



Understanding Ethical and Other SMEs Internationalisation Determinants and Its Impact on Business Performance: A Primary Attempt to Understand Malaysian SMEs Internationalisation

Adyzakrie Mohamad Zaki, Majlis Amanah Rakyat (MARA), GIATMARA, Malaysia

Hatem El-Gohary, College of Business and Economics, Qatar University, Qatar

 <https://orcid.org/0000-0001-6139-7054>

David Edwards, Birmingham City University, Birmingham, UK

 <https://orcid.org/0000-0001-9727-6000>

ABSTRACT

The research in hand attempts to investigate the different factors influencing SMEs' decision to internationalise in developing countries (such as Malaysia) including the impacts of ethical issues on the internationalisation decision process. The study also attempts to investigate the impact of internationalisation adoption on SMEs' business performance since the relationship remains vague. The study will deepen the understanding of the complex interrelationship between internationalisation determinants (that influence top management's decision to internationalise), and how such factors (internal and external) might affect SMEs' business performance. Based on the outcomes of such investigation and extensive exploratory study, an acceptable and comprehensive conceptual framework will be presented to investigate and understand the different factors influencing internationalisation adoption by Malaysian SMEs and its impact on companies' performance.

KEYWORDS

Business Performance, Conceptual Framework Determinants, Ethical Issues, Internationalisation, Malaysia, SMEs

1. INTRODUCTION

Although the research area of investigating factors influencing internationalisation of SMEs and the impacts on business performance has been much conducted in previous studies, the research conducted in a similar vein in developing countries is still scant. Results found from studies conducted in developing countries (such as Malaysia) is still vague (Hashim and Ahmad 2008). For instance, while the research conducted by Senik *et al.* (2010) found the determinant of internationalisation by Malaysian SMEs is highly significant to managers' networks, conversely study conducted by Ahmad (2014) found the most critical factor influencing Malaysian manufacturing SMEs in West Malaysia is due to the market saturation. In contrast, Hashim and Ahmad (2008) found the desire to increase sales is the most influencing factor of internationalisation by Malaysian SMEs in the manufacturing sector. The various distinction of previous research findings is perhaps due to the scope of study

DOI: 10.4018/IJCRMM.2021010101

and sample used. Therefore, there is a need to understand factors influencing Malaysian SMEs' internationalisation in more generalisable of the research findings in future research.

Several limitations have also been discovered from previous studies to understand internationalisation of Malaysian SMEs. For example, with regards to theoretical perspective, notably, there are extensive studies underpin on single theory in a study including the traditional stage model (e.g. Hashim and Ahmad 2008); network model (e.g. Senik *et al.*, 2011; Hashim, 2015); and international new venture (e.g. Ayob and Freixanet, 2014). However, this study has found previous works are scant regarding the usage of a more comprehensive approach combining multiple theories in a single study or so-called the integrative conceptual model to understand determinants of internationalisation by SMEs (e.g. Andersson and Evangelista, 2006; Senik *et al.*, 2010; Ahmad, 2014; Chelliah *et al.*, 2010; Bell *et al.*, 2003; Coviello and Martin, 1999). Also, this study has found that there is absent of previous studies deploy the institutional theory which relates to examining the role of ethics issues in decision making to internationalise. Several previous works found the level of ethics issues in foreign markets plays a vital role in influencing the decision to internationalise by business owners and managers (Asgary and Mitschow 2002; Campos *et al.*, 1999; Uhlenbruck *et al.*, 2006; Rodriguez *et al.*, 2005), yet the factor has never been investigated in Malaysia context. Moreover, regarding the methodological perspective; while several previous researchers such as Senik *et al.* (2010), Ahmad (2014) and Hashim (2015) conducted semi-structured interviews with government officials and related agencies such as the chamber of commerce to understand this phenomenon, Senik *et al.* (2010) suggest future research studies should deploy research samples from SME owners-managers as they could provide better information (Senik *et al.*, 2010).

Based on the above deficiencies, this research underpins the integrative conceptual model which combines five theoretical perspectives include stage model, network model, international new venture, foreign direct investment (FDI) and institutional theory to understand the factors influencing internationalisation adoption by Malaysian SMEs to achieve more generalisable findings in this research vein. This paper also deploys semi-structured interviews on Malaysian SMEs' owner-managers and government officials who directly involved in the international business.

The current research starts with a discussion of the background of internationalisation context, followed by a discussion on theories underpinning the study of SME internationalisation. Previous works regarding internationalisation adoption by SMEs and extant literature related to Malaysian SME internationalisation were then reviewed. This study then designed research approach to answer the research questions. Subsequently, semi-structured interviews of the 20 interviewees were then discussed in detail. Finally, the results and findings of the data analysis, which is leading to future research directions, are discussed.

2. AIMS AND OBJECTIVES

The study seeks to investigate an appropriate framework in understanding factors influencing Malaysian SMEs' decision to internationalise by exploring extant literature, as well as collecting empirical data through semi-structured interviews. The research then continued exploring and purifying the factors influencing Malaysian SMEs to internationalise through empirical study. Subsequently, this paper will evaluate the impact of internationalisation adoption on Malaysia SMEs' business performance.

Thus, the objectives of the current study include: i) to explore extant literature on SME internationalisation and factors influencing the strategy; ii) to explore the ethical issues in international markets and its impact on Malaysian SMEs internationalisation decision; iii) to evaluate appropriate theories that could elucidate internationalisation of Malaysian SMEs; and iv) to explore different impacts of internationalisation strategy on Malaysian SMEs' business performance regarding financial and non-financial measures.

This current paper underlines five research questions as the following:

25 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/article/understanding-ethical-and-other-smes-internationalisation-determinants-and-its-impact-on-business-performance/267773

Related Content

Exploring Relationship between Service Quality and Positive Word of Mouth at Retail Banks in Rural India

Mohd Adiland Mohammed Naved Khan (2013). *International Journal of Customer Relationship Marketing and Management* (pp. 57-71).

www.irma-international.org/article/exploring-relationship-between-service-quality-and-positive-word-of-mouth-at-retail-banks-in-rural-india/83587

Customer Management Practices: Multiple Case Studies in Stock Broking Services

Gyaneshwar Singh Kushwaha and Shiv Ratan Agrawal (2015). *International Journal of Customer Relationship Marketing and Management* (pp. 1-14).

www.irma-international.org/article/customer-management-practices/132510

Value Based Differentiation in Business Relationship for Capital Products and Complex Solutions: A Conceptual Framework in Egypt

Ahmed O. El-Tagy and Khaled Wahba (2016). *International Journal of Customer Relationship Marketing and Management* (pp. 52-70).

www.irma-international.org/article/value-based-differentiation-in-business-relationship-for-capital-products-and-complex-solutions/152853

Determinants of Student Satisfaction in Higher Education: A Case of the UAE University

Ali S. Gargoum (2019). *International Journal of Customer Relationship Marketing and Management* (pp. 15-24).

www.irma-international.org/article/determinants-of-student-satisfaction-in-higher-education/236056

Follow Me!: How Internet Celebrities in China (Wanghong) Attract and Influence Their Chinese Fans

En-Chi Chang and Tony Cheung-Tung Woo (2020). *Handbook of Research on the Impact of Fandom in Society and Consumerism* (pp. 397-421).

www.irma-international.org/chapter/follow-me/237701