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International Business Competence and Small and Medium Enterprises

Zalina Ibrahim^{a,*}, Firdaus Abdullah^b, Azman Ismail^c

^{a, b} Faculty of Business Management, Universiti Teknologi MARA (UiTM) Sarawak, Jalan Meranek, 94300 Kota Samarahan, Sarawak, Malaysia

^c Faculty of Economics and Management, Universiti Kebangsaan Malaysia, 43600 Bangi, Selangor, Malaysia

Abstract

Small and Medium Enterprises (SMEs) have always been an important contributor to a country's economic prosperity. In the globalization era, businesses are forced to push beyond the boundaries to sustain their competitive advantage and have the competency to succeed. Internationalization has become a way forward for businesses to increase performance and this move has open doors to SMEs to be in the picture. Studies on internationalized Small and Medium Enterprises (iSMEs) and international business competence in particular for the Internationalized Malaysian Small and Medium Enterprises (iMSMEs) are very limited. Therefore, this research explores into the world of competence for the internationalized Malaysian Small and Medium Enterprises (iMSMEs) by interviewing the Small and Medium Enterprises experts from the East and West of Malaysia. The experts' panels (RES) are divided into five categories: academicians, policy makers, supporting government agencies, chambers of commerce and industries. The research uses a thematic approach to identify themes and emergent themes; and intelligent coding to determine most influential factors; and reports each theme and sub-theme using percentage and supporting quotations. The research contributes on the new definition of competence, international business competence and international business competence indicators for internationalized Small and Medium Enterprises. In addition, implications of this study and directions for future research are also discussed.

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* Corresponding author. Tel.: +6-012-247-8356.
E-mail address: zalina7276@gmail.com

1. Introduction

Small and Medium Enterprises (SMEs) have been known to have contributed to country's economic growth and employment (Beck, 2005; Li Xue, 2011). According to the 10th Malaysia Plan (2010), SMEs manipulated 99.2% of all business in Malaysia and contributed 56.4% in total employment. With the brisk change in business environment, SMEs are forced to look beyond domestic market and one of the important dimensions for businesses to grow is through internationalization. When SMEs ventured into the international world, they are compelled to challenges and opportunities. Papyrina (2007) for example, touches on market issues such as market barriers as one of the challenges while Kang & Park (2012) find government support brings opportunities to SMEs. In order for SMEs to sustain their business at the international market, they will require certain determinants such as business competence (Mappigau & Hastan, 2012; Suh & Kim, 2013; and Ibrahim, Abdullah and Ismail, 2014) which is the internal or firm-specific ability of the management in fulfilling the set objectives of the organization.

With internationalization, business competence can be concluded as international business competence with a more complex condition (Knight & Kim, 2009; Ibrahim et al., 2014). Many researches ponder on a single dimension of international business competence (Johnson & Sohi, 2003; Ritter & Gemünden, 2004; and Johnson, Lenartowicz & Apud, 2006) but the research on multidimensional concept which is the adoption of a collection of international business competences is still limited (Knight & Kim, 2009; and Ibrahim et al., 2014) especially in the Asian perspective that looks at internationalized Small and Medium Enterprises (iSMEs). Therefore, there is a need to gain an insight view from the SMEs' panel of experts on the meaning of competence, business competence, international business competence, the international business competence indicators and the most significant international business competence for internationalized Malaysian Small and Medium Enterprises (iMSMEs).

2. Literature review

SMEs are considered an important asset to almost all countries especially the developing countries as they contribute in terms of economy and employment (Mead & Liedholm, 1998; Beck, 2005; Li Xue, 2011). Globalization has made life of SMEs tougher and more competitive in seeking new market, gaining opportunities and achieving excellent international performance (Jonsson & Lindbergh, 2010). Therefore, SMEs that possess competitive advantage may be able to compete with customers, rivals and other interfunctional forces (Knight & Kim, 2009; and Ibrahim et al., 2014). One of the competitive advantages that organization would pay attention to is competence. According to Barney, Wright and Ketchen (2001) and Barney (1995), when a management possesses a core competence, it will be a valuable asset to the organization, different and difficult to copy by others. As for business competence, Day (1994) and Teece, Pisano & Shuen (1997), define it as "*well-defined routines that are combined with firm-specific assets to enable distinctive functions to be carried out*". Prahalad & Hamel (1990) and Johnson et al., (2006), however argue that firm effective interaction with markets should be considered as core business competence. International business competence is business competence with a more complexity nature due to differences in the international market needs. Organizations which hold strong international business competence have positive international performance and multiplying competence (multidimensional competence), and superior effect to performance (Frishammar & Andersson, 2009; Knight & Kim, 2009; Suh & Kim, 2013; and Ibrahim et al., 2014). Even though there are many disparities of thoughts, it can be concluded that an organization possessing certain competence will help improve the economics and condition of the organization. Research conducted on competence at a single dimensional concept look at network competence (Ritter & Gemunden, 2004), cross-cultural competence (Hamptden-Turner & Trompenaars, 2000; Johnston et al., 2006), interfirm partnership competence (Johnson & Sohi, 2003), alliance competence (Lambe, Spekman & Hunt, 2002), and intercultural communication competence (Bush, Rose, Gilbert, & Ingram, 2001).

One of the critical intangible resources (competence) for a firm to have in order to succeed internationally is the international orientation which relates to characteristics owned by the management (Knight & Cavusgil, 2004; Mort & Weerawardena, 2006), and some suggest international orientation as an active exploration of setting new business internationally (Knight & Kim, 2009). International innovativeness is another important dimension as it positively influences the performance of internationalized SMEs (Knight & Cavusgil, 2004). International innovativeness can be defined as "the capacity to develop and introduce new processes, products, services, or ideas to international

market" (Knight & Kim, 2009, p. 261). Combining international innovativeness and international orientation was found to be positively a better fit in the international market (Lumpkin & Dess, 1996; and Steensma, Mario, Weaver & Dickson, 2000). International marketing skills on the other hand, is a firm's ability to create value for its foreign customers and this can be integrating international marketing activities (see Cavusgil & Zou, 1994; Knight & Cavusgil, 2004; Johnson et al., 2006). Without strong marketing skills, a firm could not be at par with foreign customer inclination as many researches (Cavusgil & Zou, 1994; and Knight, 2000) supported that marketing skills act as a basis for a firm to communicate within international market. According to Kohli & Jaworski (1990), market orientation is "*a set of behaviors and processes which cover the use of intelligence generation, intelligence dissemination, and responsiveness*". Three behavioral components (customer orientation, competitor orientation and interfunctional coordination) are later added by Narver & Slater (1990) and (1992). It was found that international market orientation affects the performance of international firms (Calantone & Knight, 2000; Wren, Sounder & Berkswitz, 2002).

This study considers the Resource-based View (RBV) as its underpinning theory, as RBV identifies specific knowledge and competences as valuable, unique and hard to imitate resource, thus significantly contribute to international business competence (Peng, 2001). These resources can be found within the managers such as know-how, skills, and overall business competence (Knight & Kim, 2009).

3. Methodology

The study is a descriptive study with a minimal sample size of three Small and Medium Enterprises (SMEs) expert panels (RES) from five different categories, namely academicians, policy makers, supporting government agencies, chambers of commerce, and industries. A total of 15 RES were interviewed and to allow early preparation, an interview guideline (Cassel & Symon, 1995) was given to the RES one month before the interview commence. The exploratory approach (interview) allows data exploration and generalization of information collected. The data were analyzed using a thematic approach based on coding (Hesse-Biber & Leavy, 2006) to identify themes and emergent themes. A selective coding by frequency count was done to count the number of themes and factors (Bryman & Bell, 2007) and presented in the form of percentage and supporting quotation.

4. Results and discussion

This study interviewed 15 respondents who were regarded as experts in the Small and Medium Enterprises issue. There were five categories of experts (academicians, policy makers, supporting government agencies, chambers of commerce, and industries) that were taken into consideration and for each category, three experts were interviewed. Interviews were conducted for a duration of 60 to 90 minutes. Out of 15 respondents, only 9 Expert Respondents (RES) were taken into account.

Table 1 shows the profiles of expert panels that were interviewed for the study. A total of 9 usable respondents were selected from the interview. The Expert Respondents (RES) were divided into 5 categories, namely academicians (2), policy makers (2), supporting government agencies (2), chambers of commerce (1), and industry (2). The RES are well experienced people with more than 10 years of work experience and holding top management post in their organizations such as Chairman, Director, President and Professors.

Table 3 shows the definition of business competence. The definition relates to the ability and capability in achieving goals of an organization. From the findings, to develop resources requires managerial competence and proactive organizational culture like international orientation as mentioned by Sousa, Ruzo, & Losada, (2010) on managerial resources key role. The findings relate to the individual build of self capability in handling matters and in making sure set goals of business are achieved, and this is supported by findings by Md Daud Ismail, Ahmad Domil, Md Isa, (2014) on managerial competence.

Table 4 shows the definition of international business competence. The findings are similar to the definition of business competence by only addressing on the capability of conducting self successfully at an international level which will require a more complex stature. The RES still emphasizes on the firm specific assets, intangible resources involving people within organization which correspond with the findings made by Filatotchev, Strange,

Piess & Lien (2007) on management know how and managerial competence (Md Daud Ismail et al., 2014).

Table 5 shows the international business competence indicator for ISMEs. Leading the list with 100% marks were Innovative, Environment survey, Source and Management. It was discovered that being innovative would make a company to have a better chance in competence and competitive advantage, thus be recommended as an indicator for ISMEs. Innovativeness in SMEs is also mentioned in many researches (see Lumpkin & Dess, 1996; Lewin & Massini, 2003; Narver & Slater, 1990; Knight & Kim, 2009). The ability to make thorough environment survey too was believed to be a good indicator for international business competence. It is crucial for any businesses to properly scan or study the environment that they want to pursue to ensure success (Barney, Ketchen & Wright, 2011; O'Cass & Sok, 2012; and Sok, O'Cass & Sok, 2013). Source is an important aspect for any businesses to operate, and source can add value to a product/service (Mappigau & Hastan, 2012). At the same time, source can be one of the core competences of an organization (Lau & Chan, 1998; Kuncoro, 2008). Management is also regarded as a significant indicator needed by RES for ISMEs. The core competence owned by the management will be a valuable asset to the organization, uncommon and hard to imitate as suggested by Barney (1995), and Barney, Wright & Ketchen (2001). The least finding in the study is Technology, with only 11%, which recommended a good indicator for ISMEs when embarking abroad. Even though technology has always been regarded as a superior leap to innovativeness and pioneering of product/services, however, technology was found to be less popular among ISMEs as technology incurred a higher cost, which abstained ISMEs from moving forward as mentioned in Andersson (2004), and Frishammar & Andersson (2009).

Table 1. The profiles of expert panels.

Experts	Position	Functions	Category	Affiliations	Work Experience
RES1	Director	Entrepreneurship Development	Supporting Government Agencies	SMIDEC	16
RES2	Director	Entrepreneurship Development	Policy Makers	MIDA	22
RES3	Director	Cross Border Investment and International Business	Policy Makers	MITI	11
RES4	Director	Marketing and International Business	Supporting Government Agencies	MATRADE	15
RES5	President	Entrepreneurship Development	Chambers of Commerce	The Malay Chambers of Commerce	43
RES6	Associate Professor	Strategic Planning and Entrepreneurship Development	Academician	Public Universities in Malaysia	21
RES7	Ex Chairman	Cross Border Investment and Strategic Management	Industry	Services	35
RES8	Chairman	Entrepreneurship Development and Strategic Management	Industry	Manufacturing	30
RES9	Professor	Entrepreneurship, Strategic Management and Finance	Academician	Public Universities in Malaysia	28

Table 6 shows the most significant choice of international business competence made by the RES. It was found that Creation / Create received the highest vote with 89%, which confirmed that the ability to create a product/service required by customers is highly important when relating to international business competence (Frishammar & Anderson, 2009). The next one is Environment and Innovative with 78%, which clearly state the importance of knowing the environment (Barney, Ketchen & Wright, 2011; O'Cass & Sok, 2012; and Sok, O'Cass & Sok, 2013) before a business starts to venture abroad and also being innovative (Lumpkin & Dess, 1996; Lewin & Massini, 2003; Narver & Slater, 1990; Knight & Kim, 2009) brings an important mark for businesses. Lastly, Customers and Skills (Vorhies & Morgan, 2005; O'Dwyer, Gilmore & Carson, 2009; Vorhies, Morgan & Autry, 2009; Sok et al., 2013) both with 67%, state the importance of international business competence to look at the

customers' needs and wants, and for the management team to have the right skills to survive abroad. The lowest vote was Technology and Delivery (Andersson, 2004; Frishammar & Andersson, 2009) with only 11%, which confirmed the condition of most ISMEs that are lacking in the technology velocity and logistical control.

Table 2. Definition of competence.

Experts	Definition of Competence
RES1	Potential
RES2	Able to solve problem
RES2	Capability to meet the standard
RES3	Capability to do something
RES3	Capability to understand
RES3	Capability to acknowledge
RES3	Capability to analyze
RES3	Capability to prosecute
RES3	Capability to plan
RES4	Capability of an individual in achieving a goal or objective
RES5	Ability to perform a certain task
RES6	Ability to outstand better than others
RES7	Capability that is aligned to the vision and mission
RES8	Strength in thinking skill, perseverance, commitment
RES9	Somebody who is able to think outside of the box or in multi boxes, risk taker, innovative, think different, knowledge competence

Table 3. Definition of business competence.

Experts	Business Competence
RES1	Potential of business to grow
RES2	The ability to meet business goals
RES3	The ability to achieve the set objective that a particular business is driven to achieve
RES4	The ability of a manager to achieve the set goals and objectives of a company
RES5	The ability to execute and manage business according to the set target
RES6	The ability to achieve success and expansion of business when customers spread success story of company to others
RES6	The ability to get customers to promote for company
RES6	Able to provide customers' personal touch
RES6	Able to treat customers like family
RES7	Capable of doing business-knowing the function of each department and business you are dealing with
RES8	Strength in managing business using thinking skills, perseverance, and commitment
RES9	Ability in managing business well

It can be concluded that, for iSMEs to penetrate and survive in the international world in particular iMSMEs, they need to equip themselves with not only one strong competence but multi-competences. Having strong management resources and capability will lead to sustainable advantage to the organization and this is confirmed by studies conducted by Mappigau & Hastan (2012) on Indonesian small silk weaving industry, and many other researches (Knight & Kim, 2009; Suh & Kim, 2013; and Ibrahim et al., 2014). iMSMEs need to look into innovation in order to attain better results at the international level. Being innovative (international innovativeness) and able to create a product/service alone may not warrant success if organizations neglect the importance of conducting a

through international environment survey (international orientation), holding strong management team (international orientation), possessing the right skills (eg. marketing skills orientation), and knowing their customers (international market orientation). All these competences may need to be placed together (multi-competences) to enhance the performance of iSMEs in particular, the iMSMEs. Studies conducted by Knight & Kim (2009), Suh & Kim (2013) and Ibrahim et al., (2014), addressed the importance of multidimensional concept (placing many competences together) may lead to superior performance of iSMEs.

Table 4. Definition of international business competence.

Experts	International Business Competence
RES1	Has potential for business to go and grow abroad
RES2	To become a global player, it must have capabilities to solve global issues, all sorts of pestel
RES3	A particular business which is recognized to do their core work or business and is capable to deliver that business and be known internationally that it can deliver
RES4	Be able to perform according to the objectives at international level
RES4	Has the capability to successfully perform business at overseas
RES5	The ability to perform business at international level
RES6	The ability of your company to get your product/service accepted by all (global)
RES7	Has the capability in handling complex business exercise at international level
RES8	Methodology of competence/capability is absorbed at international level
RES9	Ability to differentiate the international and local needs

Table 5. International business competence indicator.

No.	Key Themes	Experts (N = 9)		
		Frequency	%	
1	Innovative	9	100	**
2	Creative	7	78	
3	Environment survey	9	100	**
4	Social culture	4	44	
5	Network	7	78	
6	Entrepreneurship skills	5	56	
7	Source	9	100	**
8	Cutting edge product	7	78	
9	Technology	1	11	
10	Marketing skills	8	89	
11	Procedures	7	78	
12	Management	9	100	**
13	Customer	7	78	
14	Opportunity	4	44	
15	Cost	6	67	
16	Product differentiation	5	56	
17	Competition	5	56	

Table 6. International business competence significance.

No	Key Themes	Respondent (RES)								N = 9		
										Frequency	%	
1	Creation/Create	1	1	2	3	5	8	9	9	8	89	**
2	Customers	1	1	3	5	5	6			6	67	*
3	Environment	1	1	2	2	3	5	6		7	78	**
4	Opportunity	1	1	5						3	33	
5	Network	1	8	9						3	33	
6	Quality	1	7							2	22	
7	Technology	2								1	11	
8	Source	1	3	5	9					4	44	
9	Innovative	1	2	3	4	5	9	9		7	78	**
10	Cost	2	7							2	22	
11	Delivery	3								1	11	
12	Skills	3	4	4	5	6	9			6	67	*
13	Knowledge	3	5	6	7					4	44	
14	Trust	5	5							2	22	
15	Standard/Procedure	5	5							2	22	
16	Employee	5	8							2	22	
17	Competition	7	8							2	22	

5. Limitation and future research

This research only interviewed a small number of expert panels. Better results may be achieved with larger number of respondents. The focus is also only on Internationalized Malaysian Small and Medium Enterprises. A larger focused group and a comparative study on both domestic and international Malaysian SMEs should be conducted for a wider perspective. It is suggested that future research ponder upon the importance of multidimensional concept of competences.

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