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International Business Competence and Small and Medium Enterprises

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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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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

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