

SME Internationalization Intelligence Information and Knowledge on International Opportunities

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Abstract: Small and medium enterprises (SMEs) internationalization intelligence, referring to the process of gathering information and knowledge on international opportunities, is crucial to initiate SMEs' internationalization. The literature has stressed organizational resources, networks and information sharing as means to acquire internationalization intelligence, suggesting that the resource-based, network and social capital perspectives can be adopted to explore this issue. However, previous literature still lacks evidence on how SMEs acquire relevant intelligence, and who or what are involved with the process. To address this lack of evidence, we interviewed 54 SME owners/key personnel in the manufacturing sector to: identify sources of internationalization intelligence; examine how those sources assist SMEs to internationalize; and develop propositions on internationalization intelligence. Analyzing the data using NVivo, four themes emerged including institutions, business associates, personal efforts, and other means. The analysis suggests internationalization intelligence occurs mainly through the networks of the SME owners/key personnel, built on their firm's resources through their internal and external information sharing activities, indicating the need of the SMEs to position themselves in their environments. These findings are developed into propositions. The study indicates multiple perspectives in conceptualizing the process of internationalization intelligence. This study advances a conceptualization of internationalization intelligence, and offers avenues for future research.

Abstrak: Kecerdasan internasionalisasi usaha kecil dan menengah (UKM), mengacu pada hasil proses pengumpulan informasi dan pengetahuan tentang peluang internasional yang telah diproses, hal tersebut sangat penting untuk memulai internasionalisasi UKM. Dari beberapa literatur menekankan, sumber daya organisasi, jaringan dan berbagi informasi sebagai sarana untuk memperoleh kecerdasan dalam internasionalisasi. Hal tersebut menunjukkan, bahwa perspektif modal berbasis sumber daya, jaringan dan sosial, dapat diadopsi untuk mengeksplorasi hal ini. Namun, beberapa literatur sebelumnya masih mempunyai kekurangan bukti tentang bagaimana kecerdasan UKM mendapatkan data yang relevan, dan siapa atau apa yang terlibat dengan proses tersebut. Untuk mengatasi kurangnya bukti, dilakukan wawancara terhadap 54 pemilik UKM atau personil kunci di sektor manufaktur, untuk: kecerdasan mengidentifikasi sumber-sumber internasionalisasi; memeriksa bagaimana sumber-sumber dapat membantu UKM untuk internasionalisasi, dan mengembangkan proposisi pada kecerdasan internasionalisasi. Analisis data

menggunakan NVivo yang menghasilkan empat kriteria, yaitu: lembaga, rekan bisnis, usaha pribadi, dan sarana lainnya. Dari analisis tersebut di atas, menunjukkan bahwa kecerdasan internasionalisasi terjadi melalui jaringan pemilik UKM /karyawan kunci, yang dibangun pada sumber daya perusahaan. Di mana hal tersebut didapat melalui melalui kegiatan internal dan eksternal dan berbagi informasi yang dapat memperlihatkan kebutuhan dari UKM untuk memposisikan diri di lingkungan mereka. Temuan-temuan dari penelitian ini dikembangkan untuk menjadi proposisi. Dari penelitian ini diperoleh berbagai perspektif konseptual dalam proses kecerdasan untuk internasionalisasi, dan dapat diacu untuk penelitian masa depan.

Keywords: internationalization intelligence; information and knowledge; international opportunity; Malaysia; small and medium enterprises (SMEs)

Introduction

Small and medium enterprises (SMEs) internationalization intelligence, referring to the process of gathering information and knowledge on international opportunities, is crucial to initiate SMEs to internationalize. SMEs need to be aware of the information on international market opportunities (Beamish 1990; Knight and Liesch 2002) as the intention of a firm to internationalize is influenced by the opportunities that exist in foreign markets (Albaum et al. 1998). International Opportunities can be acquired through the nature of global networks or contacts (Chetty and Blakenburg 2000; Johanson and Mattson 1988; Naidu et al. 1997), and information and knowledge sharing activities (Ojala 2009; Prashantham 2005; Yli-Renko et al. 2002). A review of previous literature (i.e. Belich and Dubinsky 1995; Cyert and March 1992; Dangelico et al. 2008; Granovetter 1992; Holmlund and Kock 1998; Zucchella et al. 2007) concludes that the source of internationalization intelligence can be conceptualized in three ways; the organization itself, direct contacts, and information sharing activities; suggesting that the resource-based, network and social capital perspectives can be adopted to explore this issue.

However, according to Knight and Liesch (2002), virtually no studies have extensively investigated how SMEs acquire relevant intelligence to instigate internationalization, and who or what is responsible for disseminating information and knowledge on the international opportunities to them. In addition, Ellis (2000) claims that there is little discussion about how and by what means firms identify information and market opportunities. To understand this issue, we carried out a study in Malaysia involving SMEs in

the manufacturing sector. Malaysia is the context of the study because the growth of SMEs into international markets has been fully supported by the government. Particularly when the National SME Development Council (NSDC) was established in 2004, the roles of SMEs in enhancing the economic and social development of the nation have increased. Meanwhile, the manufacturing sector was selected because the majority of the internationalized SMEs are involved in this sector, and it has outperformed other sectors in Malaysia concerning the value added, gross domestic product (GDP) and employment rate.

We conducted in-depth interviews with 54 internationalized SMEs based in Malaysia in 2007. The interview approach, which used qualitative methodology, is the most suitable method to examine SME internationalization because this issue represents a complex area of research (Matlay and Mitra 2004; Zalan and Lewis 2004). The purpose of the interviews is to get feedback on how SMEs acquire relevant intelligence to instigate internationalization, and who or what is involved in disseminating the information and knowledge on international opportunities to them.

Many authors claim that there is no single suitable definition of an SME (see for example: Curran and Blackburn 1994; Harvie and Chye-Lee 2003; Moha-Asri and Bakar 2002; Shepherd and Wiklund 2005). Within Southeast Asian or Association of Southeast Asian Nations (ASEAN) countries (i.e. Indonesia, Malaysia, Thailand, Singapore, the Philippines, Brunei Darussalam, Laos PDR, Cambodia, Vietnam, and Myanmar) the definitions of SMEs differ. For instance, in Indonesia, an SME is defined as an enterprise with less than 100 employees and annual sales of less than 1 million Rupiah; in Vietnam, less than 30 to 200 employees and between 1- 4 billion Dong in capital; in Thailand, less than

50 to 200 employees, 20-100 million Baht of fixed assets; and in Singapore, less than 200 employees and fixed assets of less than S\$15 million (Harvie and Chye-Lee 2003; Tambunan 2011).

In Malaysia, a SME is defined as “*an enterprise with full-time employees not exceeding 150 or with annual sales turnover not exceeding RM25 million*” (NSDC 2005: 5-6) and this definition represents 99.2 percent of total business establishments, contributing 31 percent of the nation’s Gross Domestic Product (GDP), providing 56 percent to all employment, and contributing 19 percent of the country’s exports (NSDC-SME Annual Report 2009/10 2011). SME exporters are mainly located in the manufacturing sector, and of the 37,866 SMEs in the manufacturing sector, 14 percent are active exporters (SME 2006).

SMEs play an important role in the nation’s economic and social development, thus they are encouraged to get involved in international trade. To gain international opportunities, the government has precisely outlined networking as a strategic focus for SMEs to compete in global markets (Ninth Malaysian Plan 2006; Tenth Malaysian Plan 2010). They are encouraged to create inter-firm linkages with large domestic companies and foreign entities to enable them to become more competitive, innovative and reliable suppliers for global outsourcing networks and thus facilitate entry into new export markets (NSDC 2009). The recently developed SME Master plan (2011-2020) has set measures for the SMEs, not only to become domestic winners, but they should aim for regional and global champions to spearhead the growth in the economy (NSDC-SME Annual Report 2009/10 2011). By giving priority to SMEs development, the Malaysian government aims to increase SME contributions to GDP in 2006 from 32 percent to 37 percent and

total exports from 19 percent to 22 percent by 2010 (NSDC 2007).

Similar to the claims made in previous literature, research on the Malaysian SMEs to date, has failed to provide explanations on how SMEs acquire relevant intelligence to instigate internationalization, and who or what is responsible for disseminating information and knowledge on the international opportunities to them. Even less is known about whether the government’s policy on SME internationalization provides guidelines on how the SMEs can attain internationalization intelligence, or a model outlining the process of acquiring internationalization intelligence.

Our study seeks to address this important research gap by (1) identifying the sources of internationalization intelligence that can initiate the SMEs to internationalize; (2) examining how those identified sources [the emerging themes and constructs identified in objective (1)] assist SMEs to venture out; (3) developing propositions on internationalization intelligence, which is conceptualized from the interpretation of the findings in objectives (1) and (2). The result is a theoretical framework that holistically synthesizes the aspects of the sources of internationalization intelligence, SMEs internationalization process, and key people to initiate internationalization intelligence. Thus, this study advances a conceptualization of internationalization intelligence, and provides several propositions intended to guide future research.

The paper is organized as follows. *First*, the literature and theoretical background are discussed. The subsequent sections elaborate on the methodology and data that are used and present the empirical results. *Finally*, the findings are discussed and interpreted. Some implications for future research are sug-

gested, and a conceptual term for internationalization intelligence is formulated.

Literature and Theoretical Background

Definition of Internationalization

The term ‘internationalization’ is broadly applied in the literature (Chetty 1999), and for over forty years (Werner 2000), authors concerned with internationalization of firms have attempted to define it (Mejri and Umemoto 2010). Relating the purpose of the study to internationalization definitions, we applied Beamish’s (1990: 77): “*a process where firms start by increasing their awareness of the direct and indirect influences of international transactions on their future, before moving on to establish and conduct transactions with other countries,*” and Naidu et al.’s (1997: 115) “*a gradual process whereby a firm develops a network of global trade relationship.*”

These definitions suit this study as the former presumes that the SMEs need to be aware of the market opportunities before they can participate in the international markets, while the latter suggests that SMEs need to acquire internationalization intelligence gradually through contacts with others. The definitions match the models and theories underpinning the issue of the SMEs internationalization intelligence, described earlier as the process of gathering information and knowledge on international opportunities.

Internationalization Process Models

The internationalization process has been extensively researched (Chetty 1999). In general, researchers agree that theories of internationalization can be viewed from eco-

nomie, behavioral, network view, international new venture and international entrepreneurship approaches (Etemad 2004; Mejri and Umemoto 2010). Within those perspectives, abundant literature has led to the development of numerous internationalization models. However, to synchronize with our research issue of how SMEs acquire internationalization intelligence, and to fit with our applied definitions, this study views the internationalization process through stage internationalization models, resource-based view, network approach, and social capital perspective.

The most prominent internationalization process theory within the behavioral perspective is the Uppsala internationalization model (Johanson and Wiedersheim-Paul 1975; Johanson and Vahlne 1977, 1990). This model suggests the internationalization process is a gradual process consisting of four stages where firms increase their involvement in international operations as they gain international experience (Welch and Luostarinen 1993). The Uppsala model initially focuses on the learning process that firms need to acquire and use knowledge on foreign markets to facilitate them going international. It highlights the fact that gaining international market intelligence allows the SMEs to commit to internationalization. In particular, the Uppsala school of thought advocates that SMEs need to have relevant knowledge on the specific markets where they plan to conduct their businesses by identifying appropriate sources of internationalization intelligence to ease their way into overseas ventures.

However, with the onset of today’s digital era, the Uppsala model lacks the ability to explain internationalization intelligence gained through information technology. Therefore, another behavioral-stage model,

the Innovation-related internationalization model, is incorporated into the discussion of the SME internationalization intelligence. The Innovation-related internationalization models developed by several authors (Bilkey and Tesar 1977; Cavusgil 1980; Czinkota and Johnston 1981; Reid 1981) also focus on the learning sequence, but incorporate innovations in information, computer and technology (ICT) as means to acquire international knowledge. Andersen (1993) therefore, argues that although the models are closely associated with the Uppsala model, they are more advanced as they utilized innovation to learn about international markets.

The two models from the behavioral perspective therefore suggest that the SMEs have relevant knowledge on the specific markets where they plan to conduct their business. It is necessary for the SMEs to identify the sources of internationalization intelligence to ease their way into overseas ventures.

The Sources of Internationalization Intelligence

As mentioned earlier, previous literature suggested three sources of internationalization intelligence including the organization itself, direct contacts, and information sharing activities. Cyert and March (1992), for instance, posit that the source of internationalization intelligence is generated and processed within the firm. This indicates that the firm's resources, defined as "*all assets, capabilities, organizational processes, firm attributes, information, knowledge,...*" (Barney 1991: 101) are the sources for getting international opportunities. This argument is in line with the Resource-based view (RBV), initiated by Penrose (1959), that included information and knowledge as internal factors affecting firms' growth and development (Barney 1991). The level of knowledge and learning

through work ethics, cultures, and international entrepreneurial orientation (Westhead et al. 2001) within the firm, acts as a competitive advantage to internationalize (Bell et al. 2007). However, the existence of capable internal resources alone, as suggested in the RBV, is inadequate to possess internationalization intelligence.

This brings us to the discussion of the second source of internationalization intelligence, the direct contacts – where the source is embedded in the society from relationships with individuals within and outside the firm (Granovetter 1992). This indicates that gaining internationalization intelligence involves others and is absolutely not a one man effort (Mtigwe 2006). Significant to theory, this indicates that the RBV should be complemented with network perspective in describing issues of internationalization intelligence.

The direct contact as a source of internationalization intelligence builds on the internationalization and network approach proposed by Johanson and Mattson (1988) who argue that firms use international network activities for market penetrations and expansions. Networks built in the pre-internationalization stage are critical to trigger internationalization (Mejri and Umamoto 2010) giving rise to new opportunities (Dana 2001). This suggests the role of networking is crucial, but who or what are involved in acquiring and disseminating internationalization intelligence on the information and knowledge of international operations?

Krueger (2003) raises the concern that even if international opportunities are discovered, there must be someone responsible for translating the opportunities into realities or to make it happen. Many authors suggest that the founders or key managers of SMEs create direct contacts through networking and building bonds with others to secure infor-

mation on international opportunities as well as on business support (Johanson et al. 1988; Knight 2001; Westhead et al. 2001). In this case, the SME founders or key managers are the catalyst who acquire and process the information on international opportunities (Baron and Ward 2004; Mitchell et al. 2007; Vaghely and Julien, 2010).

According to Vaghely and Julien (2010: 75), "*opportunity revolves around the information individuals possess and how they process it*". This indicates that when internationalization intelligence is proactively sought, the SMEs actively search for opportunities and direct them towards encouraging outcomes. The ability of entrepreneurs to initiate, create and sustain the networking with others becomes the key factor for the SMEs to obtain information and knowledge on internationalization.

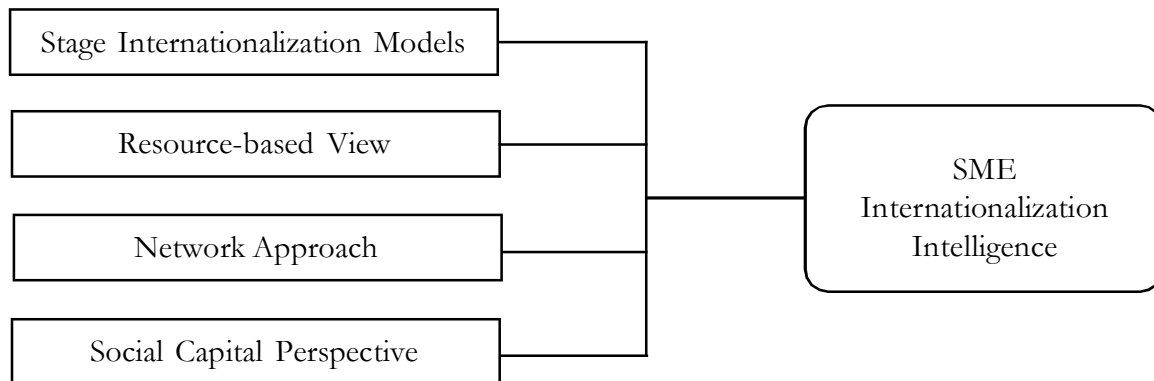
The SMEs, through their key personnel, need to build wide networks for instance, with governments, supporting agencies, distributors, customers and other firms (Chetty and Blankenburg 2000; Welch and Welch 1998), and firms with similar ethnicity (Yeung 2004; Zhou and Xin 2003). These sources can be the initiation for relevant and new internationalization intelligence, thus becoming the turning points for SMEs to internationalize. As global networks grow, internationalization intelligence can be further acquired through collaboration with overseas distributors, trading companies, complementary producers, foreign partners, international competitors (de Wit and Meyer 1998; Hakansson 1982; Webster 1992), as well as with government to government arrangements. This is particularly true for SMEs in developing countries, such as Malaysia. The linkages with internal and external institutional bodies influence the decision to go international (Che Senik et al. 2010; Zain and

Ng 2006), create awareness for international opportunities (Mahajar et al. 2006), and speed up the process of internationalization (Andersson et al. 2006).

Evidently, the ability to network with others, as the source of internationalization intelligence, brings numerous benefits to the SMEs (Chetty and Agndal 2007; Coviello and Munro 1995). Amongst others, these include: motivating them to internationalize (Korhonen et al. 1995); enhancing their learning ability (Webster 1992; Craig and Douglas 1996; Zahra and Hayton 2008); affecting their selection of markets, foreign entry modes, and product development (Agndal and Chetty 2007; Coviello et al. 1995); formulating the firm's strategic plans for international growth and expansion (Moen et al. 2002); accelerating the firm's internationalization process (Autio et al. 2000; Moen et al. 2002); making their way successfully into overseas ventures (Bell et al. 2007); ensuring survival in the long run (Sharma 1993); and reducing uncertainty related to venturing abroad so that the firms can optimize the outcomes (Knight and Liesch 2002).

Between the RBV and network perspective, we argue that sharing information is another direction to look at in realizing internationalization. Within the network approach, Granovetter (1992) claims that information is gained from people who are willing to share information, and organizations and/or institutions that can provide relevant information. This indicates a social capital perspective defined as the actual and potential resources embedded within, available through, and derived from, the network of relationships possessed by an individual or organisation (Nahapiet and Ghoshal 1998) is relevant in discussing the issue of internationalization intelligence. The sources of social capital lie in the structure and content

Figure 1. Theoretical Framework of the Research



of an actor's social relations (Adler and Kwon 2002). The social capital developed by SME entrepreneurs allows organizational learning, grants access to knowledge information on local markets and stakeholders, ideas and opportunities recognition, resources and information acquisition (Dubini and Aldrich 1991), and legitimacy toward stakeholders (Aldrich and Fiol 1994). Prashantham (2005) added that the social capital through information technologies like Internet enable the acquisition, dissemination, and sharing of internationalization intelligence.

Sharing internationalization intelligence also occurs during business activities such as trade shows, forums, conferences and seminars. According to Evers and Knight (2008), these are pertinent information platforms for establishment and enhancement of a network infrastructure enabling SMEs to grow and expand internationally. Access to appropriate information through appropriate channels can create strong international awareness which is an important driver for SMEs to accelerate their internationalization process (Zucchella et al. 2007).

We arrive at the conclusion that SME internationalization intelligence occurs when SMEs prepare and maneuver their organiza-

tional resources for internationalization, receive important information and resources for the internationalization process through their networks, access international networks indirectly through their current network relations, and finally utilize social contacts to a large extent for getting internationalization intelligence. Overall, these arguments significantly highlight the need to study SME internationalization intelligence. To date, the debate on how SMEs gain information and knowledge on international opportunities is still unable to explain the phenomenon. Based on the review of previous literature, the theoretical framework of the research is depicted in Figure 1.

Methodology

The purpose of this paper is to enhance understanding of the process of SMEs internationalization by focusing on the issue of information and knowledge on international opportunities. Since the main research questions involved 'how' and 'who', qualitative methodology was deemed most appropriate (Gummesson 1991; Hesse-Biber and Leavy 2006). According to Morse and Richards (2002), this approach allows the identification of new views that are not yet available

in the existing models. As the SMEs internationalization process is a complex area of research (Matlay and Mitra 2004; Denzin and Lincoln 2000), Thomas (2004) suggested selecting a critical realism paradigm because of its ability to address both objective and subjective realities. In this study, the SME practitioners were the elements of subjective reality, while the government's blueprints and reports on SME development, policies and support for international growth, as well as printed materials available in the public domain including internet, were the objective reality elements. The information gained through the objective and subjective realities that are underlying the critical realism paradigm enhanced the understanding of the internationalization of Malaysian SMEs.

The SME-participants were selected based on these criteria: (1) A Malaysian-based manufacturer, currently engaged in international activities; (2) Registered under Small and Medium Industries Development Corporation (SMIDEC) and Malaysian Industrial Development Association (MIDA); (3) Listed in the Malaysia External Trade Development

Corporation (MATRADE) and the Federation of Malaysian Manufacturers (FMM) directories; (4) Employed less than 300 employees; and (5) Located in the SMI industrial sites in central Malaysia (Selangor and Kuala Lumpur Federal Territory).

Altogether, 54 SMEs participated in this study; they were then classified into seven industries. Each industry was given its own code, while the companies were numbered accordingly. The industry and participant's codes were used to describe the verbatim used in the findings. The details of the industries and participants are shown in Table 1.

For data collection, in-depth interviews via unstructured and semi-structured protocols, designed to help measure the contextual factors and items (May 2001), were used. The interviews that took one to one and a half hours were carried out over six months in 2007 at venues decided by the participants. Two main questions asked during the interview sessions were: (1) *How do you know about the international opportunities?* and (2) *Who provide/assist you in gaining information and knowledge on international opportunities?*

Table 1. Industry and Respondent Profiles

No.	Industry	Industry Code	No. of Companies	Respondent Code	Percentage
1	Electrical and Electronics	EE	8	EE 1-8	14.8
2	Agro Manufacturing	AG	6	AG 1-6	11.1
3	Food and Beverages	FB	8	FB 1-8	14.8
4	Rubber and Plastic-based	RP	6	RP 1-6	11.1
5	Transport and Machinery	TM	8	TM 1-8	14.8
6	Biotechnology and Herbal	BH	9	BH 1-9	16.7
7	Wood-based and Furniture	WF	9	WF 1-9	16.7
TOTAL			54		100%

All the interviews were self-transcribed, and any phrases or statements in the Malay Language were translated into English. In sorting out the themes and categories pertaining to those research questions, NVivo, qualitative software was utilized. This approach is highly recommended by Buchanan and Jones (2010). For triangulation, data were analyzed manually, opinions from some colleagues were sought, and previous literature was referred to. The results therefore are largely inductive and interpretive, and presented in a theme-based way supported by frequency counts and percentage of the responses (54 participants), and relevant quotations.

Findings and Analysis

The Sources of Internationalization Intelligence

This study entailed a multi-industry, multi-case approach, to understand how the Malaysian SMEs acquire internationalization intelligence (information and knowledge) on international opportunities. This section addresses the first and second objectives of the study; (1) to identify the sources of internationalization intelligence that can initiate the SMEs to internationalize, and (2) to examine how those identified sources assist SMEs to venture out, respectively.

All together, 107 items related to the sources of information were mentioned; 31 sources of information were identified; and four (4) themes emerged. The four emergent themes include institutions (50 items), business associates (22 items), personal efforts (20 items), and other means (15 items). Each theme was rated, resulting in the identification of the most important sources for international opportunity.

Institutions

In the institutions theme, six sources were identified (i.e. Government and Semi-government Bodies; Ministries; Small to Medium Industry Agencies; International Trade Organizations; Non-Government Organizations (NGOs); and Foreign Bodies). The main sources are the government and semi-government bodies where 80 percent of the participants agreed that the supporting agencies¹ were the major contributors on the information of internationalization opportunities. As evident in these quotations:

“Malaysia External Trade Development Corporation (MATRADE) and Majlis Amanah Rakyat (MARA) [The Council of Trust for Bumiputra] introduced us to business matching. So, through government bodies we realize that there a lot of opportunities for us to do business overseas.” [EE2]

“We joined the Malaysia Timber Industry Board (MTIB), then the Malaysian Hand Craft Organization. With the help of MITI (the Ministry of International Trade and Industry), we started our international operation.” [WF3]

Six ministries, including the Prime Ministers Department, Ministry of Entrepreneurship and Cooperative Development (MECD), the Ministry of International Trade and Industry (MITI), Ministry of Agriculture, Ministry of Internal Affairs, and Ministry of Science, Technology and Innovation (MOSTI) were all sources of internationalization intelligence for 28 percent of the SMEs. Similarly, six principal small to medium industry (SMI) agencies, such as SMIDEC, Malaysian Technology Development Corporation (MTDC), Malaysian Industrial Development Finance (MIDF), Malaysian Industrial Estate Limited (MIEL), Malaysian Productivity Centre (MPC) and Standards and Industrial Research

Institute of Malaysia (SIRIM) contributed to providing information to the SMEs.

"The Ministry of Agriculture Malaysia invited us to participate in the international exhibition for agro products." [AG6]

"I have a good rapport with SMIDEC, MATRADE, MPC and the MECD. So I have the opportunity to go for higher management trainings overseas." [WF5]

Non-government organizations (NGOs) were also providers of information on international opportunities, in particular SMEs in the Rubber and Plastic-based and Transport and Machinery industries.

"I join the NGOs association such as the Malaysian Plastic Manufacturing Association (MPMA). From MPMA we get information about the industry." [RP5]

"We registered with the Malaysian Plastic Manufacturing Association (MPMA), from there we were able to gain awareness and learn about potential customers overseas. Normally MPMA will give us brochures about overseas' connections." [TM2]

In addition, international trade organizations and foreign organizations also provided information. Six international trade organizations, including the East Asia Business Exhibition (EABEX), Organization of Islamic Conference (OIC), Asia Pacific Economic Cooperation (APEC), International Fitness Associations (IFA), Asean Free Trade Association (AFTA) and Asia-Japan Trade Centre, were cited as sources of information.

One entrepreneur admitted, *"We receive a lot of enquiries from Japan especially through the Asia – Japan Trade Centre."* [AG6]. Another stated that since the firm was selected to represent Malaysia in the OIC trade forum in 2005, *"abundant information was obtained from foreign participants, such as the People's Republic*

of China and the Middle East" [BT2]. Another company [EE1] that supplied products for regional sport and game events announced that information was gained through a specific international body such as International Fitness Associations.

Foreign bodies, including the embassies and its related associations, such as the ladies groups, were also pertinent sources of information. Although only seven percent of the participants mentioned this, they claimed it made the opportunities for overseas expansion easier. As one participant who had known many foreign ambassadors' wives based in Malaysia said:

"I gained international opportunities from my experience with foreign embassies, such as Indonesia, Philippines, Vietnam, and Thailand. I associate through the ladies circles." [RP4]

Business Associates

The second theme for sources of internationalization intelligence involves business associates, in which nine sources were identified. These include: other suppliers/companies (46%), foreign partners (33%), foreign customers/clients (33%), agents and distributors (31%), professionals (22%), local and foreign MNCs (20%), global supply chain (19%), international marketing teams (15%), parent companies (13%).

These indicated that the manufacturing SMEs in various industries mainly relied on the other suppliers/companies, foreign partners, customers/clients and business associates for information about international awareness. One participant stated, *"Vendors, colleagues, business associates, and clients inform me about the opportunities abroad."* [RP1]

Some participating SMEs were suppliers for Japanese MNCs, particularly in those

Electrical and Electronics; and Transport and Machinery industries. Japanese company suppliers or the business groups are known as *keiretsu* which represents a network of knowledge and close relationships between member suppliers that fosters a good information flow (Delios and Henisz 2001). Interestingly, interviews revealed that even where partnerships had ended, the Japanese MNCs would still look after the welfare of their previous supplier firms, for example:

“In this steel industry, it is difficult to penetrate overseas. But, this is one thing about our Japanese partners. Although we are not partners anymore, if you get close with them, you become their ‘keiretsu’ member. They remember you forever. They introduced us to their vendors in other countries. So, there is an avenue for us to go out.” [TM1]

Another Japanese concept *sogo shosha*, which is a Japanese term for general trading companies (Anand and Delios 2001) was also mentioned in the interviews. *Sogo shosha*, allows a Japanese supplier to be linked with parent companies and their associates through business matching [BH7]. At least one participant saw a similarity with the business matching between the Malaysian SMEs with foreign firms conducted by the government agencies (e.g. MATRADE and SMIDEC) to create international awareness.

“The government agencies organize business matching with companies abroad. They actively seek out prospective clients overseas and supply to us. I think something like the Japanese concept, ‘sogo shosha’, helping the SMEs in business matching and the companies have strong bonds with each other. If we can develop that kind of bonding in Malaysia, I believe that there’s a lot of potential for the Malaysian SMEs to go abroad.” [BH7]

These findings suggest that the merits of the internationalization intelligence are interrelated. It involves institutions with other players, who are linked by networking with many sources, including personal efforts.

Personal Efforts

Personal Efforts, the third emergent theme is a very influential source of internationalization intelligence as agreed by 90 percent of participants. The most had been associated with the networking of the SMEs through the owners or key managers created with others, friends networks, colleagues networks, families networks, previous working contacts, and political networks. Other sources that involved personal efforts included participating in specific international exhibitions, seminars, or conferences, travelling to both domestic and overseas destinations, or engaging with personal communications.

Personal efforts are also related to other elements such as founders’ previous positions and experience, which in turn increased the credibility and authenticity of the information gathered, and these provided strong grounds for obtaining relevant information, as the following quotations illustrate:

“There was one Germany company that I used to work with, and some friends introduced me to the German Chamber of Commerce.” [TM6]

“Our sources of contact are various. Mainly through our chairman, who actually has been involved with the corporate sector for more than 20 years. He also has got some international contacts because he has been involved with automotive component business.” [BH7]

Other Means

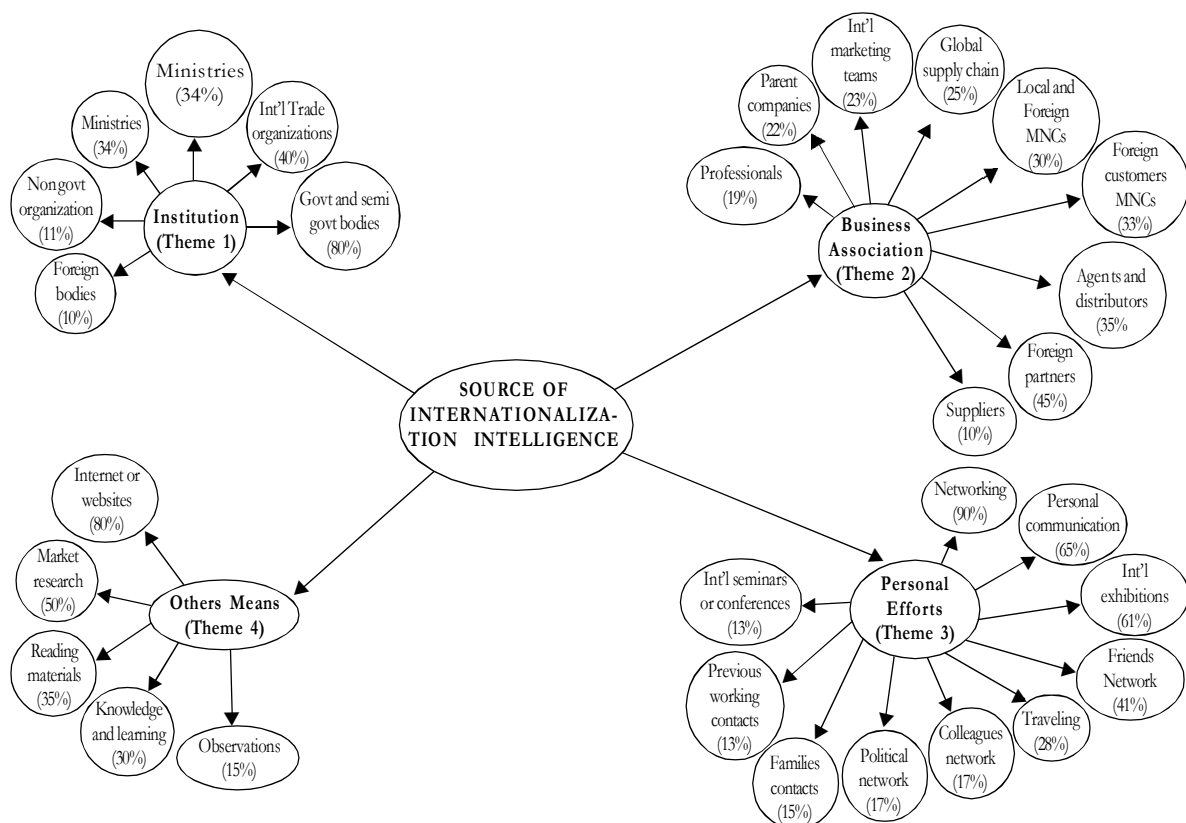
The final emergent theme consists of multi-sources of internationalization intelligence. These include the internet or websites (76%), market research (35%), specific reading materials (28%), knowledge and learning (24%), and observations (13%). More than two third of the participating SMEs in all industries utilized internet or websites to gather information on international opportunities. This indicates that face-to-face networking with people was supplemented by technology-based interactions as well. Reaching people all over the world, at the same time, is now possible because of the internet. The SMEs in this study realized the importance of advanced technology and being aware of global trends. They used the internet and

websites to accelerate gathering of information on foreign markets and to gain contacts:

“We promote the company on the internet, we have our own website. Somehow, it helps using the internet, since it has become the source of information today. There are many companies in the world involved with the plastics industry, so through internet, we get to know them and we establish relationships.” [RP5]

Although the internet and networking are dominant sources of information, self-observation provided another useful option to gain information, and this approach was particularly pertinent in the Agro Manufacturing industry, for example, *“I go to see the agriculture industry in other countries, and I compare them with the Malaysian market.” [AG1].* Through observation, the SMEs conducted

Figure 2. Model of the Source of Internationalization Intelligence



Source: Analysis of NVivo 9, based on the 54 interview scripts

their own research on potential markets. As observed in the Rubber and Plastic-based industry, “*We observe the market, and then we realize the possibility is there. So I assigned my officers to do market research.*” [RP3]. Other sources of information included individual capabilities, such as expertise, knowledge and learning ability and these help “*build up our confidence level to internationalize.*” [WF5]

Model of the Sources of Internationalization Intelligence - Construct, Themes and Items

Summarization of the construct (source of internationalization intelligence), the four themes, and the items related to the themes (with the percentage of the participants’ responses given in bracket) is depicted in Figure 2. The model shows the overall findings of the study. Future researchers can develop a set of questionnaire questions on the constructs, themes and items. It can be a very rigorous measurement to be tested for future research.

How those Sources Assist Internationalization

In addressing the second objective, which was to examine how those identified sources assist SMEs to venture out, notably the majority of the participants referred to network relationships as the most substantial source for obtaining information, “*I think the biggest thing is the connection. Networking is how you make all the ways.*” [RP4]. This is explained deeper by this extract:

“...after so long in the business, you know where to seek for information. Apart from the information given by the government, your business colleagues, people write to you personally. You have to establish your local and international contacts. When the chain is there, you’ll

find it so much easier to penetrate into global market.” [EE5]

Evidently, this shows that the personal efforts of the SMEs owners/key personnel through networking with others, are how the SMEs acquire internationalization intelligence. Some believed that in order to gain trust in networking, subtle relationships must be developed. One way of doing this was through personal communications, as illustrated in this quotation:

“Sometimes I made personal visit to my principals, or partners. This was not to gain profits, or to set up contracts but just personal visits. We just talk; have lunch, and dinner, then come back. That strengthens the relationship! And that is a good kind of relationship.” [EE8]

Networking was also created at international exhibitions or seminars or through traveling abroad. Notwithstanding these activities are costly events, but there were many gains and, most importantly, information could be exchanged, for example:

“Participation in the international trade fairs is an expensive means. We can get potential buyers, but to fly to the places and participate needs a lot of money. For a person or two to go to the trade show, we spend 10-20 thousand Ringgit (up to USD5K). But it is a good and effective way of getting buyers, expanding networking, getting new ideas on designs.” [WF9]

In another example of the benefit of travel, EE8 stated:

“After I travel to many places and meet so many clients and partners, I have a lot of exposures which make me see things differently and make me want to move further. I feel more mature, more confident of myself. As you make contacts, you are more exposed to their styles, and you build up stronger relationship with partners. They even help me with my financial difficulties.” [EE8]

Networking with friends, relatives, colleagues and previous workplaces/ colleagues helped information flow into a firm because of unconditional relationships. The Malaysian SMEs emphasized the importance of relationship bonds, as mentioned by one CEO:

“Business is like making friends; it will take some time to know each other. Once you get the confidence level, it is a full circle. It will be easier to expand your business, because you have created the bonding.” [EE2]

The findings suggested that networking needed to come with personal communication. According to one CEO, tactful personal and diplomatic communications could break the barriers with humanity, thus it was an important means to acquire internationalization intelligence.

“Whatever it is, I think the human factor is still number one. Even though you have good products, you need people, you need to reveal yourselves. Get to know these people. It is a great help. Actually when you go for the business trips, you have so much opportunity to create networking, to get to know other business people, to get support from the government. Since we go with government delegates, we have the chance to know the politicians, the VIPs in which we may not find time in Malaysia, but with the overseas trips, we are able to know each other.” [WF5]

The analysis addressing both objectives generated a new perception of the themes and categories of the sources of internationalization intelligence, and how those identified sources assisted SMEs in their quest for information and knowledge on international opportunities. Next, we will discuss the analysis of the findings, and address the third objective of the study, to develop propositions on SME internationalization intelligence.

Discussions

This study intended to understand the SME internationalization process by focusing on the internationalization intelligence that identified four sources of international opportunities, i.e. institutions, business associates, personal efforts, and other means (refer to Figure 2: Model of the Source of Internationalization Intelligence). As the analysis of this study reveals, a majority (90%) of the SMEs in the manufacturing sector acquired internationalization intelligence mainly through the networks and personal communications of their founders/owners/key personnel with institutions and business associates, at both domestic and international levels. These findings are consistent with the earlier studies (Baron and Ward 2004; Dubini and Aldrich 1991; Johanson et al. 1988; Knight 2001; Liesch and Knight 1999; Mitchell et al. 2007; Ojala and Tyrväinen 2008; Vaghely and Julien 2010; Westhead et al. 2001) which suggest the founders/key managers are the catalyst who acquire and process the information on international opportunities. This indicates that when searching for internationalization intelligence, the networking abilities and personal efforts of the SMEs' corporate executives to initiate the link with others to secure information on international opportunities, are important. This condition supports two theories, the RBV and the network approach, which were integrated in this study.

Proposition 1: Networks and personal efforts of the SMEs corporate executives with institutions and business associates are a necessary condition for SMEs to acquire internationalization intelligence.

The SME practitioners agreed that there are a variety of means and directions in terms of the types of network and how networks are created. The most obvious are through the government or non-government institutions, other industry players or business associates and personal relations. These networking mechanisms are also found in other studies (Ambler and Styles 2000; Elfring and Hulsink 2007; Johanson et al. 1990). Similar to Luo et al.'s (2008), this study also revealed that government networking and distribution channels, such as distributors, suppliers and retailers, are important means for internationalizing. The study also found simultaneous networking with institutions (i.e. government and government support systems), business associates (i.e. other firms, suppliers, distributions channels, forwarding and exporting agents, customs and vendors) and personal relations with (i.e. families, friends, professional friends, business associates and clients) better assist the process of internationalization.

Proposition 2: Internationalization intelligence increases when SMEs have linkages with government and/or supporting government institutions, and other business associates.

Interestingly, although networking is crucial, size and industry background can determine the means and directions of international opportunities. Smaller-sized SMEs are more likely to seize information from related-government bodies, such as SMIDEC, MARA and the MATRADE, but larger sized SMEs usually associate with the MIDA and MITI. Concerning industry background, the heavy-manufacturing SME industries, for example the Electrical and Electronics, Transport and Machinery Equipment, Furniture and Wood-based and Rubber and Plastic-based industries, access better information on entry re-

quirements. These SMEs are usually linked with industrial-linkages programmes (ILPs) and government-linked companies (GLCs) by being the vendor or subcontractor companies for local and foreign MNCs. Companies within the Food and Beverages, Agro and Manufacturing, and Bio-technology and Herbal-based industries are usually family-owned businesses. Therefore, their internationalization intelligence is gained from related-government bodies, in the case of Malaysia, i.e. the Ministry of Entrepreneur and Cooperative Development (MECD), the Federal Association of Malaysia Agriculture (FAMA), MARA and Malaysia Palm Oil Board (MPOB). This suggests that SMEs must identify the most effective or appropriate agencies to assist their internationalization process.

Proposition 3: Internationalization intelligence increases when SMEs in particular industries have linkages with appropriate institutions or agencies.

The findings also revealed that SMEs gain information on international opportunities when they participate in national and/or international seminars, conferences and exhibitions. In Malaysia, the SMEs can utilize the incentives provided by the MATRADE, SMIDEC, MARA, MITI, and FAMA or they can attend using their own expenses. The founders or key personnel use these avenues to create, enhance or sustain their business and social networks with other business associates, officials or relevant individuals. Subsequently, the exchange of ideas and thoughts through in-depth interviews enables the SMEs to better understand the process of internationalization and generate new ideas, which support Morse and Richards' (2002) suggestion. The benefits of participating in international trade corroborates Evers and Knight's study (2008) which found that trade

shows can be an effective platform to market products, gain information, establish and enhance networks, as well as facilitate SME internationalization. It also concurs with Björkman and Kock's (1995) finding that participating in these exhibitions enables the SMEs to create social relationships which can become channels for information and commercial exchanges, and accelerate the internationalization process.

Proposition 4: Internationalization intelligence increases when SMEs participate in international and domestic exhibitions, seminars, conferences and/or trades.

This study also discovered that manufacturing SMEs in Malaysia can obtain privileged international opportunities if they have connections with multinational corporations, particularly Japanese MNCs. The companies gain a network of information and knowledge because of their inclusion in the Japanese business groups, and *kereitsu* and *sogo shosha*, contribute to their international expansion. These connections helped some survive during the Asian economic turmoil in 1997/98, which supports the findings of other studies (Harvie et al. 2002; Mori 2005; Peng et al. 2001) that being part of *kereitsu* and *sogo shosha* can be a source of competitive advantage and firm survival.

Proposition 5: Internationalization intelligence increases when SMEs have linkages with big local and/or global companies.

Conclusions and Implications

This study contributes to the identification of four sources of internationalization intelligence (i.e. institutions, business asso-

ciates, personal efforts, and other means) and their distinctive items; the recognition of internationalization intelligence that occurs mainly through the networks of the SME owners/key personnel, built on firm's resources through their internal and external information sharing activities; and the development of five propositions on the internationalization intelligence.

This study shows that the Malaysian SMEs acquire internationalization intelligence through government linkages, networking and personal efforts with other business associates, and from other sources such as internet, market research, reading and observations. For practicality, convergence of the various types of interactions, and through multi-linkages with different agencies and institutions, strengthens the founders' network, providing more avenues to access to international opportunities. The SMEs, through their resources should advance their efforts, both at domestic and international levels, to link to as many efficient-relevant sources as they can in acquiring internationalization intelligence.

From a theoretical standpoint, our study extends the literature on the stage internationalization models i.e. the Uppsala model (Johanson and Wiedersheim-Paul 1975; Johanson and Vahlne 1977) and Innovation-related (Andersen 1993; Bilkey and Tesar 1977; Cavusgil 1980; Czinkota and Johnston 1981; Reid 1981), Resource-based view (Penrose 1959; Barney 1991), network approach (Johanson and Mattson 1988), and social capital perspective (Nahapiet and Ghoshal 1998). The study indicates that multiple perspectives conceptualize the process of acquiring internationalization intelligence. The result is a theoretical framework that holistically synthesizes the aspects of the

multiple sources of internationalization intelligence, and the role of key people in searching for international opportunities.

Since this study is based on the in-depth interviews with 54 multi-SME-industries in the manufacturing sector, the findings can only be used for analytical generalization. For future research, we suggest the following:

- target more SME participants in mixed industries and sectors;
- test the propositions developed in this paper for statistical generalizations; and
- develop a questionnaire based on the findings in this study (Refer to Figure 2) to

replace the interview protocol used in the current study.

These suggestions will accelerate the number of participants for data collection, and provide robust results for generalization. Finally, we propose that the internationalization intelligence is conceptualized as a process of a firm preparing their own resources to network with its environment, and sharing relevant information and knowledge with many sources in acquiring international opportunities.

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APPENDIX

Unstructured Interview Protocol

1. Could you please describe your company?
2. Could you please describe the nature of your business?
3. How long have you been involved with international operations?
4. How do you know about the international opportunities?
5. Who provide/assist you in gaining information and knowledge on international opportunities?
6. Could you please explain how do you see networking as a means of your business intelligence?