

Entrepreneurial Marketing: Networking and Internationalisation of Small Firms

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Abstract

Internationalisation of SMEs has attracted many researchers. Network particularly proposed a different view of internationalisation by looking at markets as networks of relationships between actors. Internationalisation through network concentrates on firms' efforts to maintain, develop and change relationships in international network. Internationalisation is influenced by organisation's network relationships rather than a firm-specific advantage. The network members affect the firm's decision in internationalisation and activities in the network. This paper provides an understanding of the process of small firm networking in its internationalisation and the negative impact of network.

Keywords: internationalisation, networking

1. Introduction

Research in the area of small firm's internationalisation has grown attention of many researchers. Previous studies in internationalisation of firm argue that firm's operation in international market is subjected to firm characteristics, especially the firm size. Small firm is related to limited resources, such as capital, financial resources, sales volume and the number of employees (Varaldo, 1987; Moen, 2000). These limited resources hinder the small firms to internationalise.

Born global theory has enriched the theory of internationalisation of firms. Different from the former research, the born global theory claims that small firms have their international operations since their inception (Knight and Cavusgil, 1996; Oviat and McDougall 1997; Mort and Weerawardena, 2006). The born global theory also challenges the stage model or incremental model of internationalisation (Johanson and Vahlne, 1977; Cavusgil, 1980; 1982).

Previous research reveals that networking facilitates small firms to reduce their disadvantages to have international operations (Coviello and McAuley, 1999; Mort and Weerawardena, 2006). Limited number of studies in this area invites other researchers to investigate the roles of entrepreneurs in developing their networks (Rasmussen et al.,

2001; Andersson and Wictor, 2003), roles of decision makers in taking business opportunities, developing and integrating their businesses (Chetty and Holm, 2000) and the roles of network development in small firms business (Mort and Weerawardena, 2006).

Existing research in the area of networking, i.e., the role of networking in internationalisation of firms, are mostly focused on the positive impacts or advantages of network. On the other hand, the negative impact(s) has not been explored yet.

This study presents a literature review which focuses on small firms internationalisation. It discusses marketing of small firms, internationalisation of small firms, the role of networks in internationalisation, the role of owners/managers in networking and the negative impact of networking. The study expands our understanding of small firm's behaviour in internationalisation through networking.

2. International Entrepreneurship

International business is important to support the economy of a country. Countries which have international business usually show higher level of economic growth. Nowadays international business involves not only larger firms such as multinational companies or corporations, but also their small counterparts.

The involvement of Small and Medium-sized Enterprises (SMEs) provides the recent area of studies, particularly international entrepreneurship which invites scientists from different areas of studies such as marketing, management, international business and entrepreneurship.

2.1 Marketing in Small Firms

Small firms have limitations related to their size, for example, their marketing activities frequently get limited impact, they also have limited fund for their operations and limited other resources (Carson and Cromie, 1989). With their constrictions, their marketing efforts are done through different strategies compared to larger firms. Marketing strategies which employ common marketing mix elements such as product, price, promotion and place simply fit to larger companies which produce fast moving consumer goods (Gronroos, 1999). Furthermore, smaller enterprises on the other hand face different marketing environment. Therefore, relationship marketing which emphasises the ability to adopt and respond quickly to the marketing environment is more appropriate as their tools for marketing strategies (McKenna, 1991; Zontanos and Anderson, 2004). Relationship marketing, entrepreneurship and networking are intertwined (Anderson, 1998). In addition, Networking contributes to enlighten the association between the concept of entrepreneurship and relationship marketing (Walter and Gemunden, 2000).

2.2 Internationalisation of SMEs and Networking

Internationalisation is a term which is largely used to describe the process of business activities from the home country to other countries (Young, 1987; Turnbull, 1987). Others said that internationalisation is the process by which firms increase their awareness of the influence of international activities on their future, established and conduct transactions with firms from other

countries or geographically located outside the home country (Beamish et al., 1997).

There are at least three concepts of internationalisation of firms. The Uppsala Internationalisation Model is the most prominent model which was developed by Johanson and Vahlne (1977). This theory suggests that internationalisation is influenced by managerial learning. International operation will grow as long as it is supported by market knowledge and firm commitment. Other approach of internationalisation is the innovation model. This model suggests that internationalisation is considered as innovation, as a firm which has international activities sell its product in the market(s) which is (are) different from domestic market. The last model of internationalisation is networking. Based on their previous model, Johanson and Vahlne (1990) developed the theory of internationalisation through networking. This theory suggests that internationalisation includes effort such as the development of relationship marketing. In addition, it also requires social exchange and inter dependencies to support the firm's growth in its internationalisation (Coviello and McAuley, 1999). Hence, there is a flow of resources in networking.

Existing literature specifies that network and relationship is critical to internationalisation of both large and small enterprises, as through the network, firms' activities and resources are maintained for their existence in their international market (Chetty, 2003; Andersson and Wictor, 2003). Network resolves the problems of limited resources which attach to SMEs (Coviello and Munro, 1995), since the born global frequently relies on certain product(s) in certain overseas market(s) in which they obtain international partner(s) which support their existence (Oviatt and McDougal, 1997; Coviello and Munro, 1997). Through networking, SMEs are facilitated to identify overseas market potential and develop market information (Coviello and Munro, 1997; Chetty and Holm, 2000; Madsen and Servais, 1997). Network also contributes to the development of new product (Chetty,

2003), international market entry strategy and capability to enter the overseas market (Harris and Wheeler, 2005). Other researchers look at the roles of firm characteristics and their relationship with networking capability (Ritter and Gemunden, 2003), the roles of entrepreneur in developing international network (Andersson and Wictor, 2003). Previous studies found that network speeds up the international market development and provides positive impact on SMEs performance in their international markets (Mort and Weerawardena, 2006).

2.3 Roles of Network in Internationalisation of SMEs

Business networks play a critical role in internationalisation. The involvement of SMEs in international trade fairs is a common method for SMEs to meet international players that may lead to new business contacts (Ellis, 2000; Wismiarsi et al., 2008). Meyer and Skak (2002) found that business networks provide complementary resources, which are needed for internationalisation of small firms, e.g., information, reinforce learning process and create coincidences that may lead to identification of new business opportunities. They added that small businesses in a small open economy rely on both domestic and international business relationship to have an international operation.

Small firms have interdependency with their business networks for their internationalisation (Meyer and Skak, 2002). In the early phase of internationalisation, small firms depend on their network experiential knowledge (Blomstermo et al., 2004). Network experiential knowledge is knowledge gained from network relationships that are essential for the development of business in local market (Blomstermo et al., 2004). It is an international network relationship. Through this relationship, small firms gain certain information, which helps them to adapt the product to suit a local market. This information may have little value or may not be relevant to other market or outside of local market

(Blomstermo et al., 2004) and hard to communicate between unrelated partners (Meyer and Skak, 2002). Furthermore, the network experiential knowledge affects performance, especially when firms have experience from many different country markets, but little experience of a particular international market (Blomstermo et al., 2004).

2.4 Roles of Owner/Manager in Internationalisation of SMEs

Previous research found that business owners tend to have a more extensive range of networks than their employees (Birley et al., 1991). They added that the owners are likely to spend more time in developing and engaging in the network. Other study argued that owners have considerable time constraints, hence their engagement in extensive networks are impossible (Curran et al., 1993).

Based on empirical research, O'Donnell (2004) found that owners generally engage in networking that can be described as extensive and proactive. Such networking leads to the development of strong links between the owner and his/her network ties. In a situation where a firm relies almost exclusively on a certain party, then the firm does not need to expend considerable effort. In contrast, owners will consciously and proactively network with actors within their network, if it is required. For example if the firm needs to ask for lower price, then the owner will proactively approach the actor. In connection with competitor, a strong bond is necessary only when owner expects to form of collaboration with the competing firm(s).

The network capability of owner can be described as an evolution and the process has been path dependent (Mort and Weerawardena, 2006). The owner has a strategic role in finding and setting-up the primary and secondary networks. Secondary networks are networks which are built by the owners/managers in the firm's growth to take advantage of market opportunities and act in response to market competition (Weerawardena, 2006). Furthermore, the owner will maintain to renew

and extend them over the time (Montealegre, 2002; Mort and Weerawardena, 2006).

2.5 Negative Impacts of Network in Internationalisation of SMEs

Most of previous studies in network and networking impart positive effects on internationalisation of SMEs. However, certain evidence identifies negative aspects of networks, particularly the network rigidity (Mort and Weerawardena, 2006). The involvement of networks may restrict the firm's strategic options, since the business opportunities must be chased within the networks boundaries. In addition, Blomstermo et al. (2004) argued that strategic analysis of the firm to grow and gain profit should not be based on the firm's interest only but also the network, whether domestic or foreign surrounding the firm. Furthermore, firms build up the knowledge interactively within their business networks, both domestically and internationally, which develops a basis for a commitment to overseas markets and partners, as firms make their decision based on knowledge and contacts from the networks (Meyer and Skak, 2002).

3. Conclusion

This paper proposes a conceptual framework on entrepreneurial marketing in international market. Entrepreneurial marketing in international market has gained a growing attention as this area of study focuses on an understanding of the process of internationalization of small firms. The field needs special attention as small firms has limitation of resources. Network was found facilitating the small business to have its international activities, since through network, it gains certain knowledge needed to enter and establish its existence in overseas markets. Networks also contribute to the development of new product, product which needs unique adaptation and the firm's performance.

The owner/manager of small firms has a strategic role in developing, maintaining and expanding the networks. This effort aims for

exploiting the market opportunities and responding to the market competition. Networks may provide not only strengths to small business, but weaknesses. It was found that negative aspect of network causes restriction in the firm's strategic options.

Future research should look at how networks especially the role of network experiential knowledge in internationalisation and the firm's strategic option. In addition research, which examines the negative aspects of networks, will enlighten our understanding of how small firms engage in international markets.

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