brand… Even though it sounds like an English lady name, it’s just a brand name, representing quality fast food chain. It just popped up when our founder wanted to start a fast food business. It’s a simple pronounced brand name with international appeal. It has no meaning but easy to remember...

Firm B: ...We use English words for our brand which is easier to pronounce, easy to remember and associate with... “Firm B” is a brand that is easily acceptable as our products and menus are adaptable in any market. Cakes, though western in origin, are quite universal and easy to relate to…most people and the staff who’ve just joined-in thought it’s an American brand because it’s English name and the ambience is different from other (Malaysia) restaurants….

Firm C: …Our brand is named after our founder himself, “Firm C”…It is important to use a brand name that can be easily remembered and does not carry negative meaning… when we were introducing “Firm C” in Saudi, the Americans were engaging war with Iraq. Although “Firm C” is a Malaysian brand but the name of “Firm C” can portray American or western influence…It symbolizes the best quality corn kernel sold internationally, over 14 countries worldwide...

The interviews above indicate that western brand name is important for Malaysian foodservice firms, the codes found were “English-sound name” and “American brand’ in Firm A, “English word, American brand, and English name in Firm B, and “portray American” and “Western influence” in Firm C. These codes were used to establish the concept of “Western Brand Name”. Below is the cross-case analysis to develop the concept for “Western Food”:

Firm A: …We offer fried chicken, burger, French fries, bread, fish and chip as international food. Over 70% of the menu items offered in our outlets are western food…We make it by matching international brand with international food. If we use eastern brand name and offer mostly eastern food instead, we may face difficulty in expanding overseas. It’s because we’re competing with international brands which mostly are strong western brands. International food like pizza, fried chicken, and burger are accepted worldwide. So, if we offer only eastern food, we may not be successful overseas…

Firm B: …We consider our food as fusion food. For overseas, it's about 70% of western food, 30% is Malaysian food. In Malaysia, it's 99% (western food) with exception of Nasi Goreng (Malaysian fried rice). Even we offer Tom Yam Fried Rice (Thai fried rice), it's still not originated from Malaysia…We've more than 60 types cakes offered to our customers…I consider Western food as international food…It (Délifrance) also offers coffee and spaghetti like us…

Firm C: …Almost all of our foods are western foods. Even our dorayaki (Japanese pancake) looks like American pancake. Our ice-cream potong (sliced ice-cream) is also western food. Our corn cobs, corn kernel can be used with western food serving. We have already introduced corn in cup to more than 14 overseas countries. Also, our Belgian waffles, dorayaki (Japanese Pancakes), corn juices, corn smoothies, corn soup has found international market. Even our ice-cream potong (sliced ice-cream) has found international market. Most of our food sold locally can be introduced internationally…

Based on the analysis for the concept of "Western Brand Name" and Western Food" above, the common criteria were discovered in regards to Malaysian foodservice brands that had expanded overseas. First, the brands created were better associated with western language, especially English language. Second, the brand name must represent high level of quality. The brand name must sound and resemble American or European brand that would give advantage of superiority. The general perception was that local-sound brands in Malaysia were inferior.

Third, the brands must be easily recognized and popular among the local customers. Since many Malaysians had experienced traveling overseas, in addition to teenagers and young adults who were increasingly adopting American culture and eating American food, the brands would continue to be accepted because the young generation who become older in future were continued to exert the positive attitude toward the brands. Fourth, the brands indicate a western person's name like Firm A and C. This criterion is consistent with the brand name of many international foodservice firms such as McDonald's, Kenny Roger, Wendy's, Carl's, etc. which depicts the person name. Fifth, the brands identify the universal name used for their food and menu offered like Firm B. Likewise, this criterion is also consistent with renowned international foodservice players such as Burger King, Pizza Hut, Domino Pizza, The Coffee Bean & Tea Leaf, and many more.

With this strategy, it inspires local firms to ingeniously apply the brand name that can appeal as international firm and portray global image. Local firms tend to name their brand that resemble western name. Brand name is more important than other criteria such as product offered in Asian countries especially Malaysia compared to the West.

The advent of Western foodservice concept has given idea to Malaysian foodservice firms to offer western food with western brand name. American products are already well-known and well presented in the foodservice market. Since an increasing number of American- and European-style foodservice firms are opening in Malaysian market, there is no doubt that Malaysian foodservice firms are also adopting western names in their brand. The adoption of western foodservice concept is not just brand name alone, it also involves food offered. This is summarized using Figure 5.1.

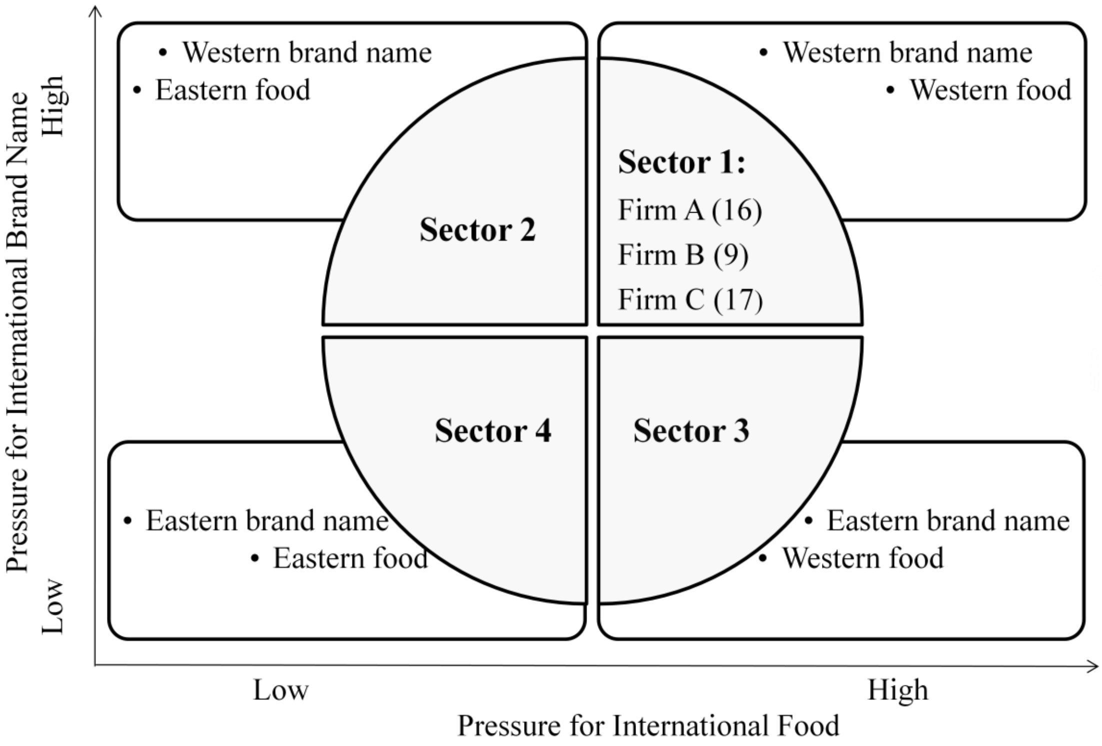

Figure 5.1: Pressure for International Food and International Brand Name

In Sector 1, the pressure for internationalization exerted by the local firms pursuing western brand name and western food at the same time is very high. In fact western food with western brand name helps the firms to prepare themselves in international market. In order to internationalize, their food and brand name should be universal and accepted in international market. Clearly, western foodservice concept plays a significant role before internationalization takes place. The western foodservice concept has facilitated the internationalization of Firm A, B, and C. High pressure for international brand name and international food have resulted in rigorous international expansion for these three firms. For A for example, has set up its outlets in 16 countries, while Firm B and C are 9 and 17 respectively.

In sector 2, the foodservice firms that offer western brand name may have advantage of being international brand name but if the eastern food is offered, it may be inconsistent with its western brand name. They exert high pressure on international brand name but low on international food. International market may misperceive the food offered to them as customer may expect western food since the brand name is of western name. Offering eastern food in western brand foodservice outlets may disappoint their customers. This turns to be even more difficult in expanding overseas. The strategy of western brand name with eastern food obviously has created unharmonious concept for international market.

Interestingly, in Sector 3, the foodservice firms that try to establish eastern brand name with western food may intend to offer universal food to domestic market only, without targeting international market. Eastern brand name may provide familiarity among the local customers by expecting that the local people will aspire and support local firm growth. Rasamas, for example, the subsidiary of QSR Brands Bhd fully utilizes its strong supply chains to offer western foodservice concept. Since QSR Brands Bhd is also the master franchisee for KFC in Malaysia and 3 other Southeast Asia countries, it depends on KFC brand to expand in the region while Rasamas focuses only the local market without being directly in competition with KFC. In this case, it exerts low pressure over international brand name but high pressure over international food.

Lastly in Sector 4, the firms with eastern brand name offering eastern food have low pressure for international brand name and also international food. To date, they are still not expanding overseas. Since the brand name indicates food offered, customers can expect what is offered. The local foodservice firms like Tai Thong offering Chinese food, Chakri Palace offering Thai food, and Sushi King offering Japanese food are only expanding their business locally. Therefore, the pressure for international brand name is still low. In spite of the attempt of Malaysian firm with this concept to penetrate international market, it does not show the result expected. Kyros Kebab for example, after enjoying a few years of operation in international market, it withdrew altogether from its international market in China, Singapore, Brunei, Indonesia and Pakistan in 2007. In this case, the eastern brand name with eastern food offered limits the tendency to internationalize.

Another local firm, SugarBun, which offers both western and eastern food, faces difficulties in maintaining its outlets overseas. It has withdrawn from China's market, and many other outlets in Brunei and Bangladesh are facing problems associated with menu offered and segregation of franchisees in the host countries. This shows that if the foodservice firm does not have clear concept, it cannot ensure its survivability in foreign countries.

At pre-internationalization stage, the preparation for internationalization is based on how much the pressure of the firms in offering international brand name and international food. The more pressure on the both elements, the easier the firms internationalize.

5.2.2 Theme 2: Government Influence

This theme consists of (1) Government Initiatives; (2) *Halal* Commitment. The concept of "Government Initiatives" is the effort of Malaysian government to encourage local firms to involve in foodservice industry; while the concept of "*Halal* Commitment" is the government-imposed policy to foodservice firms in Malaysia to offer food that is consumable to majority of population in Malaysia which is Muslim particularly and also all the Malaysians as a whole. This is also consistent with the government's plan to promote Malaysia as a *Halal* Hub. Therefore, both are themed under “Government Influence”. The following is the analysis of the two concepts:

5.2.2.1 Concept 1: Government Initiatives

The internationalization process of Malaysian foodservice firms starts with government initiatives to encourage businesses that can expand internationally especially franchised businesses. Based on the interview in the cross-case analysis, the following three firms have common pattern in this concept:

Firm A: …Our government is business friendly. They are business minded; they want investment which gives more job opportunity. That’s why foreign investors are allowed to do franchise business in Malaysia. I’ve chance to visit certain countries, no government is as supportive as Malaysian government in franchise industry...As the largest local (Malaysian) restaurant chain, we won numerous awards from our government such as the ‘First Local Fast Food Franchise’ which was recognized by the Malaysia Book of Records, the ‘International Homegrown Franchise’ for six year running since 1998 and the ‘Malaysian Franchisor of the Year’ award.

Firm B: …government started to strengthen franchising legislation in Malaysia. Prime Ministry at that time, Dr. Mahathir realized the importance of franchise in encouraging foreign business to Malaysia…After we’ve been already expanded, government did provide grant for us to do promotion and create branding overseas…[RM] 2 million were given somewhere in year 2005 to a few companies, we’re among the lucky companies…We are choosy in competing to get any award; it must be prestigious and recognized by government and internationally. Some awards you just need to pay money to get it. It’s not just simply private award like Kris Award.

Firm C: …Our government wants foreign direct investment (FDI) in Malaysia. Franchising is the best way to encourage local people to be entrepreneur. Local entrepreneur can learn from foreign franchisor in doing business…Our attractive kiosks design, our award winning products, our tasty products, and our government initiative to promote our brand have attracted many foreign parties to seek our representation in their countries… With awards received from our government together with our achievement both locally and internationally, foreign partners know that we have a formula to introduce successful foodservice businesses in their country.

Based on the case study interviews above, government initiatives can be divided into various parts. First, government opens its door to international firms to invest in Malaysia by giving certain incentives such as tax exemption and promote Malaysia as a lucrative destination for foreign direct investment (FDI). In foodservice industry, the foreign investment friendly strategy has attracted many foreign franchisors to invest in Malaysian foodservice industry. Through franchise system, foreign franchisors that contributed capital, technology transfer, expertise, entrepreneurial development, and human resource development are most welcome. The government recognizes that local firms have to learn from the developed countries since franchising is relatively new in Malaysia. Since home-grown foodservice firms are still in its infancy stage and to further stimulate it, Malaysian government encourages leading foreign franchisors to set up operations in Malaysia. The government recognizes the benefits of gaining knowledge and experience from foreign foodservice giants, such as KFC, McDonald’s, and Pizza Hut which possess proven business models and track records.

At the same time, government encourages local firms to do franchise businesses. With this policy, not only substantial local master franchisees holding well-known international franchise licenses are growing, but also local franchisors are borne. Government organizes many rewards to recognize the effort of local businesses, especially local franchisors that are successful in international market. One of these rewards is the government introduction of business awards such as Franchisor of the Year, The Malaysian Largest Franchisor, Malaysian Best Restaurant, etc. The most prestigious awards are Malaysia Franchise Awards. These awards offer a valuable opportunity for franchise entrepreneurs to be recognized as the year's best franchise players.

International foodservice firms depend on their popularity and quality to convince their foreign partners in order to expand overseas. In the case of Malaysia, to enter foreign markets, it will be far more difficult since Malaysian foodservice industry is still at infancy stage. As the foreign firms have been the role models for local firms, the success stories and achievements of these international giants have motivated local firms to look for the mechanisms that can convince their international partners to sign franchise agreement. One of these mechanisms is competing in the awards that are organized by Malaysian government. The list of awards won by Firm A is shown in Appendix F, Firm B in Appendix G, and Firm C in Appendix H. from the list, Firms A obtains 17 awards, Firm B with 45 awards, while Firms C gains 6 awards.

The purpose of the awards initiated by Malaysian government is to appreciate the local foodservice firms that excel in foodservice industry. The awards won have facilitated Malaysian foodservice firms in promoting their brands to foreign investor in order to enter international market. The accumulated awards are to showcase their good track records which are guaranteed by Malaysian government. Therefore, government initiatives have motivated local franchisors to expand overseas and eventually convinced the foreign franchisees to accept Malaysian franchisors.

5.2.2.2 Concept 2: *Halal* Commitment

Halal means “lawful” or “permitted” in Arabic language. For *halal* food in Malaysia, it is governed JAKIM (Department of Islamic Development). Food is *halal* if it does not contain or come into contact with pork, animals improperly slaughtered or dead before slaughtering, animals killed in the name of anyone other than Allah (God), alcohol and intoxicants, carnivorous animals, birds of prey and land animals without external ears, blood and blood by-products, foods contaminated with any of the above products (Malaysia, Department of Islamic Development, 2012; U.S., Islamic Food and Nutrition Council of America, 2012).

JAKIM has resumed the responsibility as the *Halal* Certification body effective from 1 August 2009. The *Halal* Directory features companies which are registered with MATRADE (Malaysia External Trade Development Corporation) and have products which are certified *halal*. Since *halal* issues are monitored by government agencies, this concept, “*Halal* Commitment” is categorized in the theme of “Government Influence”. Based on the cross-case analysis, the following three firms have common pattern in this concept:

Firm A: …We’re known as ‘the largest *halal* brand’ in Asia. They trust our *halal* concept and high quality of service….Even in non-Muslim countries like India and Sri Lanka, we still put *halal* in our restaurant banner...There is no prejudice of being *halal* in the non-Muslim countries that we’ve entered…In Sri Lanka, we get “All Ceylon

Jamiyyatul Ulama" certified, which is the *Halal* Certifying Body and recognized by Malaysian government. We don't obtain any *halal* certificate from other foreign countries [accept Sri Lanka]. We just use Malaysian *halal*. This is already sufficient to show that we've fulfilled the *halal* criteria.

Firm B: …When our government declared Malaysia as *Halal* Hub, we've to gear up our effort to offer *halal* food…In the production lines itself, even though we've HACCP (Hazard Analysis and Critical Control Points) certified, we still need *halal* certified, therefore we just pay additional RM 200 for the *halal* certification…when the *halal* food is sensationalized, people are fanatic, they're scared the products without *halal* certified are not safe, that's why we're very particular in offering *halal* products…In Singapore, it's (the *halal* certification is) from Malaysia. In Australia, it associates closely with Malaysian *halal*; the process of slaughtering chicken, beef, and lamb must be certified *halal*…

Firm C: …Our outlets do not offer non *halal* products….our outlets are *halal* and our corn products are HACCP (Hazard Analysis and Critical Control Points) certified. As our Corn products are exported from here (Malaysia), we provide the JAKIM's (Department of Islamic Development) *halal* certification to our overseas importers… For other products such as Belgian waffle, dorayaki etc., *halal* certification is important…Recently, we found that there is a niche market for low price *halal* dim sum (Chinese dumpling)…

Since Malaysian population is about 60% Muslim and Islam is an official religion, it demands *halal* products. Even the foreign foodservice firms invested in Malaysia are necessary and advantageous to be *halal* certified in order to include large segment of the population. They must adhere to Malaysian commercial and contract laws, procedure, and local norms. For instance, pork must not be served at foreign foodservice outlets especially fast food. The chicken, lamb, and beef must be slaughtered according to Islamic rites. Although an existing handful of non-fast food firms serve pork, new foreign non-fast food firms with pork on the menu may face difficulties in obtaining approval to set up their outlets in Malaysia.

The commitment of foreign foodservice firms in Malaysia to adopt *halal* has inspired Malaysian foodservice firms to pursue the same strategy. This inspiration is not only accepted by local market, but also facilitates the firms to expand internationally as Malaysian government fully supports the *halal* foodservice firms to expand overseas. The firms also believed that the *halal* concept facilitates the export to the host countries. The government will ease the approval of *halal* food since it realizes the mission to be the *halal* hub in Asia and turns Malaysian foodservice firms as global *halal* brand. The policy of Malaysian government to promote Malaysia as *Halal* Hub has enabled the government agencies to promote the *halal* committed firms in international market.

In addition to that, since a large portion of the population is Muslim and does not eat pork, chicken menu is very popular. Firm A, like its competitor, KFC, takes advantage from the benefit of being fried chicken fast food chain. All foodservice outlets offer chicken products are in fact have *halal* certification. The *halal* commitment shown by the three Malaysian foodservice firms have facilitated their overseas expansion.

5.3 Category 2: Internationalization Entry Stage

Category 2 is the second stage of internationalization process, which is named as "Internationalization Entry Stage". This is the term used to describe strategies of

Malaysian foodservice firms at the moment of entering international market. It is the moment when Malaysian firms are dealing with their international partners. This category was developed based on 4 concepts in 2 themes below.

5.3.1 Theme 1: Foreign Embeddedness

For this theme, it was developed based on (1) Franchise System; and (2) Foreign Partners. For the concept of "Franchise System", it was the first found in United States dated back to the 1850s. Later, it was popularized by American fast food such as A&W, McDonald's and KFC to expanding their businesses throughout the world. Since Malaysian foodservice firms have been also adopting franchising strategy of foreign foodservice firms to expand overseas, it is themed under "Foreign Embeddedness". The following is the analysis of the formulation of the concept of "Franchise System":

5.3.1.1 Concept 1: Franchise System

The statistics show that most of the local franchise entrepreneurs are getting into foodservice segment with 120 franchises, clothing and accessories take second place with 53 franchises, maintenance and services 46, and beauty and health-based franchises, 32 (The Star, 2009, October 30). Thus, franchise system is the most popular way of doing business in Malaysia. Franchise system includes a license that grants the right to operate the business. It spells out the payment of franchising and royalty fees, advertising fees, and substantial personal net worth to the franchisor, based on certain percentage of sales.

At Internationalization Entry Stage, Malaysian foodservice firms adopt franchise system to expand internationally. By using the cross-case analysis for these three firms, there are common patterns in this concept:

Firm A: …We're using franchising method of going abroad because it's less risk on the HQ (headquarters). Most of our outlets are owned by franchisees…We appointed one master franchisee in Middle East, Al Abbas Group; one master franchisee in Southern India, MGM Entertainment Pvt. Ltd. The rest are small franchisees. In China, we appoint many master franchisees because of the size of the country and its population…

Firm B: …We eventually adopt franchise system which we believe it can maintain the quality of our menu items…We use franchising in Malaysia and also most of the countries penetrated, it's about 99% of our business. This is because we already had franchising experience in Malaysia and Southeast Asian countries. It always works. Franchising is easier; we just need to sign the agreement with our partner… The overseas entry mode is 100% franchising. Except for China and Australia, the equity owned by them is 51% [respectively]…Even though we adopt the franchising of western-style café concept; we try to differentiate ourselves from our competitors…

Firm C: …Our first step was we set up our own outlet and with our success record we started to set up our franchise business in Malaysia. When setting up our franchise business we registered ourselves with our Government body regulating the Franchisors in Malaysia. Proper guidance was given by the Government body. We also engage a solicitor to draw up our franchise agreement. In the agreement it spells out the responsibilities of both the Franchisor and the Franchisees…

In the analysis above, franchising is the entry mode of overseas expansion. As foodservice firms, the competitive advantage of franchise system is based on management know-how. Thus, the risk of losing control over its management skills is lower because the trademark is well protected by international laws. When Malaysian franchisors are in foreign markets, they can reduce the costs and risks by transferring them to their franchisees. On the other hand, franchisees minimize the risk of starting new business because of the successful proven business model provided by franchisor. Therefore, by adopting franchising strategy, they can build global presence more rapidly and at relatively low cost and risk. Franchisees, on the other hand, will take this good incentive to build profitable operation as quickly as possible.

Thus, the franchising adopted by Malaysian foodservice firms to internationalize their business does make sense because fast food cannot be exported, like many services. By franchising, the management know-how of Malaysian foodservice firms, in terms of foodservice operation and restaurant concept are subject to written contract. Their brand names are also relatively easy to be protected using this contract. In this case, it can reduce costs and risks associated with opening new outlets in foreign markets.

Before gaining final approval, potential franchisees must be screened and go through training provided. Malaysian foodservice firms adopt franchise arrangements to expand its markets and have been successful in gaining worldwide presence through the effective use of proven managerial success. Since franchising agreement requires the payment of royalty and a percentage of revenue, franchisor provides assistance in operating business to their foreign partners.

5.3.1.2 Concept 2: Foreign Partners

At International Entry Stage, the capabilities of foreign partners are important in selecting the right franchisees. Based on the cross-case analysis for the three firms below, there are common patterns that develop this concept:

Firm A: …Before expanding overseas, we use more stringent selection criteria, that is, they (foreign partners) must have experience in doing business…The overseas partners must have an average master franchisee fee of USD 100,000 with additional USD 10,000 for every outlet. Another investment of USD 250,000 per outlet is needed for the operations…Our foreign partners must also responsible for their own logistics cost and taxes. They will advise us about the culture of the country and their taste and preference included government regulation. They know the authority…They must be able to build the brand in their country. They must be initiative, creative, endurable, and enthusiastic to do the business…We need them because they're experience and long enough in the business, they've run franchise business before…We have good Arab partners. They are able to develop the brand, multiple the outlets, and manage the chain…

Firm B: …the important criteria of selecting partners in expanding business overseas were the partners must have business sense, strong financial background, and stable business…we just need to sign the agreement with our partner. So long we select the right partners; they can handle everything without problem. However, in Australia, we use joint venture because it's a developed country. Our partner there claimed that it's a big market, he needed our involvement. We'd 51% of majority shares; while Australian partner's 49%. We hold the majority control….If the fund needs to be used, we must get permission from our partners…We also must get good partners who have strong financial background in overseas.

Firm C: …Information from the market survey helps us to jointly determine strategies for our overseas expansion with our identified master franchisee operator for each country or territories…With the information from the market survey we will use financial tools to determine the viability of the business in the said country. When we find it viable then we will pursue with getting suitable master franchisee to handle the country. If we find it not viable we will not pursue…Master Franchisee agreement was drawn up along with projected cash flow and profit and loss account for the Master Franchisee…the important criteria of overseas partners in its selection process were: financially stable, dedicated to built the business in the country, able to secure good locations, preferable knowledge in foodservice, and have a team of dedicated management team.

Since the entry stage of foreign markets is important, the issues related to politics, economy, and socio-culture have to be studied. Therefore, the foreign partners play pivotal role as they have local knowledge on their country.

To tackle the problems pertaining to quality control, Malaysian franchisors establish joint venture with foreign partner which is known as “master franchising”. Typically, a master franchisee will be appointed for a country or region. The master franchisee will represent franchisor to closely monitor the subsidiaries in that country. This foreign partner must be financially strong to resume their business overseas. In this case, joint venture with foreign partner works best to exert tight control over subsidiaries. It can standardize the operation of enormous number of overseas outlets. With the proximity and the smaller number of master franchisees to oversee the operation of their subsidiaries, it can reduce the challenges of quality control. In addition, it can overcome the geographical distance of the home country of franchisor and host country of master franchisee. Because the master franchisee is at least partly owned by the parent company, Malaysian foodservice franchisor can monitor their overseas subsidiaries through master franchisee to ensure the success of international market.

5.3.2 Theme 2: Government Influence

For theme 2, “Government Influence”, it consists of two concepts: (1) Government Agencies; (2) Trade Missions. The concept of “Government Agencies” refers to the involvement of Malaysian foodservice firms as members of government agencies or supporting the policy set by government agencies. For the concept of “Trade Missions”, it refers to government assistance in terms of promoting Malaysian brands overseas by traveling with Malaysian foodservice firms for overseas trade trips. Since these two concepts involve government and interrelated, they are themed under “Government Influence”. The following is the analysis of the concept of “Government Agencies”:

5.3.2.1 Government Agencies

At International Entry Stage, the attachment in government agencies is important in expanding overseas. Based on the cross-case analysis for these three firms below, there are common patterns that develop this concept:

Firm A: …We depend on government’s invitation to promote our brand overseas, especially Malaysian Franchise Association (MFA), MATRADE (Malaysia External Trade Development Corporation), and Franchise Development Division under the Ministry of Domestic Trade, Cooperatives, and Consumerism…MATRADE subsidized exhibition booth and our lodging. We appreciate the support provided and proud to be Malaysian brand...To enable our participation in government trade missions, we support government through its franchise schemes. We liaise with 4 government-linked companies (GLCs) in franchising scheme, but each franchisee has to obtain their own financing. First, through PUNB (Perbadanan Usahawan Nasional Berhad)…Second is PNS (Perbadanan Nasional Berhad)…Third is through CGC (Credit Guarantee Corporation)…Lastly through CIMB (Malaysian second largest finance provider)…

Firm B: …MATRADE and MITI always deal with us, but MFA just collaborates with MATRADE and MITI to come out with exhibition booths…After we'd already expanded overseas, government did provide grant for us to do promotion and create branding overseas through MATRADE and MITI. [RM] 2 million were given somewhere in year 2005 to a few companies, we're among the lucky companies…MITI offers this grant as part of the 10 years plan by government to assist the local brands…We got the contacts from MFA. MFA did help us in promoting our brand locally and also in UAE and other Middle East countries where there are many Muslims there…Perbadanan Nasional Berhad (PNS) and Malaysian Franchise Association (MFA) approaches us to get Bumiputera (native people) into our franchise…"Firm B" has also helped them (native people) to apply PNS's loans…

Firm C: …When setting up our franchise business we registered ourselves with our Government body regulating the Franchisors in Malaysia. Proper guidance was given by the Government body…Two government agencies, MATRADE and MRCA (Malaysia Retailer Chain Association) are assisting our overseas penetration…MATRADE annually participates in overseas exhibitions. We have participated in many countries via MATRADE – Germany, China, Vietnam, India, Dubai. The MRCA is also very active in introducing retailer chain operator like us to overseas retail association. We have participated in China, Taiwan, USA and Hong Kong via MRCA…

In the analysis above, there are many government agencies that are very supportive in Malaysian foodservice industry, namely MFA and MATRADE. MATRADE (Malaysia External Trade Development Corporation) is the national trade promotion agency of

Malaysia. MATRADE organizes seminars to further educate Malaysian firms on the opportunities available in Malaysian friendly countries. These programs are for the benefit of both local and foreign business communities. MATRADE also play a role in the development of *halal* industry. It provides avenues for businesses to find markets for their products and services overseas.

MFA (Malaysian Franchise Association) is an industry association initiated by government in 1994 to be the voice of the industry and to support the implementation of government programs in promoting the franchise industry. MFA is a unique organization as it does not represent only the private sector, but also government agencies, bankers, financial institutions, consultants, and legal firms. It aims to be the prime mover towards realizing Malaysia's vision to be the regional hub for franchising. Besides, it works to unite its members in view of protecting their interests, to cultivate and protect the image of franchising and encourage ethical business practice. It also plays important role in supporting government efforts to encourage direct and active involvement in franchising among Malaysian business communities.

In fact MFA and other agencies such as Perbadanan Nasional Bhd (PNS) and SMEs (small- and medium-enterprises) Corp Malaysia are supporting franchising business model. MFA assists in approving the application of Malaysian foodservice firms for a license as a franchisor. They must actively provide business modules that meet the conditions set by the Franchise Act 1998.

Seeing the encouraging growth of the industry, Franchise Act 1998 set by MECD (Ministry of Entrepreneur and Cooperatives Development) to regulate the franchise industry. Initially, a Franchise Development Division was established in 1992 within the

Prime Minister's Department to administer the franchise development program. The division was later transferred to MECD in 1995. The most important event joint-organized by MECD and MFA is "the Franchise International Malaysia". This represents the perfect venue to launch new franchise systems, appoint master franchisee, and identify potential local franchisees.

Further assistance is provided through Perbadanan Nasional Bhd. (PNS), the lead agency in developing the Franchise Development Program (FDP) under MECD. PNS operates under the guidance of MECD with an authorized capital of RM 1 billion and a paid-up capital of RM 751 million. In line with the Government's goal to enhance Bumiputera (native people) entrepreneurs, PNS has focused in particular on developing the franchise sector. The 9th Malaysia Plan (2006-2010) sets a minimum target of 1,000 Bumiputera franchisees and 50 franchisors to be created over the five-year period. The Malaysian government has allocated funds to various federal agencies, including Perbadanan Nasional Berhad (PNS) and Permodalan Usahawan Nasional Berhad (PUNB), to develop and enhance local franchises, acquire master franchises, master licenses and encourage sub-franchises among the bumiputeras.

In 2009, there are 311 franchises registered with the Registrar of Franchise under the MECD. Of the total, 197 are local franchises while 114 are foreigners. The food and beverage sector is the top franchising sector in the country, making up 29 per cent of the total. Therefore, with the fund and guidance provided by government agencies, franchising seems to speed up Malaysian foodservice firms in penetrating overseas markets.

5.3.2.2 Concept 2: Trade Missions

At this stage, the local foodservice firms that have committed to *halal*, adopt franchise practice and attach to government agencies are given opportunity by Malaysian government to expand their operation overseas through planned trade missions. Based on the cross-case analysis in these three firms below, there are common patterns that develop this concept:

Firm A: …We join government trade mission. We don't only deal with the overseas potential franchisees; we also visit many other fast food outlets…We depend on government's invitation to promote our brand overseas…we participate in the exhibition for Franchise International Malaysia 2008 and China Franchise Expo in Beijing…We're successful in India, and China. This year (2009) we signed franchise agreement during the trade mission in Batam, Indonesia, Maldives, and Azerbaijan. These franchise outlets are expected to open within this year…

Firm B: ...They'll set the trips based on categories…Others [supports] are like franchising, exhibitions, organizing exhibitions and trips…MITI only bring us to Muslim countries like United Arab Emirates (UAE)…Basically it's (the trade mission) for franchising and exhibition purpose; they organize, then we go. When the minister goes, we'll join…

Firm C: …After having established ourselves as a successful Franchisor in Malaysia we participated in trade fairs overseas…The Association (MRCA) has organized local retailers to meet up with the overseas retailers, visit their operations, and also find out their success stories…Interested overseas parties came to Malaysia to review our successful operations and with our local success stories the interested parties are asked to conduct market survey to introduce our business overseas…MATRADE annually participates in overseas exhibitions. We have participated in many countries via MATRADE – Germany, China, Vietnam, India, Dubai. The MRCA is also very active in introducing retailer chain operator like us to overseas retail association. We have participated in China, Taiwan, USA and Hong Kong via MRCA…[By] participating in trade fairs we are able to promote our products and identify suitable locals to handle our foodservice business…More participation in food fair and other exhibition as well to introduce our franchisee system and also the products for distribution…

In this analysis, the terms, "business trip", "trade fair", food fair", "overseas exhibition", "minister goes, we'll join", and "bring us to" found in the personal interviews and questionnaire survey were categorized into the concept of "Trade Missions". Malaysian government, through MATRADE has always aggressively promoted, assisted, and encouraged the local firms going abroad by participating in the international conferences and exhibitions such as Malaysia Service Exhibition and International Food Exhibition in various countries. As part of efforts to promote Malaysian franchise business overseas, MATRADE collaborates with MFA and MECD to organize international exhibitions abroad.

As a result of government to government relationship, Malaysian government has built very close diplomatic relationship with neighboring Asian countries and Muslim countries especially Middle East. For example, MATRADE organized Food Arabia Exhibition 2007 from May 13 to 17 in Jeddah, Saudi Arabia. In the same year, MATRADE organized "Franchising Middle East" trade show in Dubai in March, "Thailand Franchise & Business Opportunity" in Bangkok in July, and "Franchising China" in Shanghai in November. Before that, MATRADE held two franchise exhibitions in Dubai and China involving 11 local franchisors. Therefore, the trade missions organized by MATRADE are mainly focused on these few countries.

Encouraging home-grown franchises to expand abroad has long been a government effort. India and China in particular are highlighted as two emerging economies with large middle class market. Thus far, several home grown franchisors have made some inroads into global markets, particularly in ASEAN (Association of Southeast Asian Nations), China, India and the Middle East.

The interest and restless supports shown by Malaysian government have encouraged the internationalization through franchise system. In the case, Malaysian foodservice firms depend on trade missions organized by government to facilitate their presence in foreign markets.

5.4 Category 3: Post-Internationalization Stage

Category 3 is the last stage of internationalization process, which is named as "Post-Internationalization Stage". This is the term used to describe the strategies of Malaysian foodservice firms after expanding internationally. It is the stage where Malaysian franchisors are struggling to maintain and improve its presence in international market. This category was developed based on 4 concepts in 2 themes below.

5.4.1 Theme 1: Foreign Embeddedness

For this theme, it was developed based on (1) Standardization; and (2) Adaptation. Both concepts, "Standardization" and "Adaptation" are strategies that adopted in the foreign countries where Malaysian foodservice firms are present there. Therefore, they are themed under “Foreign Embeddedness”. The following is the analysis of the formulation of these two concepts

5.4.1.1 Concept 1: Standardization

At this stage, the standardization of operation is taken into account in order to maintain its quality overseas. Based on the cross-case analysis in these three firms below, there are common patterns that develop this concept:

Firm A: …Except for fried chicken, burger, fish and chips, fries, nugget, [and] bread, we adapt all products to foreign markets…we also use stringent S.O.P. (Standard Operating Procedure) [in overseas markets]. We’ve standard manual in preparing sauce….We also want to make our brand name more well-known....We standardize fried chicken to protect our core competency…The sauces have also been standardized according to the procedure that we’ve set. This is to ensure the standard of taste in order to maintain our quality and the secrecy of recipe will be well protected…standardizing can maintain the quality of the product in all of our international outlets…These centralized training venues are set up to better control quality worldwide…

Firm B: …The recipe is the same anywhere we have our outlets...Standardization can minimize the difference among the countries. It’s one of the criteria to be successful. We assure when customers go everywhere, the quality is the same...We eventually adopt franchise system which we believe it can maintain the quality of our menu items...We have centralized kitchen in Petaling Jaya (Malaysia) to distribute the cake to all the café chains throughout Malaysia. Ingredients in cake are premixed in order to control the cake quality. We’ve centralized kitchen in overseas, we train them and monitor them. We’ll give them the formula of cake making to overseas outlets. We export certain cake and food ingredients to the countries expanded. In China, there is one centralized kitchen. In Thailand, there is one centralized kitchen. In the Philippines, there is one centralized kitchen...

Firm C: …We will require them (foreign franchisees) to import our standardized high quality seed, "Firm C 28" in order to maintain our quality in foreign markets…[We have] successful operation in Malaysia, continuous research and development (R&D) on products and services can standardize our local outlets and also foreign franchise outlets. R&D also helps us venturing into activities that give us competitive advantage in supplying our products. [For] example, developing our own standardized corn seed, farming our corn, processing our own corn and patent our special process to produce corn cobs, manufacture our own standardized Belgian waffle and Japanese pancakes, develop more products using corn kernels such as corn smoothies, corn soup, corn juices etc…

The terms such as "standard", "standardized", and "standardization" were used interchangeably in these three firms in explaining the concept of "Standardization". It was found that the standardization was applicable basically in menu offered. Malaysian foodservice firms offer global food items to foreign consumers such as fried chicken as for Firm A, cake as for Firm B, and corn as for Firm C. This is because the customers in the countries invested especially Asian youngsters love to eat western snack food items. Menus tend to be fairly standardized across the region.

In spite of their presence in the foreign markets, Malaysian foodservice firms still tightly control its quality. They make effort to globalize their menu. In every single country, the core elements of foodservice concept were maintained. This is in parallel with this entry mode that tightens the franchisee with the franchisor who agrees to offer assistance for maintaining standardized quality, provide management training, and financial advice.. It is also found that the brand name, physical appearance, and main menu items are uniformed among these three firms.

Malaysian foodservice firms create their value in foreign markets by transferring valuable skills and products where their partners lack those skills and products. This provides the standard set of rules to control the quality of products and services of their subsidiaries overseas such as centralized kitchen as for Firm B. They have strict rules as to how franchisees should operate a restaurant such as standard manual as for Firm A. These rules extend to control over 'building structure, signage, equipment, decoration, training, food supplies, and recipes'. They also organize the supply chain for their partners such as standardized corn seed as for Firm C. Strict specification is required when purchasing goods or supplies to ensure the same quality of goods and services worldwide in return. By tightening the overseas operation, standardization therefore, can maintain its quality everywhere.

5.4.1.2 Concept 2: Adaptation

Although Malaysian foodservice firms are very particular on selling standardized product worldwide, it adapts product to take into account of national differences. Decisions on what to adapt and what to standardize are based on the costs and benefits of the firms for these strategies. Standardization can benefit Malaysian franchisors as it maintains quality while saving per unit cost in all the foreign markets. Adaptation, on the other hand, may incur in high cost for the operating in each country but can benefit in terms of attracting local customers by offering the menu according to local taste and preference. Based on the cross-case analysis in these three firms below, there are common patterns that develop the concept of "Adaptation":

Firm A: …I think 30% of the products are adapted to foreign markets because we alter food portion, taste, and presentation. We empower the master franchisee to adapt to local taste. We loosen the control over customized menu to better target foreign consumers. In fact, franchisees have full control over menu in their country except for standardized menu…we adapt all products to foreign markets. In India for example, roti prata (fried flour-based pancake) is offered in our outlets. In Middle East outlets, we offer chicken kebab (pieces of meat roasted on a skew). In fact, chicken satay (Malaysian marinates, skewered, and grilled meat) is popular in UAE because it looks like kebab. We also serve loose rice in Arab countries rather than Malaysian sticky rice. In China, we offer noodles. In Southeast Asian region, we offer nasi lemak (coconut-cream rice). In fact, we've our own strong identity of food. Even our nasi lemak (coconut-cream rice) is popular in Tanzania and Dubai…Localizing the product will let the franchisee to be more competitive in offering the product as they've to compete with their local competitors...

Firm B: …When we franchised in Australia, we adapted to Australian taste and preference by offering local menu items. Australian customers don't like sweet items as compared to Asians. We've also modified the ingredients in making Napolitana sauce to suit to Australian preference...In China, the customers there are not really used to western cuisine. So, we customize the local preference by offering noodle-related food to cater Chinese market...Cheese, kebab, duck noodles, fish ball soup, [but] not so much about lamb and chicken are adapted and sourced locally…In Malaysia, we don't sell Nasi Lemak (coconut-cream rice); but we sell in Singapore, Thailand, and China; they love it. We also offer Mee Mamak (Indian Muslim's noodle) and Laksa Johor (Johorean-style Malay spicy noodle soup) in China; they like it. We realize that Chinese like noodles, that's why we offer to them. We also sell Chicken Parmigiana which Australians like it and promote roti canai (Indian bread) in Australia…They believe in our concept since about 15% of product offered is tailored to local palate [in the host country]…Tom Yam which is Thai food is also popular in our China's market. This is because Chinese like sour and spicy as well. Same goes to Laksa (Malay spicy noodle soup) in Singapore…

Firm C: …Locally if they want to sell any other products they must obtain our written approval…Even sourcing local products [also] needs our written approval...

The terms such as "adapt", "alter", "tailor", "localize", and "customize" found in the case study were categorized into the concept of "Adaptation". In this analysis, it was found that only Firm A and B adapted their menu according to local condition while Firm C remained with its stringent standardization strategy.

Base on the personal interview with Firm A and B, despite standardized western foods are offered, Malaysian foodservice firms customize their menus to suit local taste. They are also quite flexible in introducing local menu items which are popular with in each of the countries penetrated. In the early years of their operation, the concepts of convenience and limited menu were used. As the market becomes mature and competitive, they pay continual attention to adopt a strategy of expanding their menus. As tastes vary from population to population, menu items and variations of each item must be considered in its internationalization strategy. Eating habits play a very important role in the popularity of menu items because what is offered in Malaysia may not be popular elsewhere. Therefore, some modifications and additions to the menu are important to meet the local taste.

They adopt adaptation strategy based on the taste and preference of Malaysians. This includes dishes and condiments which appeal to local tastes. They have designed the menus that are acceptable to all of their consumers in various countries. With adaptation strategy, Malaysian foodservice firms also offer the menu originated from the home country to the customers in host countries such as satay, nasi lemak, roti canai, etc. Although Malaysian-style fast food remains on the menu, local products which are accommodated to local customs have to be given priority such as kebab in Middle East and noodle in China. In this case, foreign franchisees have played a key role in helping Malaysian franchisors to adapt its marketing strategy and menu to local conditions.

5.4.2 Theme 2: Government Influence

For theme 2, "Government Influence", it consists of (1) Import and Export; (2) Sourcing and Learning. For the first concept, Malaysian foodservice firms depend on Malaysian government and host government diplomatic relationship to facilitate import and export. For the second concept, Malaysian foodservice firms have to depend on sourcing for certain raw ingredients in the host country. Host government plays the role to ensure that the local products are used in the host country. Local learning takes place when Malaysian franchisor acquires local knowledge from its franchisee in various countries. This franchisee will seek information in terms of market, legislation, finance, etc before obtaining permission from its government to start franchise business. Therefore, these two concepts are themed under "Government Influence'. The following is the analysis of the two concepts:

5.4.2.1 Concept 1: Import and Export

In order to standardize and customize their operation overseas, Malaysian foodservice firms cross international boundaries to import and export their food ingredients. Based on the cross-case analysis in these three firms below, there are common patterns that develop this concept:

Firm A: …We export certain ingredients like our standardized flour...We only export the very important ingredients such as pepper and herbs, and our branding flour. The mixture of herbs is done in Malaysia. We also mix our branding flour for battered chicken…We can export frozen nuggets and fish fillets if the franchisees aren't able to source in their country…Like Bangladesh, we've problem to find local sources and difficult to import and export to their country…But, in Tanzania we can easily export to their country…

Firm B: …Lemongrass and limau purut (Tom Yam ingredients) are imported from Thailand to China…Flour [is exported] from Malaysia; diary product and nuts are [imported] from Australia and New Zealand. Marshmallow which consists of gelatin is imported from Pakistan where we can get *halal* food...We always import the good quality ingredients from other countries and export our (country of origin's) quality raw products in order to standardize our menu in all the outlets globally…

Firm C: …For corn related products, foreign country operator uses our products directly…All corn related products are exported by us to the overseas operators. They (foreign franchisees) also import our kiosks, advertising materials, steamers, waffle bakers, Belgian waffles and Dorayaki…We will require them (foreign franchisees) to import our standardized high quality seed, ["Firm C 28"] in order to maintain our quality in foreign markets.

The ability of Malaysian foodservice firms to export their food ingredients are dependent on government regulation of the host countries. Firm A, for example, can export its flour to all the countries while other ingredient or raw materials must be sourced in the host countries. For Firm B, the ingredient for Tom Yam, lemongrass, is imported from Thailand to China because of its government to government relations. While for Firm C, the government of all the host countries allows its corn, "Firm C 28" to be imported. For the home country, Malaysia, the government encourages the exportation of local products into international market.

The standardization strategy requires Malaysian foodservice firms to focus more on export after succeeded in franchising deal in host countries. Although the franchisees are allowed to source local raw product, some of them failed to meet the specification required. To be more competitive, Malaysian foodservice firms realize that export cannot be the only strategy; they have to import certain ingredients or raw product in order to improve their food quality. If the products are not available or not up to the standard required, they have to import from the countries invested instead of export from its home country, Malaysia.

5.4.2.2 Concept 2: Sourcing and Learning

Based on the standardization and customization strategy of Malaysian foodservice firms, certain food ingredients have to source locally and the local knowledge learnt can strengthen their presence in that country. In order to develop the concept of "Sourcing and Learning", the common patterns were found in the cross-case analysis below:

Firm A: …We locally source certain raw product in the host countries such as chickens, fishes, potatoes, vegetables, breads, rice, and other products like chili and tomato sauce. Mostly are the perishable products. This is to save cost in logistic and to ensure the efficiency of the supply…We outsource almost everything…They will advise us about the culture of the country and their taste preference included government regulation. They know the authority…They just need to inform what new items they want to offer, we'll assist them in terms of QA (Quality Assurance) and R&D (Research and Development). We're mutual learning to adapt to other countries. This can improve our experience curve…

Firm B: …In China, noodles are very popular. We always look for agents. [For] Cheese product, we have agents. The agents can help us to find other suppliers, we can also get online like Alibaba...[In terms of] the method of operation, we learn a lot from Australia because of their standard, food quality, and stringent staff working attitude…In China, we learn a lot about their legislation, their people, and their fast changing trend…

Firm C: …With reliable corn supply, we can continue to penetrate new markets. At present, our capacity is about 300 tonnes per month. This amount is sufficient to accommodate the demand of our 800 outlets in 17 countries. If we found new foreign markets, we have to ensure the supply is able to fulfill the demand of new markets. We will secure a land with the size of 607ha by the end of 2012. Current land size is 324ha which is only enough for the existing demand…We are not only source corn kernel from our existing owned plantation, we are also dealing with other large corn producers and sign the contracts with them. These commercial contract farmers will be given with our standardized high quality seed, "Firm C 28". They will learn from us to grow our corn…

An important element in international franchising is the availability of resources. Malaysian foodservice firms realize that it is very difficult to replicate their local supply chain in other countries. They do not believe that standardization required the firms to export every product to host countries. They trust the suppliers in the host countries which can fulfill the specification needed in producing quality food. Therefore, all the raw products are sourced locally such as chickens, fishes, potatoes, vegetables, breads, rice, and chili and tomato sauce.

With suppliers in place in foreign markets, logistics management is contracted out to move raw food ingredients from individual suppliers to their outlets. They understand that the end performance of delivering satisfaction to the customers will depend on a good supplier network. Thus, Malaysian franchisors put a strong emphasis on monitoring the quality of those suppliers.

When Malaysian foodservice firms enter a foreign country, they emphasize the commitment to help suppliers and franchisees to improve their operations by providing knowledge and management when needed. This is what happened to Firm C where the contrast farmers are given standardized corn seed to grown its signature product. For Firm A, on the other hand, it offers Quality Assurance and Research and Development for its foreign franchisees. They not only have strict rules as to how franchisees should operate, but also organizes the supply chain for its franchisees as what is happened in Firm B. This organizational arrangement has proven to be very satisfactory.

Besides that, sourcing is not only politically more acceptable but also brings a degree of local knowledge from local partners to Malaysian franchisors. Malaysian franchisors, in turn, learn and improve in other foreign markets. In Asian market, the joint venture strategy allows the firms to tap into knowledge of domestic market and familiarity with local bureaucracies and regulations. Malaysian foodservice firms prefer politically influential partners as in some of the Middle East and China's operations. Malaysian foodservice firms take this advantage to learn from the countries invested in order to obtain better quality of products. The mutual learning process which results in better operation and services has convinced customers in the host countries to patronage their outlets.

5.5 Distinction between Home Country and Host Country

Overall, the internationalization process of Malaysian foodservice firms has developed an obvious distinction between home country and host country in terms of "Foreign Embeddedness" and "Government Influence" as shown in Table 5.5.

Table 5.5: Distinction between Home Country and Host Country in Internationalization Process

Internationalization Process	**Home Country (Malaysia)**		**Host Country**	
	Foreign Embeddedness	Government Influence	Foreign Embeddedness	Government Influence
Pre-internationalization Stage	Role Models; Western Concept	Government Initiatives; *Halal* Commitment		
Internationalization Entry Stage	Franchise System	Government Agencies	Foreign Partners	Trade Missions
Post-internationalization Stage			Standardization; Adaptation	Import and Export; Sourcing and Learning

In Table 5.5, Foreign Embeddedness and Government Influence take place in home country at Pre-internationalization Stage. For Foreign Embeddedness, it is found that Role Models caused by the entry of foreign firms take place in home country. Likewise, the Western Concept developed by Malaysian foodservice firms is influenced by foreign foodservice firms also occurred in home country. In the case of Government Influence, Government Initiatives is done by Malaysian government while *Halal* Commitment is adopted by Malaysian foodservice firms and monitored by government. These 2 activities are taken place in home country.

In contrast, these two themes take place in host country at post-internationalization Stage. For Foreign Embeddedness, it is found that Standardization caused tight control over the quality of foodservice operation and Adaptation adopted to customize local taste and preference occur in host country. In the case of Government Influence, Import and Export are the trading activities that take place in host country through government to government (G2G) relations. Sourcing and Learning are the supply of local food ingredients for foreign franchisees and knowledge learning in foreign markets which also happen in host country.

At Internationalization Entry Stage, it takes place both in home and host country. For the theme "Foreign Embeddedness", Franchise System has been adopted in the home country; while for the theme "Government Influence", Government Agencies play their role to encourage and promote foodservice industry is also occur in home country. In host country, on the other hand, Foreign Partners who have strong capabilities are selected from the host country; while Trade Missions to host country are organized by government.

5.6 Dependency Pattern of Firm A, B, and C

Despite the confessions of the findings above, the internationalization process has also developed another pattern based on their denials by Malaysian foodservice firms for the 2 themes, "Foreign Embeddedness" and "Government Influence".

From the cross-case analysis, Firm A, B, and C agree with Foreign Embeddedness and Government Influence. To certain extent, however, they disagree with these two strategies. For the theme of “Foreign Embeddedness”, Firm A and B deny their full “Foreign Embeddedness” as shown in the interview outcomes below:

Firm A: …KFC and Pizza Hut may have their chicken slaughtering center and chili farms in Malaysia, but we don’t need this…However, we don’t use mystery shoppers like KFC, McDonald’s, and Pizza Hut…The principle of CHAMPS (Cleanliness, Hospitality, Accuracy, Maintenance, Product, and Service) is used by KFC and Pizza Hut. For us, this evaluation is done for external part of the restaurant. We prefer to look into internal part of the restaurant…KFC in the past didn’t have variety menu items to offer. We started to offer many local (Malaysian) menu items like chicken rice, nasi lemak (coconut-cream rice), sambal (hot and spicy sauce), curry, and dhal. KFC copied from us by extending its menu items with these local foods. KFC started to offer rice only recently in 2008. Even McDonald’ offered porridge which we’d started first…

Firm B: As a local operator, we’ve to benchmark them and be innovative…It’s not the foreign foodservice firms influencing our operation, but we look at how they grow. [Foreign] Firms are more customer oriented, customers are always right, they know their choice. As a local operator, we’ve to benchmark them and be innovative. We don’t have to be follower, we can be initiator. We’re the first mover. In fact we’re the first café chain in Malaysia before [The] Coffee Bean [& Tea Leaf] and Starbucks which also offer alfresco concept…Délifrance, after being taken over by Singaporean [firm] last 2 years ago, they changed to offer table service like us. They also extend their menu with lamb chop, spaghetti, and other pasta items. Restaurant like KFC copied our color. We started with red and white. They use these 2 colors in their restaurant design and offer the same ambience like us. They also have the cake painted on the wall and also the placement of mirror on the wall. It also offers coffee and spaghetti like us. Like [The] Coffee Bean [& Tea Leaf], initially, it offers only coffee and maybe sandwiches. Now they copy from us by offering food like spaghetti. Starbucks offer muffin and croissant like us…Dôme also offers the same concept with some cake items…We're not copying from foreign foodservice firms, but we're traveling and looking around.

In the case of the theme "Government Influence", Firm A and B also deny full Government Influence as shown in the interview outcomes below:.

Firm A: …We appointed business branding consultant company to help us in expanding overseas…Government will organize trade mission only, we've to look for this company to do research for us…It depends on their works like market and legal survey; we pay on our own about USD 3,000 to 5,000 per assignment. For legal survey, we appoint our own lawyer to deal with the legislative matters especially on whether the profit can be transferred or not and the percentage of tax applied, etc…Our CEO and MD often visit foreign restaurants in their personal overseas trips which are not part of government trade missions…

Firm B: ..After we'd already expanded overseas, government did provide grant for us to do promotion and create branding in overseas through MATRADE and MITI…I don't see government provides any assistance [in other countries]…To go to China, Australia, and even Southeast Asia countries, it's [all] through our effort. Government has only brought us once to Nanning, China. We have to employ our own experts, lawyers and so on without any support from our government…when we're in Chinese Embassy, they did not have much time to deal with us. The government helps are very rare…We can't depend on government; we must have gut feeling and money to expand. We've to use money to learn. There are many uncertain rules to learn, you've to look at it…In 1997 and 1998, during economic downturn, government did not support us, tax was reduced only about 1%...every bumiputera (native people) gets instant cash to do business. In the case of non-bumiputeras (non-native people) [like us], they have to sort their own family money to start the business…

By comparing and contrasting length and depth between the argument against and argument for "Foreign Embeddedness" and "Government Influence", it can be concluded that Firm B is less dependent on Foreign Embeddedness and Government Influence. In contrast, Firm C has never denied any Foreign Embeddedness and Government Influence. It is fully embedded by foreign firms and fully dependent on government. This can be explained using Figure 5.2.

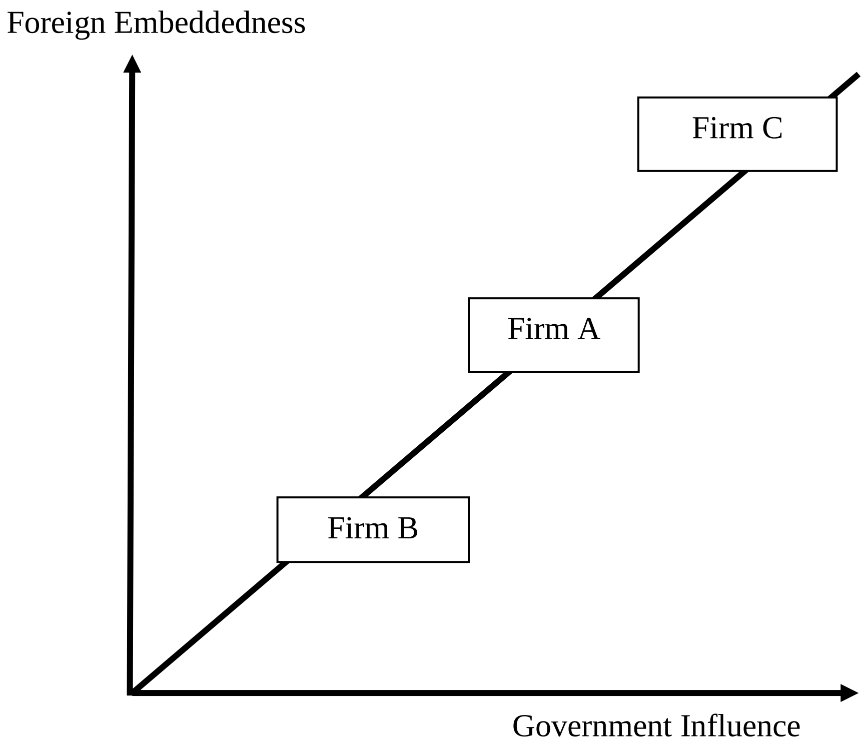

Figure 5.2: Pattern Developed from the Case Study

Firm C has very high Foreign Embeddedness and Government Influence. Its foodservice operation is fully influenced by foreign firms in home and host country. This firm can be categorized as "Dependent Firm". As opposed to Firm C, Firm B has the lowest Foreign Embeddedness and Government Influence. It is very innovative and appears to be different from foreign competitors. It does not dependent too much on government to expand overseas and very viable in the host countries. Thus it is appropriate to be known as "Independent Firm". For Firm A, it can be embedded by foreign firms and at the same time can differentiate itself from other foreign firms. It also depends on government but at the same time, it can stand on its own feet. Therefore, Firm A can be named as "Interdependent Firm" in this research.

5.7 Culture, Religion, and Tastes

The internationalization process of Malaysian foodservice firms is the most significant findings of this research. However, culture, religion, and consequently tastes are also significant along the internationalization process. This can be shown in the interview outcomes below:

Firm A: Since our main product is fried chicken, it's universally accepted. But, in Muslim countries, they are very concerned over the slaughtering technique whether it's according to Islam or not. In Asian markets, we can't just offer fried chicken and burger, we've to offer rice or noodle in our menu…Our international market is concentrated in Asia because our consumers have always perceived that we're the only quick service outlets that offer rice and noodle…So far, we don't have language barriers in setting up our outlets overseas. Many countries that we penetrated were commonwealth countries such as Singapore, Brunei, India, Sri Lanka, and Middle East. All of them have no problem with English language. In Indonesia, we still can use

Malay language; for China, we still can use Mandarin. Even though most of our websites use English, our advertisements in host countries use both English and their local language…We only offer *halal* products. We focus on Muslim majority countries such as in Middle East. When we set up our outlets in our Muslim fellow country, Maldives, we've no problem to adapt our product to suit local taste as we share same religious practice. Like Maldives, Muslim majority countries have always embraced our food because we are known as the world's largest *halal* fast food restaurant…In India, as majority of Indians believe in Hinduism, vegetarian burger is offered. Our vegetarian burgers prepared with mayonnaise without egg ingredients. We also offer vegetable nuggets at our Indian outlets. In Maldives, since tuna is local staple food, we offer tuna burger. In western China, there is a place known as Xin Jiang, majority of them are Muslim and lamb is their popular food. So, we offer lamb burger there…We always do market research for consumer preference. We found that teenagers and young adults in many developing countries are gradually accepting Western food nowadays. To be differentiated from our competitors, we focus on R&D. We'll make major changes to our main dishes every 1 to 2 years; while minor changes are done every 6 months. The new product will be tested for certain period of time and the feedback gathered to determine the acceptability of our consumers. The characteristics of the product that we consider are quality, practicality, and preparation time.

Firm B: To enter Singapore, it's less cultural challenges because our culture and their culture are almost the same. But, to enter India, it's rather difficult. Our product, for example cake may not be popular among Indians. We need to promote and cultivate cake eating habit when we penetrate Indian market in 2012. We also encounter challenges in China because their culture is different from Malaysian Chinese. Their regulations are also not fixed as it changes frequently over time. That means what's in the books is not what's practiced on the streets. Because of these challenges (Therefore), we've started to penetrate the countries with similar ethnic mix, culture and possible same level of disposable income…The countries that we penetrated like Singapore and Australia, there're no language barriers. This is because their official language is English. For Pakistan and the Philippine, we didn't face any problem because English is their second language. Same go to (similarly,) Indonesia and Brunei, we still use Malay language because our mutual understanding is very high. In Thailand, Thais don't speak fluent English. To solve this problem, we sent the local managers for English proficiency skills training. It's important because they are our intermediaries to convey our message to their customers in Thailand. In China, it's even worse; many of managers can't speak English. We've to translate everything to Chinese, especially menu, ingredients and commercial invoices. Anyway, Malaysian Regional Manager appointed to oversee the operation in China is well-versed in Mandarin…Since English is business language, we always hire key people like Regional Managers, Operation Managers, Café Managers, Procurement Managers and also require business owners to be well-versed in English…Since Malaysia is the regional *Halal*-Hub, it promotes ease of entry into Muslim-based countries. In spite of this, no matter what countries we go, we always offer *halal* product and our international customers have no problem to accept it. When we set up our outlets in India, we know that India has dense population with diverse cultures. Since majority of them are Hinduists, we've to customize our product to suit their religion by offering vegetarian foods. In fact, we're now offering various vegetarian products…We localize our recipe in international outlets to suit host country taste buds. For example, Filipinos prefer spicy food, Chinese will go for noodles instead of lamb, etc. But now, health awareness among food consumers in different countries has risen…People change their diet so that they can be healthier. In order to meet the change of their taste and preference, we offer healthy vegetarian concept at our outlets overseas. Our cakes are sugar free, fat free, egg free (eggless), low [in] calories, and high [in] fibre. That also means people with diabetes can eat our cakes. We also offer vegetarian ingredients like vegetables, mushrooms, tofu, bread, brown rice, wholewheat noodles into our pizzas, sandwiches, and spring rolls.

Firm C: In Asian countries, most of them are developing countries, the cultures are almost similar. Eating corn is just to meet biological need. But in Europe and US, they consume corn because it is a healthy food option…When entering Southeast Asian Nations like Brunei, Indonesia, the Philippine, we found that the customers there were less concern about the brand when they buy corn. For them, all corn kiosks are almost the same regardless of brand. Consumers from other countries in Europe and US concern over what brand they buy. Consumers usually perceive our product as simple snack item offered for all ages. Our corn is sweeter than other corn providers and our brand portrays the quality of food we offer. Our price is also reasonable. Since our location mostly at shopping complexes, most shoppers prefer our concept…For our neighboring countries like Brunei and Indonesia, we don’t have language barriers because both of them use Malay language. For the Philippine, Middle East, and, US, and Australia, English is used without problem. For other countries in Europe such as Germany, Bulgaria, Russia, Sweden, and Kazakhstan, we do have language problem but we have master franchisee in each of these countries to help us to deal with them. All sorts of documents and advertising campaign are dealt in their language. We only select the master franchisees who have experience in international market and can communicate with us in English…We’re *halal* certified. We know that we can penetrate any non-Muslim countries with our certificate. We don’t have to specifically look into religion factors of countries we want to penetrate because we offer only corn product which are accepted by any religions….Nowadays, smaller operation like our kiosk is popular. It sells limited food and can be prepared quickly. This is because customers are busy workers, they don't have time to sit down and eat. They prefer to eat while walking. So, it's convenient for them to buy our corns. We set up our outlets at railway stations, airports, and shopping malls so that we can cater this group of busy and mobile consumers.

In comparing and contrasting the interview data collected from the three firms, the culture can be divided according countries. The firms basically start to penetrate countries which have similar culture with Malaysia. Similarity in culture provides advantages in terms of taste and preference of product offered. It is also found that the markets selected have no language barriers. The three firms expand their business to countries where their population can converse in any of the three most important languages spoken in Malaysia, namely Malay, English, and Mandarin.

In addition, religion is another factors considered by Malaysian firms. They select foreign markets which have majority Muslim. This is because they are *halal* certified and certainly targeting Muslim markets. Since *halal* menu is always accepted by all religions, this strategy provides strength and opportunity for future international expansion. In addition, in order to penetrate Indian market, Malaysia foodservice firms have to offer vegetarian menu as Hinduists do not consume meat..

Lastly, the taste and preference of consumers have converged. In modern society of Asians, consumers especially teenagers and young adults opt western food. Furthermore, as many middle class groups are working adults, they have limited time to spend eating in full service restaurant. Therefore, they opt to eat in fast food restaurants, casual cafés, and kiosks. On top of that, since health awareness among global consumers has raised, foodservice firms have to focus on R&D to meet their need.

5.8 Competitive Advantage

These research findings have provided the significant process of internationalization. Along with this process, there are five implications found in these findings. Most of the findings tend to indicate how these three firms strengthen their market position by increasing barriers to imitation hence strengthening their competitive advantage.

For example, Firm C pursues diversification in which it has integrated backward where it grows its own corn. This move acts to protect its competitive advantage because constant supply of the most important raw material with the required quality is guaranteed. Interestingly, Firm C secured a competitive advantage by creating a special corn seed "Firm C 28" that was better quality, taste and easier to plant and grow. Through its R&D capacity, its investment cost can be allocated to setting up the outlets instead of searching for corn suppliers. Without the similar quality of corn available elsewhere in international market, it definitely heightens barriers to imitation, which favors Form C's position in the market.

The findings also show that the three firms gain success in influencing foreign governments like China, India, and the Middle East to allow them to expand their business via franchising. This is another competitive advantage for Firm A, B, and C because they partner with politically influential players in foreign countries. This ensures that the government supports their expansion and is in their favor. However, this implies a limitation for small players wanting to go abroad because politically influential businesses in foreign countries (potential master franchisees) are probably big players in the host countries and they would most likely want to partner with franchisors who are equally big in their home countries.

Another competitive advantage and imitation barrier that increase competitiveness of the firms are the rise of competence level. The advents of foreign foodservice businesses in Malaysia have improved the standard, competence, and skill level of local players. This is because they are able to adopt stringent quality, safety, hygiene and other operating procedures implemented by the foreign operators. Indirectly, this increases the service quality of the local players hence making them as competitive as other players from developed countries.

Likewise, the use of expertise in foreign markets can be also their competitive advantage. When abroad, Firm A for example, appointed a brand consultant to help expand in that market. The consultants were also required to do the market and legal surveys. Firm A also employs their own lawyers to look at the matters like ability to transfer profit, tax percentage applied, etc. Essentially, it implies that a certain amount of market research of the foreign country is carried our prior to investing in that country. In other words, venturing into foreign countries even via franchising requires some investment, which also implies that new start-ups would face such challenges if they wanted to go abroad within a few years of starting a business in their home country, especially if their home-country business profits are not stable.

Lastly, the competitive advantage is the cost implication in sourcing ingredients locally. For example, Firm A sources most ingredients locally because it saves cost. The factors that contribute to sourcing locally are the availability of resources, capability of local suppliers in providing quality raw materials, and transfer of knowledge of local supply chain management to headquarters for learning and improvement to better meet the foreign needs. Therefore, the cost factor plays a significant part in venturing overseas and there are huge gains to be experienced.

5.9 Summary of Internationalization Process

Apparently, there are three stages of internationalization process for Malaysian foodservice firms based on cross-case analysis. First, At Pre-internationalization Stage, the foreign foodservice firms were invited by Malaysian government through its friendly trading policy. This policy has encouraged many renowned international foodservice firms to invest in Malaysia. The need for the local involvement has emerged a number of local franchisees. These foreign foodservice firms immediately became the role models of local firms. With the scene of foreign foodservice firms and their role models in Malaysian foodservice industry, local foodservice firms began to offer western brand name with western food. The installation of foreign foodservice concept into Malaysian firms eventually yields many awards and achievements from local and foreign countries. These awards are the government initiative to encourage more local players to involve in foodservice industry. Malaysian government also supports the *halal* concept in order to promote Malaysia as *Halal* Hub. Malaysian foodservice firms have to comply with *halal* requirement in order to gain government assistance for international expansion.

At Internationalization Stage, Malaysian foodservice firms adopt Franchise System to enable them to set up international subsidiaries more efficiently. They select the right franchisees which are financially strong and able to work closely with them in the host countries. When they are about to expand overseas, government support is required. Among the government agencies which are actively searching for international market for Malaysian foodservice firms are Malaysia External Trade Development Corporation (MATRADE) and Malaysian Franchise Association (MFA). To facilitate the international expansion, Malaysian government organizes trade missions to politically friendly countries in order to deal with potential partners.

At Post-internationalization Stage, Malaysian foodservice firms standardize their operation in order to ensure their quality everywhere. They also customize their menus in order to offer local taste and preference to the host countries. They have to export certain core product in order to standardize their menu in foreign markets. However, if the host countries are unable to provide the quality required, they import the raw food ingredients from other designated countries. Local suppliers have been also worked closely with their master franchisee where certain ingredients in preparing their menu are locally sourced. Malaysian franchisors have also learnt local knowledge where it can be shared among franchisees in different countries.

Based on the cross case analysis, there is another meaningful pattern which differentiates Foreign Embeddedness and Government Influence in home and host country. It is found that Foreign Embeddedness and Government Influence take place in home country at Pre-internationalization Stage while they take place in host country at Post-internationalization Stage. For International Entry Stage, both Embeddedness and Government Influence occur in both home and host countries.

Another new meaningful pattern also occurred which differentiates the character of the three firms. It is found that Firm C is more dependent whereas Firm B is less dependent in terms of Foreign Embeddedness and Government Influence. Firm A, on the other hand, is categorized in between these two firms. Therefore, in this finding, Firm A is recognized as Interdependent Firm, Firm B is recognized as Independent Firm, and Firm C is recognized as Dependent Firm.

The findings also highlight the importance of culture, religion, and tastes. Malaysian foodservice firms focus on the markets which are similar to their home country before considering other foreign markets. In terms of religion, *halal* certification benefits Malaysian foodservice firms in targeting Muslim markets. Lastly the taste and preference are converged to western food, healthy menu, and convenient product.

Finally, most of the findings suggest that the firms strengthen their market position by increasing barriers to imitation hence strengthening their competitive advantage. The competitive advantages of Malaysian foodservice firms are product quality, partnership with politically influential players, adopting stringent operating procedures, utilizing expertise in foreign markets, and cost implication in sourcing ingredients locally.

CHAPTER 6: DISCUSSION

6.1 Introduction

In this chapter, the new model developed in the research findings will be debated with the scholarly literatures on sequential and non-sequential stage of internationalization process as shown in Figure 6.1.

As shown in Figure 6.1, the development of new model of this research reveals certain similarities with the sequential stage of internationalization process coined by Johanson and Weidersheim-Paul (1975) Bilkey and Tesar (1977), Cavusgil (1980), and Czinkota (1982).

The new model will be argued with sequential stage in terms of knowledge and experience, psychic distance, and entry mode. For non-sequential stage of international process, it will be debated in terms of knowledge and experience, characteristics of industry, characteristics of firm, characteristics of entrepreneur, home market, innovativeness and technology, and network. The concepts of each theme developed from the inductive approach will challenge the existing theories discussed in literature review.

Internationalization process

Johanson & Wiedersheim-Paul (1975)	Bilkey & Tesar (1977)	Cavusgil (1980)	Czinkota (1982)	New Model (2012)
Stage 1: No regular export activities	Stage 1: Management not interested in exporting Stage 2: Management is willing to fill unsolicited orders	Stage 1: Domestic marketing Stage 2: Pre-export stage	Stage 1: Completely uninterested firm Stage 2: Partially interested firms	Stage 1: Pre-Internationalization Stage (a) Role Models (FE) (b) Western Concept (FE) (c) Government Initiative (GI) (d) *Halal* Commitment (GI)
Stage 2: Export via overseas agents	Stage 3: Management explores feasibility of active exporting Stage 4: Experimental exporting to psychically close countries	Stage 3: Experimental involvement in psychically close countries	Stage 3: Exploring firm Stage 4: Experimental exporter	Stage 2: Internationalization Entry Stage (a) Franchise System (FE) (b) Foreign Partners (FE) (c) Government Agencies (GI) (d) Trade Mission (GI)
Stage 3: Establishment of an overseas sales subsidiary Stage 4: Overseas production manufacturing	Stage 5: Firm is an experienced exporter Stage 6: Firms look to export to psychologically distant country	Stage 4: Active involvement Stage 5: Committed involvement	Stage 5: Experienced small exporter Stage 6: Experienced large exporter	Stage 3: Post-Internationalization Stage (a) Standardization (FE) (b) Adaptation (FE) (c) Import and Export (GI) (d) Sourcing and Learning (GI)

Note: FE = Foreign Embeddedness; GI = Government Influence

Source: Adapted from Anderson (1993)

Figure 6.1: The Comparison between Sequential Stage Model and New Model

6.2 Knowledge and Experience

In the sequential stage of internationalization process, firms have to learn about international operations and committed to international business since they have insufficient information to set up overseas subsidiaries. Lack of knowledge about foreign markets and operations is the main obstacle to internationalization process which explains the reason for the firms to increase their experiential knowledge. The more the knowledge gained, the more the firm increases its commitment. Experience gives the firm an ability to see and evaluate business opportunities and therefore reducing uncertainty associated with commitments to foreign markets. Since knowledge is developed gradually, international expansion takes place incrementally (Johanson & Vahlne, 2003).

Yet, the model also states that lack of knowledge of foreign markets and operations creates an obstacle to internationalization, and that this knowledge can only be acquired by operating in, and experience of international markets. Admittedly, firms may lack of knowledge in internationalization process, institutional knowledge, or business knowledge (Eriksson *et al*., 1997).

In the case of Malaysia, foodservice industry is still in its infancy stage and to further stimulate home-grown franchise, Malaysian government encourages leading foreign franchises to set up operations in Malaysia so that local businesses can learn from foreign franchises with proven business models and track records.

In this stage, the role of government is mainly as motivator for the local firms. Malaysian government welcomes foreign investors to set up their businesses in Malaysia. The government acknowledges that the healthy growth of foreign business will help to prosper the nation, benefit not only businessmen, consumers, bankers, supporting service providers, but also Malaysia economy as a whole. Malaysian government clearly is a facilitative agent that provides a great deal of support to promote the growth of foodservice industry in the country.

The government recognizes the benefits of gaining knowledge and experience from foreign foodservice giants, such as KFC, McDonald's, and Pizza Hut. Therefore, this encouragement has led many foreign franchisors especially from United States to set up their operations in Malaysia.

From the perspective of "Government Influence", Malaysian foodservice firms acquire knowledge and experience through the existing foreign foodservice firms which have already set up their subsidiaries in Malaysia. These renowned firms are the role models for Malaysian foodservice firms. In this case, Malaysian foodservice firms acquire the knowledge from the foreign firms since they are the role models in the home country. This indirect knowledge and experience are transferred sufficiently to Malaysian foodservice firms. They embed the western-style of operating foodservice.

By adopting and adapting western concept of operating foodservice firms, Malaysian firms have shortened their learning process and thus facilitate the overseas expansion. Malaysian government recognizes that local firms have to learn from the developed countries since franchise industry is relatively new in Malaysia. It is found that knowledge of the internationalization business has been acquired while they are still in domestic market through role models.

Nevertheless, their knowledge and experience of internationalization is limited. The entry mode through franchise system requires less local knowledge and experience. This is owing to the function of foreign partners who have already owned local knowledge. In addition, although the emergence of Malaysian foodservice firms is built on their vast knowledge about the foodservice industry, their capability is more focused on domestic market. Most of Firm A, B, and C outlets are located in Malaysia and the highest sales are also from Malaysia. Firm A for example, from a total of 205 outlets available, 90 outlets are located in domestic market, which represent approximately 50%. In the case of Firm B, a huge number of outlets are still in domestic market which is 204 while in overseas, it has only 66 outlets, which represents almost 25% only. As opposed to Firm A and B, Firm C has only 10% of outlets in its home country. In spite of having 800 overseas outlets, Firm C spreads its outlets all over 16 different countries. Saudi Arabia is the country that has the most number of outlets for Firm C, which are 350 outlets compared to its own home market, only 80 outlets. This result shows that Firm C increases its international knowledge in order to set up 90% of its outlets in foreign markets.

The sequential stage also stresses the importance of internationalization knowledge and experience accumulation process throughout a firm's internationalization expansion. However, it is unnecessary to acquire experience from foreign markets in the case of Malaysian foodservice firms. This is because government served as intermediary in solving the problems related to venturing overseas. Malaysian first foodservice firm expand overseas through franchise system and via "Government Influence". The trend remains unchanged until now which is still merely based on leverage on grants and assistance of government agencies, primarily through active participation in events organized by Malaysia External Trade Development Corporation (MATRADE) to promote their brand overseas under Ministry of International Trade (MITI). On the other hand, Ministry of Entrepreneur and Cooperatives Development (MECD) and Malaysian Franchise Association (MFA) also support franchising overseas. Instead of firms go on their own business trips, government provides the invitation for trade missions to acquire knowledge about investment climate in the host countries. Overseas partners are usually successfully selected during this promotion as a result of the influence exerted by Malaysian government and its foreign fellow government.

Since experiential knowledge is country-specific and cannot be transferred between firms or business units, it is overcome by the influence of strong bilateral relationship between two governments. With government to government relations, the business partners are convinced with the entrepreneurs recommended by respective government.

It is contended that all the decisions of Malaysian foodservice firms to invest abroad are made independently, however, the firms are invited by government to join its trade missions and thus, the internationalization process is facilitated by government. As a result, government supports lead to reduced levels of uncertainty in unfamiliar foreign environments before investing overseas.

In this case, it is found that Malaysian government plays the role of motivator at pre-internationalization stage in which it encourages many renowned foreign foodservice firms to invest in Malaysia. On the other hand, at internationalization entry stage, it plays the role of intermediary in bridging Malaysian foodservice firms to deal with its politically friendly countries.

6.3 Psychic Distance

In sequential stage of internationalization process, firms are presumed to begin their international activities by targeting 'psychically close' countries. Through confidence, accumulation of business knowledge and acquisition of international experience, firms are committed with greater resources and begin to target greater psychic distance countries. The sequential stage of internationalization process implies that the initial foreign market selected is the market with shortest psychic distance. If firm enters foreign market begin with greater differences in language, culture, and other factors, it will hinder the flow of information between the market and the firm (Johanson & Vahlne, 1977).

Undoubtedly, Malaysian foodservice firms begin their international activities by targeting short psychic distance countries. Firm A for example, first entered to its neighboring countries in South East Asia which were Singapore, Brunei, and Indonesia. After that, it expanded to East Asia, China. Then, it penetrated to South Asia – India and Sri Lanka. Subsequently, it proceeded to set up in Middle East region – UAE, Kuwait, Saudi Arabia, Bahrain, Qatar, Syria, and Iraq. Finally, it franchises to African country, Tanzania, and former Soviet Union, Azerbaijan.

In the case of Firm B, they started to penetrate Southeast Asian countries first such as Singapore, Indonesia, and Thailand. However, the Philippines and Brunei are two Southeast Asian countries that penetrated only one year later after entering two other Asian countries, Pakistan and China. The latest country expanded to is Australia.

Firm C started expanding its outlets to the countries with similar culture, language, and level of development first, before expanding to greater psychic distance countries. It began franchising with it neighboring countries first, which were Brunei, Indonesia, and the Philippine. After that, it tapped into China market before set up in Middle East countries such as Saudi Arabia, Kuwait, Syria, and Turkey between 2006 and 2007. It later penetrated European countries such as Germany, Bulgaria, Romania, Russia, Sweden, and Kazakhstan in 2008 and 2009. The latest countries expanded were western developed countries such as Australia and United States in 2010 and 2011.

From the countries penetrated by Firm A, B, and C, it shows a significant trend in the sequence of selecting countries for international expansion. First they started to penetrate ASEAN countries which have the shortest psychic and geographic distance with Malaysia, then East Asia (China) and South Asia (India), after that Middle East Region, and eventually other continents like Africa, Europe, Australia, and North America**.** Coincidently, the ‘psychically close’ countries are also the friendly countries and have strong diplomatic relationship with Malaysian government. These two factors help Malaysian firms to venture and succeed overseas. Apparently, these countries are reinforced by bilateral trade relation that is the antecedent of the acceleration of internationalization process. This study highlights that the internationalization process of foodservice firms reflects the policy of Malaysian government to improve Malaysian economy. The government policy towards franchise business also recognizes the need and importance of supporting the development of home-grown foodservice firms to expand overseas.

The penetration to numerous countries with various cultures is absolutely suited to foodservice firms with western brand name and western food like Firm A, B, and C. With western brand name and western food offered, it facilitates the general perception of being international brand name and international food. The host country with the greatest psychic distance compared to home country normally is the last country to be ventured.

For instance, Firm C has expanded to 16 countries. Seven of the countries are western countries which have greater psychic distance, i.e. Romania, Germany, Russia, Sweden, Bulgaria, United States, and Australia. They are all the last countries that have been penetrated by Firm C. In the case of Firm B, it has expanded to eight countries. One of the countries is western country, Australia, penetrated in 2010, is considered to have the greatest psychic distance among all the countries ventured by Firm B. For Firm A, it has expanded to 15 countries. One of the countries is African country, Tanzania, penetrated in 2008, has the greatest psychic distance among all the countries invested. Despite having very different in terms of culture and level of development, these three Malaysian foodservice firms are still able to expand to those countries.

Obviously, the markets are mostly focused on only third world countries. The selection of countries with shorter psychic distance at the beginning of the internationalization process is coincident with the diplomatic relation between Malaysia and the host countries. Thus, the exploitation of bilateral trade relations in addition to targeting psychically close countries is significant in internationalization process. In this case, government to government (G2G) relation considerations appear to be one of the major determinants of foodservice firms upsurge in foreign markets in addition to psychic distance.

When international foodservice industry is opened up due to the pressure of globalization, market liberalization, and Asian Financial Crisis, the firms take advantage of these situations to invest internationally, in line with the promotion of MATRADE. Through the trade missions organized by government, Malaysian foodservice firms have been invited to spread its business abroad primarily to the countries that have bilateral trade relation with Malaysia. Malaysia is an active member of ASEAN (Association of Southeast Asian Nations), OIC (Organization of Islamic Conference), South-South Co-operation, and most recently, EAS (East Asia Summit). The members in these organizations are considered as investment friendly to Malaysia, and majority of them are developing countries. It is contended that the three organizations above in which Malaysia is a member, at the same time, consists of ‘psychically close’ countries. Decision on which countries to invest is made indirectly by government. Otherwise, the investment will be in disadvantage to Malaysian foodservice firms without government influences. Malaysian government, in this case, plays the role of facilitator in selecting potential market and also “convincer” for potential foreign partner to accept Malaysian franchise business.

6.4 Entry Mode

The level of firm engagement within a country in the sequential stage of internationalization process ranges from no regular export activities to offshore manufacturing as shown in Figure 6.1 earlier. According to Johanson and Wiedersheim-Paul (1975), Bilkey and Tesar (1977), Cavusgil (1980), and Czinkota (1982), the internationalization of firms begin with export before establishing their own subsidiary overseas. However, the international expansion of Malaysian foodservice firms does not quite fit into the above explanation. This poses challenges to the internationalization literature. Like many services, foodservice cannot be exported. The characteristic of foodservice industry is providing service. This industry requires firms to transfer their management know how instead of technology know how. Since the firms focused on their investment activity towards foodservice business, it already possessed domestic-derived skills and competencies and was ready to transfer overseas when they found foreign partners. Instead of exporting foodservice, Malaysian foodservice firms established a master franchisee in foreign markets. Typical master franchisee is a joint venture between Malaysian foodservice firms and local firms in the host country.

Furthermore, they will not export until the subsidiaries are set up abroad. Malaysian foodservice firms have to export raw ingredients to the host countries in order to maintain its taste and control the recipes as a way to standardize their food product. The raw ingredients are manufactured in Malaysia to standardize the taste everywhere. However, export activities are less significant focusing on the basic ingredient in standardizing the taste of its main product. This is because the firms are quite flexible when it comes to introducing customized menu items popular with locals of the respective countries.

For instance, Firm A sources locally all the raw foods such as chickens, fishes, potatoes, vegetables, breads, rice, chili and tomato sauce. However, the important basic ingredients such as herbs and batter which are their secret recipes are exported to the host countries to standardize its taste. In the case of Firm C, export is a very important activity compared to Firm A because it standardizes the product rather just the taste. It has to grow company’s hybrid corn seed to be processed by its own plant and shipped to the host countries to ensure quality and reliability in supply. This standardization strategy requires Firm C to focus more on export after franchising activities in host countries.

While in the case of Firm B, it makes adjustments to its food but not the cakes. Only cake ingredients are exported to host countries. It localizes the taste about 15 per cent. In Southeast Asia, there is not much change in the menu as the taste is about the same, while in Middle East, there is a certain demand for certain food according to seasons. Interestingly, Firm B set up centralized kitchen in almost every country to manufacture standardized cakes to its outlets in the host country. Indeed, Firm B actually starts first franchise, then export, after that set up it manufacture in the host countries as opposed to sequential stage of internationalization process where export is the first activity in expanding overseas. In the three cases of Malaysian foodservice firms, export takes place after the franchise activities.

Through franchise system, the firms do not require to fully gain foreign knowledge and experience. Before expanding overseas, they have already gained knowledge from foreign foodservice firms in Malaysia. When they contemplate to set up subsidiaries in international market, they just need to deal with the foreign partner through master franchise. As a franchisor, it can depend on franchisee that has good track record and understand better the local market. The franchisee in the host country has local knowledge especially in terms of legal, location, marketing, and sourcing and supplying. Thus, franchise system in addition to government supports, has led to reduced levels of uncertainty in unfamiliar foreign environments in investing overseas.

Furthermore, in the sequential stage of internationalization process, objective knowledge is acquired through standardized methods of collecting and transmitting information such as market research, and can easily be transferred to other countries and replicated by other firms. In this case, the foodservice operation such as foodservice concept, franchise system, standardized menu, and operation style can be replicated by international franchisees. In turn, when Malaysian foodservice firms enter foreign markets, their objective knowledge which is the standardized menu, is also transferable. Firm A, for example, standardizes its fried chicken; firm B standardizes its cakes; while Firm C standardizes its corn. All of these foods are standardized and same operation system is practiced in foreign countries. Therefore, the objective knowledge from the home country can be transferred and replicated by their partners in the host countries.

By offering standardized products and services intended for global market, and at the same time customized them to suit to local culture, Malaysian foodservice firms can be more successful in future like McDonald’s, KFC, and Pizza Hut. Like foreign foodservice firms, Malaysian firms can also drive the market and change the tradition of people in Asia especially, to break free of conventional norms and eat a variety of food. Gradually, many western foods such as burger, fried chicken, cake, and corn will be international foods. In future, the convergence of taste and preference for international foods will take place (Levitt, 1983).

As one of the international entry modes, franchise system has indeed resulted in better delivery of services and fulfilled customer needs more effectively. It also offers an attractive opportunity for spearheading business expansion in both domestic and international market. The rapid in franchise growth and the emergence of franchise as a significant force propels the internationalization of businesses. The resultant higher value created from this business globalization has profited the foodservice operators, prospered nations and benefited the international community as a whole.

Therefore, it can be contended that the firms do not necessarily follow the sequential stage of beginning with export which they gradually learn knowledge from foreign markets. The entry modes and their sequence are affected by characteristics of industry, characteristics of firm, characteristics of entrepreneur, home market, innovativeness and technology, and networking as discussed subsequently in debating this new model with non-sequential stage of internationalization process. In addition to franchise and export, subsequently, only firm B to date, has adopted the third entry mode, which is manufacture in the host country. Therefore, it can be concluded that Malaysian foodservice firms first franchise, then export, and finally manufacture in the host countries. Clearly, franchising is the entry mode that indeed facilitates the international expansion of Malaysian foodservice firms.

6.5 Characteristics of Industry

In non-sequential stage of internationalization process, firms in hi-tech industry expand more rigorously and quickly than firms from other industries (Andersson *et al*., 2004). The reason is laid on their distinctive technology which is the competitive advantage of these firms (Freeman *et al*. 2006). However, low tech firms may accelerate their presence in international market in order to search and grasp foreign niche market with their unique product and distinctive marketing approach (Freeman & Cavusgil, 2007).

For foodservice industry, the core product is atmosphere while the formal product is décor, food, beverage, and service (Walker, 2010). The foodservice concept portrayed by firms is the core product in foodservice industry. In the case of three Malaysian foodservice firms, their western concept imparts the western atmosphere and experience in international market. The western brand name is emphasized on the resemblance of American brand, the illustration of high quality product, the ease of recognition, and representation of person or food name. For Malaysian foodservice firms, the adoption of western brand name facilitates the firms to expand overseas.

In the case of formal product, the western food is offered. For instance, Firm A offers fried chicken, Firm B offers cakes, and Firm C offers corn. Western food offered in international market portrays the global image of a firm. Therefore, core product and formal product are critical to meet the global market demand. The customization of product which is adapted to the taste and preference of host market can be their distinctive strategy to position themselves from the rivals in the competitive foreign foodservice industry. This is consistent with Madsen and Servais's (1997) argument that adaptation is more crucial than standardization in order to be more competitive. By doing so, Malaysian foodservice firms differentiate themselves from their competitors and therefore, provide competitive advantage for the firms (Knight & Cavusgil, 2004; & Yip, 2000).

The industry like foodservice which offers not only food, but also atmosphere and service may contribute to the characteristics of the industry that accelerates international expansion. According to Fernhaber *et al*. (2007), the criteria of industry that has high tendency to expand overseas is that it must be highly knowledgeable in its market. In this case, master franchisee possesses local knowledge in addition to its own research on the local taste and preference. Foodservice, therefore, can be very flexible in adjusting its menu by offering customized product to international market. In contrast, the industry that only offers standardized product may encounter difficulties if there is no standardized taste and preference in host country. With food adapted to local need, firms can increase the speed to internationalize their business.

6.6 Characteristics of Firm

Rennie (1993) suggests that small and medium enterprises (SMEs) are able to compete with large and renowned firms at the beginning stage of their operation. Firm size is not the matter in expanding overseas. According to Andersson *et al*. (2004), the reason is laid on the local industry climate that is dramatically affected by global economics. They advocate that the extent of environmental complexity encountered in the business is associated with the presence of small firms in international market.

In the case of Malaysia, the foodservice firms in Malaysia are categorizes as SMEs. Their emergence in local foodservice industry is strongly exerted by the entry of foreign foodservice firms. The renowned international fast food chains such as KFC, Pizza Hut, and McDonald's have introduced fast food operation that eventually replicated by Malaysian foodservice firms. The Coffee Bean and Tea Leaf, Starbucks and Délifrance which join later in Malaysian foodservice industry have also given idea for the concept of small stall, kiosk, and café.

Therefore, this new experience, according to Madsen and Servais (1997) will drive small new firms turn into international firms. It was found that Malaysian foodservice firms adopted the business operation model, restaurant concept, and international expansion strategy of foreign foodservice firms in setting up their foodservice firms domestically, before eventually expanded abroad. By replicating the fast food, café and kiosk operation, western brand name with western food concept as well as adopting franchise system, Malaysian foodservice firms have moved one step earlier to expand overseas. They can also gather the information on foreign markets with less hassle and prepare themselves to expand overseas. As a result of role models set by well-known international foodservice giants, firms possess the knowledge that can be deployed to internationalize in much shorter time.

Basically, this change in the external environment is contributed by the speed of production that enable the capture of niche markets, more reliable and low transportation costs, and advances of communication and open market policy (Laanti *et al*., 2007; Oviatt & McDougall, 2000, Rasmussen & Madsen, 2002). However, Luo and Peng (1999) argue that the reason for small firms to internationalize is not because of environmental dynamism; instead it is the entrepreneurs themselves who intend to expand business overseas from inception.

6.7 Characteristics of Entrepreneur

Since time is the matter to gain experiential knowledge, firms according to Rasmussen and Madsen (2002), still can gain this knowledge through their entrepreneur. In the case of entrepreneur experience, the knowledge accumulation of owners or managers can take place even before the firm starts to set up (Laanti et at., 2007). This is in view of the fact that many owners and managers learn the management know how during their tenure with other firms. Thus, it determines the foreign market entry at the beginning of firm establishment (Chetty & Campbell-Hunt, 2004). The prior experience and knowledge of the entrepreneur, in fact, has accelerated the foreign market entry and in turn, learning abroad.

For Firm A, the owners have experience in operating a husband-and-wife business partnership restaurant at a small shop lot. With the extensive experience of 30 years in foodservice industry, in addition to their frequent overseas trips and continuous research, they have demonstrated their success in international market expansion. They even employ the General Manager who has been working for its rival, KFC for over 20 years. With his accumulated experience and exposure in the same field, Firm A takes advantage of his manager to shorten the learning curve in internationalization process.

In the case of Firm B, the owner possesses experience in bakery business. He invited three of his nephews who are the pastry chef to operate the cakes and café business. He has also experience running boutique business. In addition to his success of this partnership business, he possesses the characteristics that are important to international business expansion such as gut feeling, business mind, and risk taking.

For Firm C, the owner started his business as a shop that sold toys and household goods. He possesses the experience as in small retail business. After he was introduced with corn business in 1985, he turned his shop into popular corn-on-the-cob. With his experience in operating small stall and selling corn, he established kiosk concept. Since then, with his experience of over 20 years, his business has been expanded into corn manufacturing and restructuring of foodservice concept. Furthermore, he is also incumbent president for one of the important food retail associations in Malaysia. With this position, he creates opportunity for himself by working closely with Malaysian government agencies which rigorously promote his brand overseas. By having a combination of vast knowledge in corn business and good rapport with Malaysian government agencies, he is successful in international franchise business that results in the ubiquity of his outlets overseas.

In internationalization process, possessing knowledge can determine the foreign market entry behavior which included lessening risk abroad and creating international business prospect (Johanson & Vahlne, 2006). In the case of firms adopting non-sequential stage of internationalization process, their knowledge and experience of entrepreneur or manager are acquired from the previous tenure of other firms. However, as opposed to non-sequential stage, Malaysian foodservice firms have extensive knowledge but owned personally by their entrepreneur. Moreover, instead of possessing prior knowledge and experience from their tenure of other firms, Malaysian entrepreneurs gain personally through their own business operation.

6.8 Home Market

Even though most of firm outlets are located in home market, the relatively small size and saturated of home market has increased the speed of internationalization process (Freemand & Cavusgil, 2007; & Freeman *et al*, 2006). In the case of Malaysian foodservice firms, the stiff competition in the industry has saturated the home market expansion. They also do not set up ubiquitous outlets in Malaysia before expanding overseas. The reason is laid on the concept of western food which is not popular in certain states especially in east coast of Malaysia. Majority of Malaysians prefer local food to western food. For western food, they prefer renowned international brands. Therefore, Malaysian foodservice firms which offer western concept may have to look for international market as a result of local indifference.

Firms encounter low demand caused by small home market size possesses high tendency to rapidly internationalize their business compared to the firms which have big home markets (Madsen & Servais, 1997). This is also in line with Vernon's (1966) study that firms begin to look for foreign market once they have fulfill the demand of small domestic market.

As suggested by Lecraw (1993), the desire to escape the constraints of a slow-growing domestic market motivates some firms from developing country to move abroad. As for Malaysian foodservice firms, Asian Financial Crisis in 1997 has also contributed to saturation of domestic market. This is the most pressing reason for Malaysian government and foodservice firms to look for new opportunities abroad especially in other developing countries.

This can be evidenced by three Malaysian foodservice firms that expanded more rigorously after Asian Financial Crisis in 1997. Over 90% of new foreign markets are expanded immediately after this crisis. Even they began their domestic market before 1997, not many foreign markets were penetrated. During this crisis, they start to negotiate with foreign partners to franchise their outlets overseas. Amazingly, these three firms are not only survived from the crisis, but more importantly, they have expanded one or two years after suffering from this economic downturn. The countries that were less affected such as Singapore, Brunei, China, India, and Middle East are the best choice for their target foreign markets. It is therefore, accurate to contend that the foreign investment of Malaysian foodservice firms is the attempt to solve economic slowdown and seek new markets abroad.

6.9 Innovativeness and Technology

Innovativeness and technology include firms' ability to build distinctive resources and to overcome supply and sourcing difficulties in the international process. The research and development (R&D) will shorten the product life cycle and enjoy the returns on investment from foreign market penetration. At the same time, it also creates brand new product and searches for supply chain in shortest time in order to survive in foreign markets. Internationalization can spread the research and development costs among the markets (Karlsen, 2007). Thus, it reduces R&D cost per country.

For Firm A, one of the visions for franchisor is to provide continuous R&D and monitor product quality. The strong R&D brings in innovative in food production in order to compete with the renowned fast food restaurants. Since foodservice menu and product can be easily duplicated, research on the competitors' food product is done on regular basis in order to offer competitive menu. In fact, not only standardized menu, the customization of food to suit host customers taste and preference requires Firm A to seek for approval from its Quality Assurance (QA) and R&D department.

Firm B adopts the philosophy of providing consistent quality and high standard in every endeavor. It is more concern on the innovative of food through its five-star food safety rating and HACCP (Hazard Analysis and Critical Control Points) certification. When Malaysian government declares Malaysia as *Halal* Hub, offering *halal* food has been Firm B's priority. It also maintains the *halal* concept abroad. All have to be *halal* because there are many Muslim communities and Muslim travelers overseas. A check and balance is done to ensure quality control prevails over diverse culture or logistic. The innovative recipe of cakes is distributed to all the café chains throughout the foreign markets. Ingredients in cake are premixed in order to control the cake quality. There is a centralized kitchen in every foreign market to train the employee to strictly adhere to the formula of cake making in overseas outlets.

The *halal* commitment has evidenced to be one of the competitive advantages not only for Firm B, but also Firm A and C. In addition to their success in Muslim countries such as in Middle East, Indonesia, and Brunei, it also poses positive response from non-Muslim Asian countries such as Singapore, the Philippines, China, India, Sri Lanka, etc.

On the other hand, the vision of Firm C is to provide a complete variety of quality nutritious food and to be represented in the global market. Through its vision, it has grown firm's hybrid seed of corn, known as "Firm C 28". These raw corns are to be processed by its own plant and shipped to the host countries to ensure quality and reliability in supply. The corn kernels are derived from a new generation of hybrid corn based on three years of extensive research and development. This innovative seed is not only more nutritious and delicious but also higher in quality compared to other corn species.

The efforts shown in three Malaysian foodservice firms are the innovativeness of firms. According to Knight and Cavusgil (2004), innovation can be developed from firms' research and development. It also includes the creation of new goods, services, and processes as well as firms' strategies to penetration international market. The organization philosophy and vision that stress on innovation yields the creation and enhancing products and techniques for foreign market entry. Therefore, the technological based innovation can be the development of outstanding product and upgrading of existing product. This is also included highly reliable and consistent supply chain. The innovation strategy can offer specific taste and preference to the customers from different foreign markets through customization of menu. Obviously, innovativeness is critical criteria to differentiate firms' products from their rivals in international market.

6.10 Networking

Since SMEs have limited resources, they will rely on relationship of partners (McDougall & Oviatt, 1996). They need more supportive networking and alliances in order to accelerate international expansion (Freeman *et al.*, 2006; & Laanti *et al.*, 2007). In sequential stage of internationalization process, firms require middle man at the initial stage of internationalization process due to lack of resources and knowledge (Chetty & Campbell, 2004). Thus, the networking through middle man provides shortcut for firms to penetrate overseas market.

Similarly, Malaysian foodservice firms dependents on government as intermediary to expand overseas at internationalization entry stage. The role of intermediary in this stage is to organize trade exhibitions in home country and trade missions to foreign countries. Even at pre-internationalization stage, government has already played the role as motivator to encourage foreign foodservice firms to invest in Malaysia. By doing so, renowned foodservice giants such as KFC, McDonald's, and Pizza Hut have been setting up their subsidiaries in Malaysia. The entries of experienced brands provide opportunity for local firms to learn western restaurant operation.

After firms have penetrated foreign market, they develop close relationship with suppliers, distributors, and customers in order to be successful in international market. Through their partners, they find competitive suppliers in foreign market who are reliable in providing consistent supply of raw ingredients. They trust the suppliers in the host countries which can fulfill the specification needed in producing quality food.

Firm A for example, is very comfortable to source locally especially raw products in order to localize its menu items. It is also very dependent on its reliable suppliers in order to be more cost efficient in running operation overseas. Many well-known international brands develop vertical integration to provide consistent and quality supply such as McDonald's and KFC. Unlike these international fast food restaurants, Firm A needs not to own its supplier chain in the host countries as it has strong networking with local partners. The local partners know which suppliers are capable in providing up-to-standard raw food for its operation. Furthermore, there are many other Malaysian firms available in most of the countries invested which can be part of its supply chain. The countries invested have close bilateral diplomatic relation with Malaysian government. In this case, the food suppliers are also available in these countries.

Firm B, on the other hand, depends on its satellite kitchen in every country or region to supply consistent cakes and raw ingredients. Since cake products are very competitive, it refuses to outsource its cakes in order to protect its quality and consistent supply. Similarly, Firm C requires less customized ingredient because the essential product is corn. It exports corn to the host countries since it has well-established supply chain in home market. For Firm B and C, this networking strategy has been their competitive advantage since their first foreign market penetration. Having their own production capabilities have translated into their ability to supply consistent and quality product to foreign customers.

Nevertheless, all the products that are customized to local taste and preference are still sourced locally. For Firm A, B, and C, the partners are empowered to look for their own supply chain but must obtain prior approval from Malaysian franchisor. Therefore, the emphasis on strong supply networking is important to improve their operation overseas. Malaysian franchisors not only have stringent rules as to how franchisees should operate, but also to ensure the reliability of their supply chain for their franchisees. This organizational arrangement has proven very satisfactory. The role of network is knowledge exchange of business activities, resources, and value chain (Laanti *et al*, 2007). It provides access primarily to research and development, production, marketing, and distribution activities. Therefore, Malaysian foodservice firms have accumulated knowledge by depending on networking, which in turn, increases the speed of internationalization process.

6.11 Global Consumer Culture

In literature of global consumer culture, the driving forces of global products are product orientation and economies of scale. In contrast, local products are motivated by market-driven mind-set and customer satisfaction derived from need fulfillment (Kotabe & Helsen, 2010). This corresponds to Malaysian foodservice industry. Product orientation and economies of scale are important in foodservice sector as firms standardize its menu in all of their international outlets by adopting stringent quality control. For firm A, fried chicken must be prepared with standardized flour imported from home country. As for Firm B, cakes are prepared in satellite kitchen before distributed to its outlets. On top of that, Firm C uses standardized corn seed to produce high quality corn. Conversely, product localization is adopted in order to suit the culture and taste of consumers in host countries. For example, rice and noodle are offered by Firm A and B in many Asian markets. However, Firm C remains with its stringent standardization strategy.

In the study of attitude toward local and global product, Steenkamp & de Jong (2010) find that international firms must balance between localized and globalized product offered in host countries. Even though Malaysian foodservice firms are not dependent too much on their status of global brands, they try to balance their localized and globalized product. Firm A offers localized menu up to 30% while Firm B offers lower percentage with only 15%, Firm C however, prefers to offer globalized product. Likewise, majority of international foodservice firms are offering standardized global product and at the same time tailor to local taste and preference (Tobin, 1994).

In literature, internationalization process is shaped by global consumer culture (Ritzer, 2007). People prefer to consume the products that are globally recognized and perceived as superior quality and more prestigious than their own culture (Strizhakova *et al*., 2008). In the case of Malaysian foodservice firms however, the country of origin is the factor that against this idea. Malaysia is a developing country and the firms have just started to expand business overseas, and therefore Malaysian brands are still unknown and less prestigious.

In future, consumer culture will be converged as a result of internationalization strategy of firms (Alden *et al.*, 1999). The findings of Malaysian foodservice firms advocate this thought. Consumers, especially teenagers and young adults in Asia prefer western food. As many middle class groups are working adults, they have limited time to spend eating in full service restaurant. Therefore, they opt to eat in international fast food restaurants, casual cafés, and kiosks. Furthermore, since health awareness among global consumers has raised, foodservice firms have to focus on R&D to meet their need. In this case, firms do not have to think local but must act global (Yip, 2003).

As a result of globalization, consumer cultural orientation has to focus not only on global, regional and national, but also ethnic and individual aspects of interest. In international expansion of Malaysian foodservice firms, consumer cultural orientation is focused on regional, for example, Southeast Asian region as a result of cultural similarity. In a similar vein, Middle East is another region that Malaysian foodservice firms focus on because this region is targeted for their *halal* menu. In terms of national aspects, Malaysian foodservice firms focus on large markets like China and India.

In Asgari's *et al.* (2010) study, target market factors are one of the main considerations to internationalize. Adequate information on consumer culture such as taste and preference can reduce the risks of foreign market entry (Mitra and Golder, 2002). In the case of Firm A, it offers rice in addition to fried chicken in Asian markets. For Firm B, it offers noodles and spicy food in addition to their cake items. In addition, these two firms also offer vegetarian food in Indian market. Firm C however, prefers to offer its standardized product only.

Since consumer cultures in foreign markets are different, firms target the markets that have similar culture with their home culture to avoid uncertainties (Hohenthal *et al*, 2003 & Johanson & Vahlne, 1977). This corresponds with the three Malaysian foodservice firms. They first start to penetrate Southeast Asian nations as the market characteristics are almost similar. They then look for other Asian markets such as India and China. After that, they target Middle East because of the pool of Muslim markets available.

6.12 Conclusion

Since the purpose of this paper is to develop a new model for internationalization process, the analysis of case study of three prominent Malaysian foodservice firms has revealed unique stages of internationalization process. The findings have challenged the existing sequential and non-sequential model of internationalization process. The selection of the firms with an achievement of penetrating at least eight foreign markets for this study sheds light on new argument of internationalization strategy.

The findings are able to meet the first research objective of describing the process of Malaysian foodservice firms penetrating foreign markets. In turn, it answers the research question of “what is the sequence followed by of Malaysian foodservice firms expanding overseas?” Based on the cross-case analysis, the three categories found as steps for internationalization process namely pre-internationalization stage, internationalization entry stage, and post-internationalization stage.

The theme for each stage of internationalization process subsequently meets the second objective of the research which is to identify the factors that affect the internationalization process. The research question of "what are the significant factors that influence each stage of internationalization process?" is also answered. The answer is laid on the themes found in the case study, namely "Foreign Embeddedness" and "Government Influence".

This in turn, meets the third objective of research which is to determine the strategies adopted by Malaysian foodservice firms that facilitate the acceleration of their international business expansion. It answers the research question of "why are Malaysian foodservice firms able to accelerate their business penetration to foreign markets?". The concepts developed in each stage of internationalization are found to be the strategies adopted that increase the speed of internationalization process of Malaysian foodservice firms. The strategies adopted are role models, western concept, government initiatives, *halal* commitment, franchise system, foreign partners, government agencies, trade missions, standardization, adaptation, import and export, and sourcing and learning. With these findings, new theory developed will be expected to challenge any potential theories that adopting the strategies in internationalization process.

CHAPTER 7: IMPLICATIONS, LIMITATIONS, AND FUTURE DIRECTIONS

7.1 Implications

This research has been done based on extensive literature review and empirical analysis from the case study of three Malaysian foodservice firms. Based on the personal interview and questionnaire survey, it is expected that this proposed model carries implications not only for the literature, but also for the international business practitioners.

This research has built new theory of internationalization process which demonstrates the ability of small and still unpopular firms expanding overseas. It challenges the existing theories of the internationalization process. It also fills the gap of internationalization process that lack of studies in foodservice industry. This study has revealed the capability of SMEs from developing countries to compete with international player through their foreign market entries.

The theoretical contribution of the research is that methodologies and frameworks for the process of internationalization can be used across different industries and firms. The new model has exposed the important of “Foreign Embeddedness” and “Government Influence” for Malaysian foodservice firms that are not been given attention in scholarly research before. It also extends the literature to suggest that internationalization process can be categorized into pre-internationalization stage, internationalization entry stage, and also post-internationalization stage.

Each step of internationalization process offers great opportunity for academic research. Lack of study at pre-internationalization process for example, has limited the search of strength in potential firms that have capabilities to expand overseas. It contributes to the investigation of the readiness of firms to internationalize. Without proper research on their potential capabilities, firms may fail in their effort to invest in foreign countries. In particular, the influence of government and foreign firms can be contended in this study.

Many studies have been done at internationalization entry stage such as entry mode and psychic distance. However, the "Foreign Embeddedness" and "Government Influence" can contribute to the argument of existing theory on foreign direct investment related to government policy, entry mode, and psychic distance.

Since there is less attention given to post-internationalization stage, it can contribute to the strategy of firms that have already expanded overseas. It helps to explore what firms have done after they penetrate foreign markets. Standardization and adaptation of products and sourcing and learning can provide valuable contention to this stage of study.

The potential Malaysian foodservice firms can benefit by focusing on efforts to embed western concept and gain government supports to acquire maximum advantage and then translate these advantages into a competitive international strategy. Foodservice industry is characterized by its memorable experience as core product in addition to food, beverage, and service as formal product (Walker, 2010). In this case, this industry offers both tangible and intangible products. The tangible products are food and beverage while the intangible products are memorable experience and service. Therefore, foodservice industry is significantly different from other industries which focus either tangible or intangible product. With this reason, it needs specific strategy to penetrate international market as found in this research. It can be applied in a systematic method to improve operational performance and strategic advantage.

Malaysian foodservice firms can learn from this study by compliance with Malaysian government policy such as offering *halal* food as well as being the members of government agencies such as MFA and MRCA. By doing so, it offers greater opportunity for them to join government planned trade missions

As this research is based on the practical experience and behavior of Malaysian foodservice firms, business practitioners can use this analysis and result as a means of comparing their current tactical business strategy with that of the similar firms in Malaysia. Corrective action can then be taken in their international expansion.

7.2 Limitations

Two major limitations exist in this study. First, there was a lack of representative from the Malaysian foodservice franchisors as they were only a handful of firms expanding overseas. It was extremely difficult to secure any interviews as the managers of the franchisors were reluctant to make appointment for fear of divulging. It is therefore recommended that future studies examine the internationalization process involving the partners or master franchisees in the host countries. Second, In terms of primary data, only two personal interviews and one questionnaire survey were secured and successfully conducted to explore the themes and trends of the internationalization process. In terms of secondary resources, the data are contextual in nature and limited to companies' websites and business press and magazines.

As with any research, a case study based on only three Malaysian foodservice firms, it limits the generalizability of this study. In spite of this, the case study is to generalize the results from the theory instead of generalizing the target population.

For the purpose of pilot case study, personal interview for Firm A was done on 2009, March 2. After the data was analyzed, the newly improved interview questionnaire was set and used to interview and survey the senior managers from Firm B and Firm C. Manager from Firm C replied first on 2011, March 20 while manager from Firm B was interviewed on 2011, April 19. There is two-year gap between pilot case study and actual case study. Interview should be done almost the same time in order to standardize and be updated. However, these two years were fully utilized to search secondary resources for Firm A, B, and C in addition to updating the questionnaire.

Longer time was also taken to complete the research. This research had undertaken six years of study. Within these years, the title of the research had been frequently changed due new information found. Furthermore, there were too many changes had been done and the result was always inconsistent until the latest final write-up. However, the changes had provided greater improvement of this study as a result of knowledge and experience gained that translated into superior outcome.

7.3 Future Directions

The future research must try to examine the relationship among the facilitation factors. In particular, it must analyze the weight of each factor on each stage of internationalization process. Therefore, determining the relative importance of each factor will constitute an important source for future work in international expansion. Besides, there should be more in-depth study on the effect of host country image on the decision making process of foodservice firms. In particular, the studies should analyze in which situations host country image can contribute to the decision on the investment destination.

Future research should also involve in-depth interviews targeting international foodservice firms which have penetrated Malaysian market. The research can emphasize on the adaptation strategy based on internal factors such as products, supply chain, and firm policy. On the other hand, external factors can be investigated in terms of Malaysian political climate, current economic situation, and also diverse social and cultural environment of Malaysia. The outcomes of research can be compared and contrasted to validate the influence of foreign firms that have been discussed in these research findings.

The concept of "Foreign Embeddedness" and "Government Influence" can be extended to other industry. It is not confined only to service industry such as finance and hospitality industry, but also automobile, hi-tech industry, etc. Overall, the possibilities of research in the internationalization process are endless. This study sets the foundation for empirical testing. Instead of qualitative research, perhaps through quantitative investigation, the study can target sheer number of outlet worldwide. By doing so, researchers shall gain better understanding of standardized and customized strategy in each foreign market and why they adopt the strategy they do. Entrepreneurs spend a lot of money to invest overseas, but they may undergo wrong process. Therefore, they have to study the step-by-step procedure in order to be successful in expanding overseas.

Future direction can also focus on the penetration of third world firms into third world markets. It can also investigate in-depth on the issues of the difficulties of the firms from developing countries as a result of their target on low end market and perception of unpopular brands. In terms of the employees in the host countries, the study on third world working attitude, employee productivity, service knowledge, and job appreciation will be attention-grabbing. In the case of master franchisees, the third world attitude of over reliant on franchisor and their reluctance in learning in addition to possessing the mindset of dependence can be also explored.

The issues of *halal* can be the main concern of scholars in foodservice research. The interesting study may involve the international expansion adopting *halal* concept in other non-Muslim markets. As many fast food giants such as McDonald's serves pork and alcoholic drinks to its customer in Europe and US, will *halal* foodservice firms be more successful if they do not set up their subsidiaries in Middle East?

The list of future research for internationalization process is endless. However, this study has opened the eyes of the firms which are small, still unpopular, and originated from developing country to internationalize their business.

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APPENDIX A: Cover Letter

Firm A, B, or C

Address

<u>The PhD Research Project of University of Malaya: The Investigation of the Internationalization Process of Malaysian Foodservice Firms.</u>

Dear Sir/Madam,

I would like to invite your esteemed establishment to participate in my Doctor of Philosophy (PhD) research on the internationalization process of Malaysian foodservice firms. This is an issue of great importance within Malaysia and yet little is done currently.

For your information, I am a full time lecturer and Programme Supervisor at Tunku Abdul Rahman College. I am also a part time postgraduate student who is pursuing PhD at University of Malaya. The attachment is the letter of certification from University of Malaya and my name card.

You are one of a few foodservice firms which are being interviewed to give your opinion on the internationalization process of your firm. You were selected as a result of your esteemed establishment's success in venturing overseas. An outline of my proposed interview structure is attached. You may reply my interview questionnaire via email. If otherwise, I am hoping to conduct telephone or face-to-face interview in April with you at your convenience.

I am aware of the need to treat my findings with the utmost confidentiality. One of my intended outputs will be a report summarizing the findings and I will be sending a copy to you.

I would be extremely grateful if you could reply my email. If you have any questions you wish to asked or there is anything you wish to discuss please do not hesitate to telephone me on 012-6259042.

Thank you for your help and looking forward to your favorable reply.

Yours sincerely

Lim Kuang Long
PhD candidate
University of Malaya

APPENDIX B: Questionnaire for Pilot Case Study

A. Background

1. Please introduce yourself.
2. Please describe the firm development.
3. Are there any corporate materials that you can share with the group? i.e. video, prospectus, brochures etc…

B. Reasons for Penetrating Foreign Markets

1. How do you penetrate foreign markets?
2. What is the process of venturing to another country?
3. How do you select the countries?
4. How would you rate the success of your outlets in Malaysia and why? What about your branches in India, Bahrain, Dubai, China, Kuwait, Qatar, Sri Lanka, Saudi Arabia, UAE etc.?
5. How do you select the location when opening the outlet?
6. How much is the investments to go to another country?
7. How can the company finance its international sales?
8. Is there a different franchise fee as compared to the local structure (4% of gross sales royalty and 3% for A&P)?
9. Do you also provide the same operational, training, A&P support etc…to the global franchisee?
10. What can you tell us about the lessons you have learnt in regards to global presence?

C. Challenges Faced

1. Cultural challenges? Do you need to translate the sales literature into the local language? Will you need to learn foreign languages?
2. Legal Challenges? How to transfer profit?
3. Political challenges?
4. Supply chain/logistics challenges?
5. What agencies, groups, or others can provide assistance to the company on the various facets of the selling to Asia/others part of the world? Is their advice essential? How much will this expertise cost? How do you know which firm has the right qualifications?
6. How should the company ship/sources the product overseas?
7. How is your quality control?
8. What are your human resources & training challenges? How to overcome them?
9. Will your product or service need to be adapted for Asian or other markets?
10. How about the existing competition?
11. How to get investors & franchisee? What kinds of issues that your franchisee bringing to you in regards to the tax and financial implications of doing business overseas?
12. How to penetrate the market?
13. For the localization process in that particular country. Is it the same based on the countries?
14. What are the future developments?

APPENDIX C: Finalized Questionnaire for Interview and Survey

Objective: To investigate of the internationalization strategy of Malaysian foodservice firms.

<u>Section A: International Foodservice Concept</u>

1. What is the process that you have gone through in order to expand your business overseas?

2. What factors facilitate your firms' internationalization process?

3. In what way do you think that foreign foodservice firms in Malaysia have influence your operations?

4. Which foreign foodservice firms in Malaysia have very similar concept with your foodservice and at the same time are competing with you?

5. Any of your foodservice concept ideas have been copied by the foreign foodservice firms?

6. What have you learned from the foreign foodservice firms in Malaysia?

7. How many percent of the food that your offer is western food?

8. What types of food that you offer consider as international food? Which ones are considered as local food?

9. How do you think that your food can attract international market? How

10. Do you think that it is important to use Western brand name in order to penetrate overseas market. How?

11. Do you think the firm with eastern brand name and offering mostly eastern food may face difficulty to expand overseas? Why?

12. What is the meaning of your brand name? Any other symbolic meaning?

13. In what aspects your firms can be seen as global brand?

14. Do you think that the role model of foreign foodservice firms in Malaysia affect the way of local foodservice firms in expanding their business overseas? How?

15. In your opinion, how many percent of the effort of the entrepreneur contribute to the speed of your foodservice firm's oversea expansion? How?

16. How the achievements and awards that you have received can convince the foreign partners to join your business?

Continue

Section B: Government Support

17. With what government agencies that you deal with (for example, MATRADE, MFA, ministry, etc)?

18. How does this agency help you to expand overseas?

19. What business trips have you joined (for example, food exhibitions, franchise meetings, etc.) that successfully expanding your business overseas?

20. What franchising schemes that you have involved?

21. Can you list the international franchisees have already signed, % of equity and sales you gain each franchisee, and in what countries?

22. Do you have any business trips that do not deal with government support but be able to deal with international franchisees?

23. During economy downturn, does Malaysian government provide any support? Name some of them.

24. How many estimated percentage of government support that your firms receive in terms of

    a. Restaurant concept: __%

    b. Business trip: %

    c. *Halal* commitment: __%

    d. Franchise system: ____%

    e. Other: ________________________________Please specify: ______%

Section C: *Halal* Commitment

25. Does your restaurant *halal*?

26. How do you convince the Muslim in the international market that your food is *halal*?

27. Do you offer non-*halal* items in non-Muslim countries? What are the non-*halal* items if you have?

28. What *halal* criteria that have fulfilled and what certificate or approval that you get from the countries expanded?

Continue

Section D: International Expansion

29. What are the reasons to expand oversea? Please explain.

30. What are the important criteria of oversea partners in your selection process?

31. May I have the countries you have expanded to date, together with the following information:
    a. The names of foreign partners for each country

    b. Number of outlets for each country

    c. Year of establishment for each country

    d. Percentage of overseas sales for each country

32. Based on the countries you have expanded, do you begin expanding to the countries with short psychic distance (similar culture, language, etc.) or countries' criteria?

33. After expanding oversea, what can you learn from your counterparts to improve in managing your foodservice firms?

34. What are other criteria important before and after expanding oversea? Please explain.

35. How many % of the product adaptation have to be done in the foreign country?

36. What products do you standardize? Do they need to be exported from?

37. What products do you adapt to foreign market? Do they source locally in the host countries?

38. What other products that you have to import from other foreign countries?

39. By localizing and standardizing the product, do you think that the firm has offered better quality of product?

Section E: Culture, Religion, and Tastes

40. What are the cultural challenges in expanding your firms overseas?

41. What are the consumer attitudes toward your products (included price and quality) in international market?

42. Are there any language barriers when penetrating foreign markets? How do you overcome these barriers?

43. By considering religious factors, how do you adapt the product?

44. What do you do in order to meet the need of global consumers?

Continue

Section F: Your Background

1. Your name:
2. Position:
3. Date joining the firm:
4. Working experience:
5. Contact No.:
6. Age:

Thank you very much for your time

APPENDIX D: Letter of Certification

UNIVERSITY OF MALAYA

The Leader in Research & Innovation

January 4th, 2011

TO WHOM IT MAY CONCERN

Doctor of Philosophy Programme Candidate at the Faculty of Business & Accountancy, University of Malaya, Session 2010/2011.

Name	**: Lim Kuang Long**
I/C No.	**: 740821025971**
Matric No. of Student	**: CHA060022**
Field of Research	**: International Business**

This is to certify that the above-named student is currently pursuing his Doctor of Philosophy programme at the Faculty of Business & Accountancy, University of Malaya under the supervision of Prof. Dr. Mohd. Nazari Ismail. He is a registered student since Session 2006/2007.

Thank you.

Yours sincerely,

(ABDUL RANI HAJI ALIAS)
Assistant Registrar
Graduate School of Business
Faculty Business and Accountancy
for Deputy Dean (Higher Degree)

Aida/certification

Graduate School of Business
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APPENDIX E: Name Card


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MSC
Status Company


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林光龍
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霹靂分院

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APPENDIX F: Awards and Achievements of Firm A

1.	Malaysia International Homegrown Franchise of The Year 1998
2.	Malaysia International Homegrown Franchise of The Year 1999/ 2000
3.	Malaysia International Homegrown Franchise of The Year 2000/ 2001
4.	*Winner of Franchise Excellence Award 2000 (China)*
5.	Malaysia Franchise of The Year 2000/ 2001
6.	Malaysia Franchise of The Year 2002/2003
7.	Entry in The Malaysia Book of Records as the First Malaysian Fast Food Franchise
8.	Malaysian Food of Records
9.	*Most Promising Franchisor of the year (India)*
10.	*Best Food & Beverage (South India)*
11.	Registered with the Franchise Development programme under the Ministry of Entrepreneur Development Malaysia
12.	A pioneer member of the Malaysia Franchise Association
13.	A member of the Malaysian Retailer Chains Association
14.	Best Sales Growth Award
15.	Global Growth Award
16.	Most Innovative Business Award
17.	Halal Product "Made in Malaysia"
18.	The Brandlaureate SMEs Chapter Award 2007 – Food & Beverage, Fast Food

Source: Personal interview with the General Manager on 2009, March 2 and Company website (2011)

APPENDIX G: Awards and Achievements of Firm B

1.	Best Cheesecake Award 1998
2.	Most Original Chocolate Award 1999
3.	Best Cheesecake Award 2000
4.	Best Lamb Stew Award 2001
5.	Enterprise 50 Award 2002 by Y.A.B Dato Seri Rafidah Aziz
6.	*Global Golden Rim Award 2003 by Vice President of Taiwan*
7.	Most Competitive Company Award 2003 by Y.A.B Dato Seri Dr. Mahathir Mohamad
8.	Emerging SMI by Sin Chew Daily
9.	Enterprise 50 Award 2003 by SMIDEC
10.	Superbrands Malaysia 2003/2004
11.	Malaysia Book of Records – Largest Café Chain – 2003 by Malaysia Book of Records
12.	2nd Asia Pacific International Honesty Enterprise – Kris Award by SMI Association
13.	Special Award for Innovative Products 2003 by SIRIM
14.	Special Award for Development of Malaysian Brand 2003 by MITI
15.	Golden Bull Award 2004 by Nanyang Siang Pau
16.	Enterprise 50 Award 2004 by Y.B Dato Seri Rafidah Aziz
17.	Selangor Product Brand Excellence Award 2004 by Y.A.B Dato Seri Dr. Mohamad Khir bin Toyo, Menteri Besar Selangor
18.	SMI Brand Builders Award Winner 2004 by YB Dato' Dr Ng Yen Yen, Deputy Minister of Finance
19.	*Excellent Food Award 2004 by Asian Trade Press Pte Ltd, Singapore*
20.	BestBrand Award 2004/2005 by BestBrands Council
21.	Malaysian Emerging Brand Award 2004/2005 by Malaysia International Chamber of Commerce and Industry
22.	Malaysia Best Western Restaurant 2005/2006 by KasehDia Halal Guides
23.	Most Promising Franchisor of the Year Award 2005 by Malaysian Franchise Association
24.	Selangor Product Excellence Award 2005 by Y.A.B Dato Seri Dr. Mohamad Khir bin Toyo, Menteri Besar Selangor
25.	SMB Brand Building Award 2005 by SMI Association of Malaysia
26.	*Indonesian's Best Restaurant Award 2006 by Yayasan Penghargaan Prestasi Indonesia*
27.	Golden Bull Award 2006 by Nanyang Siang Pau
28.	Enterprise 50 Award 2006 by Y.B Dato Seri Rafidah Aziz
29.	SMB Brand Building Award 2006 by SMI Association of Malaysia
30.	Best Brand Food & Beverage Cafes 2006-2007 by The Brand Laureate
31.	Best Local Restaurant Chain 2006 by Klue Magazine
32.	Franchise of the Year 2007 by Y.A.B Dato Seri Najib bin Tun Abdul Razak, Deputy Prime Minister Malaysia
33.	Homegrown Franchise of the Year Award 2007 by Malaysian Franchise Association (MFA)
34.	Best Sales Growth Franchise of the Year Award 2007 by Malaysian Franchise Association (MFA)
35.	*International Franchisor of the Year 2007 by Franchising and Licensing Association (FLA Singapore)*
36.	Top Team 50 Enterprise Award 2007 by Y.A.B Tan Sri Koh Tsu Koon, Chief

	Minister of Penang, Malaysia
37.	Best Casual Dining Restaurant of The Year 2007/2008 by Hospitality Asia Platinum Awards (HAPA)
38.	Best Brand Food & Beverage Cafes 2007-2008 by The Brand Laureate, Asia Pacific Brands Foundation
39.	*Philippine Tatler Best Restaurant 2008 by Philippine Tatler Magazine*
40.	Gold 'Global Growth Award' 2009 by Malaysian Retailer-Chains Association
41.	*5 Star Food Safety Awards 2010 by Manningham City Council, Australia*
42.	Most Popular Brand by The Brand Laureate - SME Chapter Awards 2010
43.	Brand Leadership of the Year 2010 by The Brand Laureate - SME Chapter Awards 2010
44.	Entrepreneur of the Year 2010 - MRCA 8TV Entrepreneur Awards 2010
45.	*Asean Master Class International Retail Chain 2010 - Asean Retail Chains & Franchise Federation*
46.	Putra Brand Awards - Special Mention: Retail-Food - The People's Choice Putra Brand Awards 2011
47.	Malaysian Institute Of Directors - Innovative Leadership In Globalisation 2011

Source: Personal interview with Chief Financial Officer on 2011, April 19 and Company Website (2012).

APPENDIX H: Awards and Achievements of Firm C

1.	Most promising Franchisee Year 1997
2.	Franchisor of the Year 1998
3.	Outstanding Home grown Franchise of Year 1998
4.	Largest Corn & Ice-Cream Outlets in Malaysia of Year 1999
5.	Outstanding Franchisee Year 2000
6.	Outstanding Franchisee Year 2001
7.	Most number of overseas outlets for Malaysian Franchise 2006
8.	Global Growth Award - Platinum Award of Year 2006
9.	The BrandLaureate - SMEs Chapter Award 2006 for Excellent in the Food & Beverage Category-Corn & Snackfood
10.	Global Growth Award 2008 – Gold Award
11.	Bronze Award for Industry Excellence for Franchisors 2008
12.	The Highest Sales per Square Feet of Year 2010 by Kuala Lumpur International Airport

Source: Adapted from questionnaire survey on 2011, March 20
and Company website (2011)