

## การรับรู้สิ่งจูงใจให้ประกอบธุรกิจระหว่างประเทศ: กรณีศึกษาบริษัทในประเทศมาเลเซีย

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### บทคัดย่อ

แม้การค้าระหว่างประเทศจะมีความสำคัญและงานวิจัยเกี่ยวกับกิจกรรมการส่งออกจะมีปริมาณเพิ่มขึ้น แต่ งานวิจัยที่ศึกษาทัศนคติของบริษัทที่มีต่อการค้าระหว่างประเทศ โดยเฉพาะอย่างยิ่งบริษัทในประเทศมาเลเซียยังมี จำนวนจำกัด บทความนี้มุ่งศึกษาการรับรู้สิ่งจูงใจให้ประกอบธุรกิจการค้าระหว่างประเทศของผู้ประกอบการในมาเลเซีย จำนวน 168 ราย ผลการศึกษาพบว่าในสายตาของผู้ประกอบการมาเลย์ การค้าระหว่างประเทศเป็นสิ่งที่ดึงดูดใจ

คำสำคัญ: การค้าระหว่างประเทศ, การรับรู้, มาเลเซีย, สิ่งจูงใจ

## Perceptions of International Business Incentives: A Study of Malay Firms in Malaysia

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*Despite the importance of international business and the increased number of studies examining the exporting activities, limited research has investigated how firms viewed international business, particularly among the Malay firms in Malaysia. To address this research issue, this study investigates the perceptions of 168 Malay entrepreneurs concerning incentives to international business. The findings of the study suggest favourable perceptions of international business among Malay entrepreneurs.*

**Keywords:** incentives, international business, Malaysia, perception

### Introduction

Internationalisation of firms, specifically among small and medium-sized Malay firms is of concern to the Malaysian Government. The interest of the Government in developing and expanding the growth of firms through internationalisation has been flourishing for many years. Over the years, various ministries and agencies have attempted to identify and seek sources to assist Malaysian firms in various stages of internalisation.

Despite the numerous assistance programmes and the fact that foreign markets can offer firms better opportunities for long-term growth and profitability, Malaysia firms seemed to be lagging in the area of international business, especially in exporting. For example, although small and medium-sized enterprises (SMEs) made up of more than 80 percent of the total manufacturing firms in Malaysia, currently they just export about 20 percent of their total output.

Since this amount represents only about 10 percent of the country's total exports of manufactured products, relatively SMEs have huge potential to increase their current share of the country's total exports of manufactured products. Furthermore, with the effects of globalisation, the prospects of stiffer competition, maturing markets, and limited local market opportunities, Malaysian firms need to internationalise their operations in order to survive as well as to become more competitive.

In view of the importance of international business, more research needs to be conducted in this area of study. One such interesting area of research is to investigate how entrepreneurs perceived the incentives to international business. Understanding the perceptions of business owners and managers concerning the existing international business incentives is important because these perceptions tend to preclude firms from

engaging in international business in the first place. Furthermore, there is a possibility that current international business incentives may not be perceived as attractive among Malaysian firms that desire to internationalise their business operations.

The purpose of this exploratory study was to describe the attitudes of Malay entrepreneurs toward international business. More specifically, the study was conducted to assess the perceptions of the Malays entrepreneurs concerning the incentives to international business.

## Literature Review

### Defining Internationalisation

Beamish (1990) defined "internationalisation" as a process by which firms increase their awareness of the influence of international activities on their future activities and establish and conduct transactions with firms from other countries. Moreover, firms become international for a variety of reasons such as a desire for continued growth, domestic market saturation and the potential to exploit a new technological advantage. The dominant reason, however, relates to performance. Beamish (1990) also found that a strong correlation exists between improved performance and degree of internationalisation.

At the same time, several studies of international business had suggested that internationalisation of business is a process that a firm adopts to gradually increase its involvement in trade and business activities outside the border of its home country (Kingsley, 1994).

### Benefits of Internationalisation

In a study, Sullivan and Bauerschmidt (1990) found that close proximity to foreign markets, diminishing growth opportunities in the home market, expectation of economies resulting from added volume of trade, availability of unused production capacity, managerial beliefs about the value of exporting, improvement in the growth potential of the product market and chance to diversify into new markets were the major in-

centives for the firms to engage in international business.

Similarly, Bilkey (1978); Bilkey and Tesar (1977) and Cavusgil (1984) found that among other motivators, which have been found to be correlated with initial export involvement are receipt of unsolicited foreign orders, aspirations for greater profit, sales growth, the desire to spread risks of research and development costs across a wider volume, the need to utilise excess manufacturing capacity and the desire to achieve stability through diversification. Globerman (1986) suggested the rationale for any business to engage in international business is to improve net earnings or profit for the company. Undertaking international business activity may be beneficial to a firm's shareholders because it enhances the value of sales revenue and it contributes to lower cost.

According to McClelland (1987), one of the main reasons for firms to engage in international business is to expand their business activities due to the relatively saturated domestic markets. As such, by expanding internationally firms may be able to increase their sales revenues over time. Even when there is ample scope for expansion within the domestic economy, international expansion might be preferred strategy if the expected increase in profit on incremental sales abroad exceeds the expected increase in profit on additional domestic sales. Higher net selling prices might be attainable in certain foreign markets because of a weaker degree of competition in those markets. McClelland's study also indicated that firms engaged in international business to help them to reduce their costs, especially through the establishing of subsidiaries abroad. The primary consideration in this aspect is generally to gain access to lower cost of factors of production.

Meredith (1984) noted that international expansion may allow large firms to spread overhead costs (such as advertising) over a large volume of output. In effect, international business may allow the firm to fully exploit available economies of scale. Meredith also argued that

the owners of a firm would benefit if that firm spreads its sources of income over a set of activities that are diversified internationally. The basic notion here is that the firm's income stream will be rendered less volatile by doing business in a variety of countries rather than putting all of its business eggs in a single geographic basket. Geographic diversification can also help smooth out the variance in a firm's earning owing to unexpected political events, including war and other hostilities.

In addition, the literature reveals that previous studies have also concentrated on the internationalisation of firms through exporting activities. Although the problem of exporting activities in firms has been dealt with in previous studies, the findings of these studies were mixed. Ogbuchi and Longefellow (1994) claimed that knowledge about international marketing and international markets is often unavailable to small and medium-sized enterprises. Julien et al. (1997) and Kathawala et al. (1989) concluded that obstacles such as insufficient information on the possibilities and constraints of foreign markets, narrow attitudes of owners/managers, insufficient resources and poorly-developed strategies were preventing small firms from competing in new markets. De Noble et al. (1989) and Julien et al. (1997) further noted that government support programs do not seem to be effective to assist small firms in entering international markets. The mixed findings of these studies suggest that little is known about the factors that can help small firms to penetrate foreign markets or allow those already exporting to increase their market shares (Julien et al., 1997).

### Methodology

This study was based on small and medium-sized Malay firms operating in various industries in Malaysia. The data was gathered from 168 Malay entrepreneurs through a mail survey. The firms in the surveyed had between 10 to 300 employees and were actively managed by their owner/s. These firms were identified and selected from the 1998 Federation of Malaysian

Manufacturer Directory.

Questionnaires consisting of 44 questions were sent to 216 SMEs located in the 14 states in Malaysia. Out of the total 216 questionnaires mailed, 168 firms responded (a response rate of 77.7%). The questionnaires were addressed and mailed to Managing Directors, the Chief Executive Officers, the General Managers or the senior managers of the selected firms. Table 1 below presents the participating Malay firms according to the different industries. Following this, Table 2 lists the firms surveyed according to the 14 states in Malaysia.

**Table 1 Number of Malay Firms by Industry**

Industry	No. of Firms	Percentage
Automobile	7	3.2
Beverage	3	1.4
Carbon	2	0.9
Cement	7	3.2
Chemical	5	2.3
Electronic	16	7.4
Fertilizer	4	1.9
Food	26	12.0
Leather	3	1.4
Machinery	4	1.9
Marble	4	1.9
Metal	12	5.5
Paper	8	3.7
Petroleum	4	1.9
Pharmaceutical	3	1.4
Plastic	20	9.3
Rubber	6	2.8
Steel	12	5.5
Textile	11	5.0
Tobacco	2	0.9
Wood	20	9.3
Banking	4	1.9
Engineering	5	2.3
Freight Forwarding	5	2.3
Insurance	4	1.9
Shipping	7	3.2
Telecommunications	9	4.2
Travel Agency	3	1.4
<b>TOTAL</b>	<b>216</b>	<b>100.0</b>

**Table 2 Malay Firms by States**

State	N	Percentage
Selangor	68	31.5
Federal Territory (KL)	46	21.3
Johor	23	10.6
Melaka	7	3.2
Perak	14	6.4
Pahang	6	2.8
Pulau Pinang	6	2.8
Negeri Sembilan	9	4.2
Kedah	7	3.2
Perlis	9	4.2
Kuala Terengganu	9	4.2
Kelantan	10	4.6
Sabah	1	0.5
Sarawak	1	0.5
<b>TOTAL</b>	<b>216</b>	<b>100.0</b>

### Survey Questionnaire

The structured survey questionnaire used in this study consisted of three sections and 44 questions. The 14 questions in sections one and two were used to obtain the information concerning the respondents and the firm characteristics. The remaining 30 structured questions in the third section were designed to measure incentives of international business. These 30 questions (as shown in Table 3 below) which were adapted from the earlier work by Sullivan and Bauerchmidt (1990) served as a basis for querying the incentives for international business as perceived by each respondent. The literature suggests that the instrument developed by Sullivan and Bauerchmidt is commonly used in previous studies.

The respondents in this study were asked to rate each item on a five-point scale ranging from (1) strongly disagree to (5) strongly agree. The questionnaire was tested prior to mailing to the respondents. The coefficient alpha scores of the 30 measures of export activities ranged from 0.68 to 0.90.

### Results

Although most of the respondents in the present study were male, the results indicated that more female Malay entrepreneurs were involved in the export business than their male counterpart. In terms of age, the majority of the respondents were between 26 to 35 years old. The study also showed that most of the Malay entrepreneurs had attended a university and obtained a master's degree.

In the present study, all the firms responded to the 30 questions on the incentives of international business. The survey responses are presented in the following Table 4.

As shown in Table 4 below, the results of the survey indicated that the 168 respondents rated 20 of the 30 items as incentives to international business. The international business incentives perceived by the Malay entrepreneurs were determined based on the intensity of the responses for each incentive (highest rating and percentage value).

Based on the intensity of the responses for each incentive (highest rating and percentage value), the following Table 5 summarise the incentives for international business as found for the 168 Malay firms in this study.

### Discussion

In general, the results of this present survey suggest that Malay entrepreneurs perceived international business as attractive. The results of the study indicated that 20 incentives dominated the perceptions of the Malay entrepreneurs. At the same time, the present study identified 10 barriers among the 168 Malay firms surveyed. Taken together, these results appear to suggest that the Malay entrepreneurs tend to perceive international business as not only attractive but also very challenging. Such attitudes may explain why some Malay firms tend to preclude from international business in the first place.

**Table 3 Incentives for International Business**

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**Incentives for International Business:**

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1. Chances to diversify business into new markets.
  2. Improvement in the growth potential of the product market.
  3. Ability to easily modify products for foreign markets.
  4. New information about sales opportunities in foreign markets.
  5. Possession of current information of advanced technology.
  6. Intensifying competitive rivalry in the home market.
  7. Entry of foreign competitors in our home market.
  8. Adverse domestic market conditions.
  9. Opportunity to lessen the power of domestic customers.
  10. Providing a hedge against an economic downturn at home.
  11. Managerial beliefs about the value of exporting.
  12. Opportunity to better utilise management talent.
  13. Presence of a manager in the unit who is export minded.
  14. Increase in international market experience could improve domestic competitiveness.
  15. Opportunity to extend the life cycle of domestic products.
  16. Opportunity to reduce inventories.
  17. Favourable short-term profit opportunities.
  18. Availability of unused production capacity.
  19. Expectation of potential income growth as a result of increase of total trade.
  20. Diminishing growth opportunities in the home market.
  21. Moves by national competitors to export.
  22. Chance to use obsolete equipment elsewhere.
  23. Attractive export incentive offered by the government.
  24. Awareness of exports programs sponsored by our government.
  25. Export could make a major contribution to my firm growth.
  26. Reduction of tariffs in target countries.
  27. Availability of profitable ways to ship products to foreign markets.
  28. Decline in value of currency relative to foreign markets.
  29. Eased export regulations in foreign countries.
  30. Receipt of unsolicited orders from foreign buyers.
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The study also found that the majority of the executive directors and managers of Malay firms internationalised their business after scrutinizing the potentials in the international marketplace. Eventhough exporting is considered one of the common ways to improve a firm's short-term financial position, the Malay entrepreneurs were more interested in the long-term advantages of engaging in international businesses.

The results of the present study further indicate that the Malay entrepreneurs engaged in international business for the purpose of hedging

their bets in time of uncertainty such as during an economic recession or increase in inflation. However, to cope with these situations, the country needs to increase its income through its exporting activities. Increasing exporting means encouraging more firms to export, specifically among the Malay firms.

### **Conclusion**

The main objective of this exploratory study was to describe the perceptions of Malay firms concerning international business incen-

**Table 4 Malay Entrepreneurs Perceptions' of International Business Incentives**

<b>International Business Incentives</b>	<b>Percentage</b>
1. Chances to diversify business into new markets.	75.0
2. Improvement in the growth potential of the product market.	57.1
3. Ability to easily modify products for foreign markets.	72.4
4. New information about sales opportunities in foreign markets.	55.3
5. Possession of current information's of advanced technology.	56.3
6. Intensifying competitive rivalry in the home market.	84.6
7. Entry of foreign competitors in our home market.	37.8
8. Adverse domestic market conditions.	66.7
9. Opportunity to lessen the power of domestic customers.	40.0
10. Providing a hedge against an economic downturn at home.	76.3
11. Managerial beliefs about the value of exporting.	62.1
12. Opportunity to better utilise management talent.	66.7
13. Presence of a manager in the unit who is export minded.	73.1
14. Increase in international market experience could improve domestic competitiveness.	76.9
15. Opportunity to extend the life cycle of domestic products.	80.0
16. Opportunity to reduce inventories.	55.6
17. Favourable short-term profit opportunities.	48.4
18. Availability of unused production capacity.	87.8
19. Expectation of potential income growth as a result of increase of total trade.	69.6
20. Diminishing growth opportunities in the home market.	48.4
21. Moves by national competitors to export.	46.3
22. Chance to use obsolete equipment elsewhere.	43.6
23. Attractive export incentive offered by the government.	59.0
24. Awareness of exports programs sponsored by our government.	40.0
25. Export could make a major contribution to my firm growth.	90.0
26. Reduction of tariffs in target countries.	30.0
27. Availability of profitable ways to ship products to foreign markets.	55.0
28. Decline in value of currency relative to foreign markets.	45.8
29. Eased export regulations in foreign countries.	42.9
30. Receipt of unsolicited orders from foreign buyers.	53.3

tives. The empirical information resulted from this study relatively suggest that international business is perceived as attractive among the Malay entrepreneurs.

Overall, the results of this study appear to indicate that Malay firms may need additional assistance to help them engage in international trade. To help existing and potential exporting small business, it is suggested that the Malaysian Government increase its assistance in areas such

as export marketing programs, transaction-creating services, information, training and advice about exporting. By attempting to do so, international business may become more attractive to small businesses contemplating exporting. Likewise, for existing exporting firms, such assistance may further help them to intensify their exporting activities as well as achieve their potential in international business.

**Table 5 International Business Incentives as Perceived by the Respondents**

**International Business Incentives:**

1. Chance to diversify business into new markets.
2. Improvement in the growth potential of the product market.
3. Ability to easily modify products for foreign markets.
4. New information about sales opportunities in foreign markets.
5. Possession of current information of advanced technology.
6. Intensifying competitive rivalry in the home market.
7. Adverse domestic market conditions.
8. Providing a hedge against an economic downturn at home.
9. Managerial beliefs about the value of exporting.
10. Opportunity to better utilise management talent.
11. Presence of a manager in the unit who is export minded.
12. Increase in international market experience could improve domestic competitiveness.
13. Opportunity to extend the life cycle of domestic products.
14. Opportunity to reduce inventories.
15. Availability of unused production capacity.
16. Expectation of potential income growth as a result of increase of total trade.
17. Attractive export incentive offered by the government.
18. Export could make a major contribution to my firm growth.
19. Availability of profitable ways to ship products to foreign markets.
20. Receipt of unsolicited orders from foreign buyers.

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