

The Internationalisation of the Small and Medium-Sized Enterprise: The Aware
Manager



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Gracias a Dios y a la vida que me han dado tanto...

(Adapted from a Violeta Parra's song)

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Abstract

Small and medium-sized enterprises (SMEs) have traditionally focused on their domestic markets. However, in the last few decades, SMEs have become increasingly active in international markets. SMEs have benefited immensely from a worldwide process of economic, financial, cultural and technological integration. From a holistic perspective, internationalisation is both an inward and outward process. This research focuses on the SME manager, who is the key decision-maker in the SME and the driving force in its internationalisation. Most literature on internationalisation is based on trade-related activities. However, this research uses the notion of awareness. The SME manager needs to be alert and well informed about his surroundings in order to cope with international threats and overseas market opportunities.

The empirical work consisted of face-to-face interviews, followed by a large postal survey conducted in five countries: the UK, France, Finland, Australia and Mexico. A total of 2,500 questionnaires was sent with a response rate of 22%. Remarkable similarities were found in the characteristics of the SME manager. He is likely to be a middle-aged, well-educated male, with a degree in engineering or business. He speaks a foreign language, is well travelled and may well have lived abroad. Most SMEs were found to be engaged, directly or indirectly, in some sort of international activity, usually importing products and parts. SMEs do not necessarily follow a pattern of incremental internationalisation as they have a wide range of options and many of these managers pursue opportunistic strategies.

The information acquisition of the SME manager was analysed, as information is a prerequisite in the internationalisation of the SME. The manager gathers and acquires external information that needs to be internalised, and integrated with that which the manager already has to create new knowledge. SME managers prefer informal means to acquire the information they need, often from customers, suppliers and competitors. SME managers, wherever they are, have very similar needs and problems, have similar education, apply similar management theories and have access to similar information. Similarities outweigh the differences; it seems the business culture has become as international as the English language. Other research has focused on the differences, perhaps missing the similarities. For most SME managers, market considerations, such as customer preferences, are far more important than cultural considerations.

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CHAPTER 1

INTRODUCTION

This research focuses on the internationalisation of small and medium-sized enterprises (SMEs). The perspective that is taken is that of the SME manager,² as the one person who gives direction, vision and purpose to the company. In the SME firm, the manager tends to be the main decision-maker, information gatekeeper and the driving force of the company (Macdonald and Williams 1993; Menou 1995; Holmlund and Kock 1998). The manager plays a key role in initiating the internationalisation activities of the SME (Lloyd-Reason and Mughan 2002).

Internationalisation has been brought about by a combination of technological, social, cultural and economic forces, affecting the way people, businesses and entire nations interact with one another. World trade is still dominated by large multinational companies, as is the global economy (Bartlett and Ghoshal 2000). However, SMEs seem to have benefited immensely from growing international trade, efficient financial services, the tendency for large companies to downsize and outsource activities, inexpensive international flights, widespread use of information communication technologies (such as the Internet), and the use of English as the language of business (UNCTAD 1993; Edwards 2004; Power 2005).

The dominant paradigm in the literature on internationalisation is the large firm. However, there is a growing body of literature on the internationalisation of the SME, which is increasingly becoming important in its own right (Acs *et al.* 1997; Kohn 1997; McGaughey *et al.* 1997; OECD 1997; Haahti *et al.* 1998; Westhead *et al.* 2002; European Commission 2004). Internationalisation has been defined as the ‘process of increasing involvement in international operations’ (Welch and Luostarinen 1988). However, internationalisation is best viewed from a holistic perspective; not only as an export-led, outward process, but also taking into consideration imports, that is, an inward process as well (Fletcher 2001). Internationalisation may be indirect, as when the SME is part of the supply chain of another, usually larger, company; or when the SME imports products or parts through a wholesale company. Most models of internationalisation have been focused on trade-related activities. But nowadays,

² The SME manager may be the managing director or the owner-manager, depending on the type of ownership of the company.

international trade is no longer limited to putting physical products in a box and shipping them overseas. International activities are varied and increasingly based on knowledge. Different patterns of internationalisation are discussed. The model of a step-by-step process where companies initiate international activities to overseas markets with cultural similarities is presented. Nevertheless, it no longer represents the only or the preferred approach followed by most SMEs (Welch and Luostarinen 1988; Jones 2001). Many SMEs are opportunistic and may enter or move out of a market depending on circumstances (Lloyd-Reason and Mughan 2002).

Most companies face intense international competition, even in their own domestic market. Local markets are becoming part of the international arena. This situation has forced managers, even those focused on local markets, to improve the company's quality, cost of products and services and management practices (OECD 1997). For companies that have an international orientation, it has traditionally been argued that the demographic characteristics of the manager play an important role in the company's internationalisation (Keng and Jiuan 1989; European Commission 2004). In the literature, the personal international experience of the manager has also been considered an important factor driving the internationalisation of the firm (McGaughey *et al.* 1997; Lloyd-Reason and Mughan 2002; Williams and Chaston 2004).

However, a key element for the survival of the SME is the awareness of internationalisation of the manager. Awareness is defined as the manager being well-informed, on-guard and cognisant of events taking place in domestic and overseas markets that may represent threats or opportunities for the firm. The awareness of the SME manager relates to his information-seeking behaviour. An awareness model for the manager is proposed to help explain the internationalisation of the SME. The manager as the central person in the SME is conscious of the impact that internationalisation has in his business. However, the manager does not know what he needs to know, that is why he needs to be aware of what is going on. This research will analyse the role played by information in the awareness of internationalisation by the SME manager.

The manager may acquire awareness from previous work experience, such as having been a supplier or buyer for an international company (Dana 2001). A manager who is observant and receptive may learn much about internationalisation (Stevens 1989). Awareness may allow the manager to identify market opportunities (Gaglio and Katz

2001). Some authors, such as Manolova *et al.* (2002), argue that the perceptions of the SME manager may play a more important role in internationalisation than demographic factors. However, the role played by the awareness of the manager in the internationalisation of the SME is a research area that has not been explored in depth.

Scope of the study

This research focuses on the internationalisation of the small and medium-sized enterprises in both the manufacturing and service sectors. There is not a universal definition of what a small and medium-sized enterprise is. For this study, the European Union employment definition of a SME was adopted: a SME is a firm with fewer than 250, but more than 10, employees. No other criteria were used, such as sales turnover, as it is difficult to make comparisons across countries.

This empirical research consisted of face-to-face interviews and a large-scale survey conducted in five different countries: UK, France, Finland, Australia and Mexico. The survey technique was chosen as it is widely used in the social sciences (Burton 2000). A survey allows covering a large sample of companies. There are some examples of international cross-cultural studies in the literature (OECD 1997; Haahti 1998; European Commission 2004). Some 2,500 SME managers were contacted for this study. These managers were located in three continents, allowing the possibility of comparing and drawing conclusions regarding international differences and similarities. The study attempts to shed light on how aware managers are of inward and outward internationalisation, and how the manager obtains information to engage in international activities.

Importance of the study

SMEs are important because of their sheer numbers and because they play a significant economic and social role. In most economies, SMEs are nearly 99 per cent of all enterprises (OECD 2000). Traditionally, SMEs have focused on their domestic market. But there has been a decrease in the number of firms not affected by the internationalisation process in one way or another. The group of non-internationalised companies can be considered a 'residual group' of SMEs (European Commission). During the last two decades, SMEs have become more internationalised. They now

participate with between 25 and 35 per cent of the world's manufactured exports (OECD 1997). The strategy of some SMEs with international activities has consisted of targeting overseas niche markets (OECD 1997).

In spite of the growing importance of the SMEs sector, it still commands little attention from the mainstream financial media (Storey 1994). But other media has filled the gap in the form of specialised journals and magazines. The economical and political importance of SMEs has been recognised with the creation of government bodies and private associations at the national, regional and local level that are focused exclusively on issues relevant to these companies. Policy makers tend to devise programmes to promote the internationalisation of SMEs via exports.

Research questions

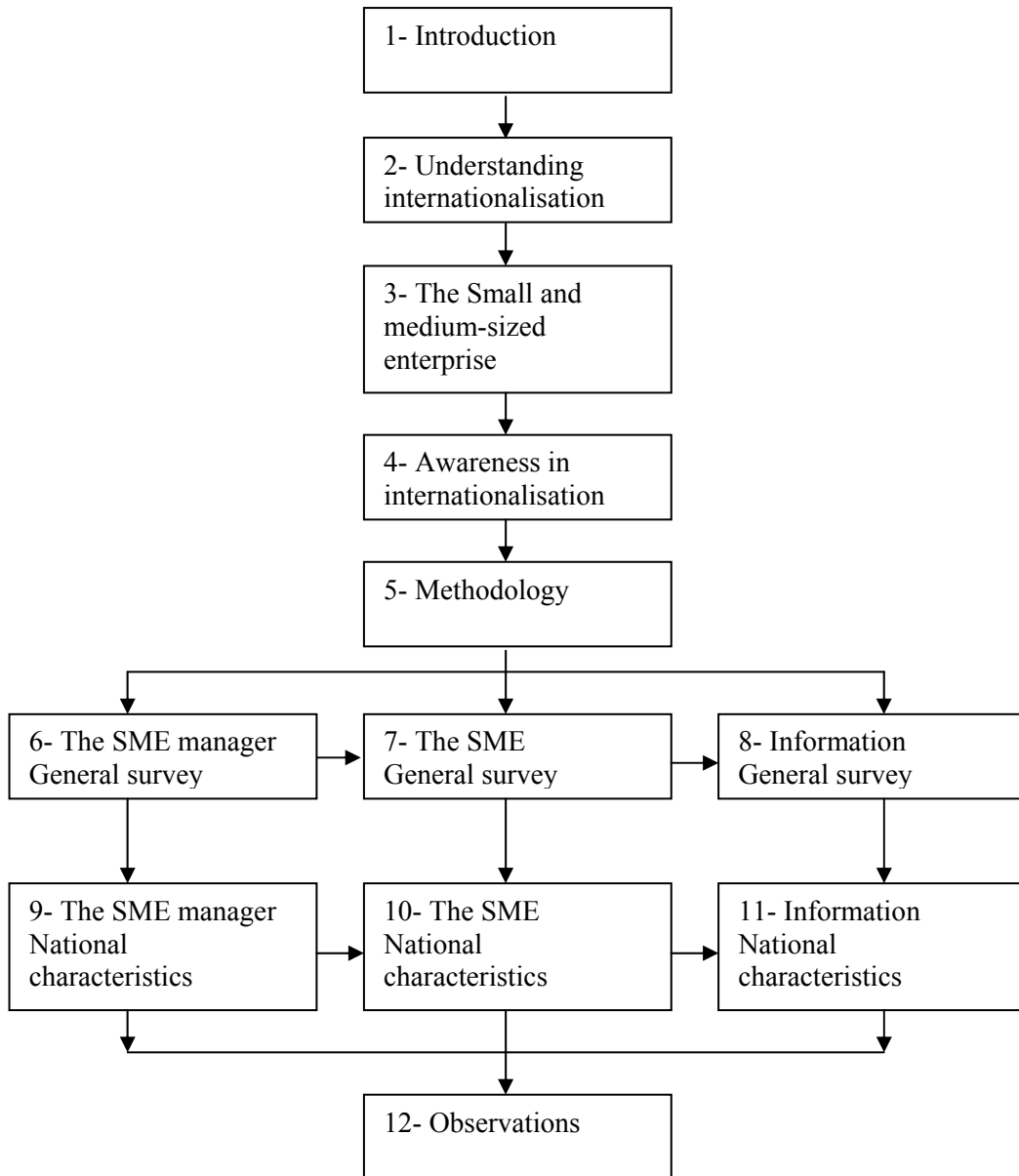
Research is a process of enquiry that tries to offer answers to the research questions that were posed at the beginning (Hussey and Hussey 1997). The main research questions of this research are:

1. How does the awareness of the manager influence the internationalisation of the SME?
2. What are the characteristics of the SME manager that play a major role in awareness?
3. What are the characteristics of the SME firm engaged in international activities?
4. How does a SME become international?
5. What part does the information-seeking behaviour of the manager play in the internationalisation of the SME?

Thesis structure

The study is divided into two main parts. The first part (Chapters 1 to 5) presents the theoretical framework. The objective is to describe the scenario in which internationalisation takes place and enables SMEs to play an increasingly important role, either as part of the value supply chain or directly on their own. Figure 1.1 shows how the thesis is arranged.

Figure 1.1 Thesis structure



The second part presents the empirical data, the product of semi-structured interviews, and a large postal survey. It consists of six chapters; the first three (Chapters 6, 7 and 8) analyse the overall survey data from the five surveyed countries, focusing on the SME manager, the SME firm and the information-seeking behaviour of the manager, respectively. The second three chapters (Chapters 9, 10 and 11) follow the same order, but present the disaggregated data by country. The purpose is to highlight differences, similarities and exceptions in the five countries. Finally, the last chapter presents the conclusions and major findings that emerged from the research. A brief summary of each chapter is presented in the following section.

Chapter 2 – Understanding internationalisation

Globalisation is an economic, social, cultural and technological process. However, the extent of globalisation has been greatly exaggerated; cross-border integration is incomplete and evident only in some geographical regions. It is better to talk about *semi-globalisation* or *internationalisation* (Ghemawat 2003). This chapter outlines the scenario in which the internationalisation of the SME is taking place. Internationalisation is not a new phenomenon. However, since the 1980s, there have been more opportunities for SMEs to become international. One of these is the expansion of international businesses by large multinational companies seeking to reduce costs by downsizing or outsourcing to low-cost countries. However, many SMEs have become international in their own right, serving overseas market niches or partnering with other companies.

Chapter 3 – The small and medium-sized enterprise

Since the 1980s, SMEs have attracted the attention of government and international agencies. They have also interested academics. Theories of how SMEs become international are examined. Many see internationalisation as a gradual process that takes the firm from a home market to overseas markets that are culturally close. This traditional view is challenged, as there are many possibilities for opportunistic SMEs to enter international markets, regardless of cultural affinities.

Chapter 4 – Awareness in internationalisation

Even companies that are focused only on the domestic market need to be aware of international competitors moving onto their own territory. A model of awareness is proposed to represent the information-seeking behaviour of the SME manager engaged in international activities. It consists of five phases: trigger, information, sources, means and strategy used.

Chapter 5 – Methodology

The empirical work includes semi-structured interviews with academics, policy makers and SME managers. Some of the material from these interviews is used for mini case studies or for quotations. This work is complemented by a five-country postal survey of 2,500 SME managers from manufacturing and service companies. The logistics of the study are described in this chapter.

Analysis of empirical work: survey totals

Chapter 6 – The SME manager and internationalisation

The manager is the key person in a SME and is likely to determine the strategic behaviour of the firm (Lloyd-Reason and Mughan 2002). This chapter attempts to draw an overall picture of the surveyed managers in all five countries. The managers' experience is gained from such factors as previous work, level and type of educational qualifications. Part of the international knowledge comes from having lived abroad, taken overseas trips and speaking a number of languages. On such experiences is built what might be called the 'international mind-set' of the company (Anderson *et al.* 2001).

Chapter 7 – The SME and internationalisation

This chapter attempts to draw an overall picture of the firms surveyed. It takes into account the demographic characteristics of the SME firm and its international activities. The general characteristics include the company's size, economic category, type of ownership and age. The international activities of the firm are analysed from a holistic perspective that takes into consideration not only the outward but also the inward activities of the firm. SME companies are engaged directly or indirectly in international activities that generate income from overseas. The initiation of the international activities of the firm may be the result of push drivers (internal to the company or to the domestic market) or pull drivers (from overseas).

Chapter 8 – Information for internationalisation

The information gathered and used by the manager for the internationalisation process is analysed. Information is a prerequisite for performing any activity, and the internationalisation of the SME is no exception (Liesch and Knight 1999). This chapter focuses on the manager's finding, acquisition and assembly of bits of information from a variety of sources. Formal and informal means are used to obtain information, mainly from customers, suppliers and competitors. The new information needs to be internalised by being combined with what is already in use, before it may be used by the SME manager as part of his strategy for internationalisation (Liesch and Knight 1999; Macdonald 2000).

Analysis of empirical work: national characteristics

Chapter 9 – National characteristics of the manager and internationalisation

The data are disaggregated to paint a profile of the surveyed SME manager by country. It is believed that the manager's characteristics and experiences may influence the level of internationalisation of the SME. Some of the demographic characteristics that are related to the awareness of the manager are analysed, and the findings related to the literature. The awareness of the manager also depends, in part, on his personal experience, built upon international trips, competence in foreign languages and whether the manager has lived overseas.

Chapter 10 – National characteristics of the SME and internationalisation

The data are separated by country to paint a profile of the surveyed SME firms. There are a number of possible combinations. Manufacturing and service companies are analysed for possible differences, the two criteria used were number of employees and income received from overseas. Some demographic characteristics of the SMEs were taken into account to detect if they affected the international activity of the firm. The managers' reasons and strategy for initiating internationalisation are discussed. Outward and inward international activities of the companies are considered. Some surveyed companies initiated overseas activities from the moment they were created, and may be considered 'born global' (Rennie 1993). The discussion is complemented with a mini case study of a born global company.

Chapter 11 – National characteristics of the managers' information acquisition

This chapter is arranged in a similar way to Chapter 8, but it is focused on the similarities and differences of the information-seeking behaviour of the managers in the five countries. There is analysis of the use of the most important types of information, such as market and commercial, legislation and regulation, and financial and economic information. The information comes from human, institutional and media sources. The use of formal and informal means to obtain information by SME managers is compared. Related findings are related to the literature throughout the chapter.

Chapter 12 – Observations

The intention of Chapter 12 is to sum up the research and highlight the major findings. It attempts to answer the research questions that guided this study. It puts them in context within the scenario and theoretical framework described in the first five

chapters. It discusses what has been achieved, the major factors influencing awareness and the major similarities throughout the five-country study.

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CHAPTER 2

UNDERSTANDING INTERNATIONALISATION

The most common idea of internationalisation: globalisation

Globalisation is a worldwide process that permeates our daily lives; it affects our popular culture, food habits, ways of entertainment, and tries to homogenise our lives. It is particularly associated with large companies that see the world as one huge market with billions of potential customers. The origins of the word ‘globalisation’ may be traced back to the 1960s, when McLuhan coined the phrase the ‘global village’ to describe how people all over the world were communicating with each other for commercial, social or political reasons, and as a result were becoming closer than ever before. Globalisation has brought increasing integration in world civilisation. The interdependence of nations is best represented by multinational corporations and international financial institutions, which have created a world in which national borders have become irrelevant (Hirst and Thompson 1999). This economic, social, and technological phenomenon has affected the economy and culture of all countries (Kogut and Gittelman 1996; Hirst and Thompson 1999). The perception of globalisation has extreme connotations, either as a force that will bring economic prosperity or as the source of everything that is wrong with the world economy (ILO 2004).

Nevertheless, globalisation seems to have long been associated mainly with large companies. The current fixation with globalisation neglects more than ever the international activities of SMEs. Large firms with interests and investments in a number of countries stand at the forefront of internationalisation by promoting it relentlessly and consistently (Bloch 1998). The largest multinational companies have penetrated the most important worldwide markets, namely the triad markets of NAFTA³, the European Union and Asia. However, on average, four-fifths of their sales are concentrated in their own home region of the triad (Rugman and Verbeke 2004). There are still commercial, cultural, social and political vested interests at the national and international level that interfere with the expansion of globalisation.

³ North American Free Trade Agreement

The myth of globalisation

Hirst and Thompson (1999) argue that there is no one widely-accepted model of the new global economy. There is a tendency to portray current changes as unique and without precedent. Their criticism is based on the following points. First, an actual international economy is not new. In some respects, it is less open and integrated than the regime that prevailed from 1870 to 1914. Second, there are few genuine multinational companies. And third, trade, investment, and financial flows are highly concentrated in Europe, Japan and North America, and in a small minority of newly industrialising countries, excluding a large part of the world's population. Therefore, it can be argued that the international integration of world markets is far from complete and 'semiglobalisation' or internationalisation may be a more appropriate term than globalisation (Ghemawat 2003). From this point onwards, the term internationalisation will be used.

Hirst and Thompson (1999) claim that some large companies may be considered 'global.' They state that this type of company does not have a specific national identity, has an internationalised management and is willing to locate and relocate anywhere in the world. Such companies service international markets through worldwide operations and are not constrained by the laws of any particular country. Back in the 1980s, Levitt (1983) predicted that, in what he called a 'globalised' market, companies with an international strategy would offer the same standardised products everywhere with total disregard for national and regional preferences. Companies would make and sell "the same thing, the same way, everywhere" (Levitt 1983: 93). He added that: "different cultural preferences, national tastes and standards, and business institutions are vestiges of the past" (Levitt 1983: 96). This is questionable; internationalisation is still seen by many as an American phenomenon. The fact that the US economy produces nearly 30% of the world's GNP reflects its weight in the world economy. The 'McDonaldization' and the 'Disneyization' of society are two terms that were coined to explain the pervading cultural, economic and behavioural influence that these two iconic American companies have on consumers throughout the world (Ritzer; 1998; 2000; Bryman 2004). The ubiquity of McDonald's outlets, which sell the same uniform product, a Big

Mac hamburger, has allowed *The Economist* magazine to produce the Big Mac index⁴ to compare the cost of living in different countries (Ritzer 2000).

In internationalisation there seem to be two major forces at work, each pulling in a different direction. The first force means what Levitt predicted: homogeneous markets. Multinational corporations excel at offering the same products, the same brands and benefits to a myriad of countries. These large companies achieve economies of scale by having large production capacity in different geographical locations, logistics for distribution and large budgets for marketing. Large firms work better in predictable environments. The general public usually identifies multinational corporations by their logos, the visual image of a company (Kotler 2000). A number of logos of multinational corporations are embedded in people's minds all over the world. This is the case with Nike's swoosh and McDonald's yellow arches (Klein 2000):

Logos, by the force of ubiquity, have become the closest thing we have to an international language, recognised and understood in more places than English. (Klein 2000: xx)

The internationalisation trend has created its enemies. The anti-internationalisation movement is a loosely-formed group of protesters that has manifested its opposition, sometimes violently, during the general meetings of the World Trade Organisation that took place in Seattle (1999) and Genoa (2001). Protesters directed their anger at international banks, corporate offices of multinational companies and well-known franchises, identified by their logos, such as McDonald's, Starbucks Coffee and Kentucky Fried Chicken outlets (Klein 2000).

The second major force means heterogeneous markets. Consumers are not the same, as they have different needs and wants (Kotler 2000). That is why markets need to be segmented. Each segment is composed of potential consumers that share several demographic, behavioural and psychographic characteristics (Kotler 2000). Market segments can be further divided into niches. Kotler (2000) defines a niche as a "more

⁴ *Economist* Big Mac index is based on the theory of purchasing-power parity, which is adjusted to equalise the price of the Big Mac hamburger, which uses the exact same ingredients, across countries (*Economist* (2003). Big Mac Index: 100, January 18).

narrowly defined group, typically a small market whose needs are not well served.” In these fragmented markets, or niches, consumers want products and services that suit them. Some companies with flexible production systems have managed to create ‘mass customisation,’ delivering products and services that are tailor made. However, this comes at a high price (Zipkin 2001). SMEs may serve heterogeneous markets better than their larger counterparts; as they are closer to customers they may respond quickly, be more innovative and better fitted to changing environments.

Globalisation is mostly associated with multinational corporations (MNCs)

Multinational corporations (MNCs) are firms that have significant direct investment in other countries, owning and controlling income-generating assets, such as factories. (Bartlett and Ghoshal 2000). During the 20th century, many MNCs developed large-scale operations in many overseas countries. These companies account for a disproportionate share of the world’s output, and generally are leaders in industries and services, having a major presence in most market economies. A very large proportion of trade in the developed countries is conducted by MNCs; in the case of the US, multinational trade amounts to about four-fifths of the country’s external trade (Hirst and Thompson 1999).

Multinational corporations account for nearly one-quarter of world output; and between one-third and one-half of world trade takes place between affiliated companies or within MNCs. Intellectual capital is central to the expansion of these companies which is why about three-quarters of global patents are estimated to be under the control of multinational companies. (Kumar 1996: 3560)

A relatively small set of multinational enterprises accounts for most of the world’s trade and investment. Indeed, the largest 500 MNCs account for over 90% of the world’s stock of foreign direct investment. (Rugman and Verbeke 2004: 3)

There is great concentration in FDI. The hundred largest MNCs controlled about one-fifth of total global foreign assets, had US\$2 trillion of foreign sales and employed 6 million workers in 1995. (Hirst and Thompson 1999: 69)

The OECD has recently formed a working group on internationalisation indicators. Its aim is to devise guidelines to harmonise the criteria that will enable international comparisons. This will allow the measurement of the impact and extent of

internationalisation. There are complex financial links between MNCs and their subsidiaries as investments move in and out of a country.

Multinational corporations have traditionally come from the US, Europe and Japan. However, more recently, MNCs are also emerging, albeit in fewer numbers, from large developing countries, such as Korea, Brazil, India, China and Mexico. These international late-movers have to cope with the negative perception of customers that their products and services are cheap and low-quality (Bartlett and Ghoshal 2000). Other newcomers to the international arena are the small and medium-sized enterprises, most of them from developed countries. The international activity of SMEs in overseas markets became evident from the 1980s onwards (UNCTAD 1993; OECD 1997). This topic will be discussed at greater length in the next chapter.

Causes of internationalisation that have benefited SMEs

Internationalisation has been fuelled by a myriad of factors; some of them have benefited the internationalisation of the SME:

Downsizing and outsourcing: the value chain approach

One of the characteristics of internationalisation is that large companies are reducing their size to concentrate only on those activities that have the highest value added. As companies downsize, they usually look overseas to reduce labour, capital, taxes and logistics costs; they may also aim to overcome tariff barriers (Ferdows 1997; Bloch 1998). Large companies set up production facilities and look for suppliers in low-cost countries, thereby expanding the international value chain (European Commission 2004).

Internationalisation is very closely linked to a value chain perspective: maximising returns and minimising costs in purchasing, production and sales (European Commission 2004: 27)

China's cheap and abundant labour has attracted the lion's share of international foreign direct investment in manufacturing companies, and has turned the country into the new 'workshop of the world' (Roberts and Kynge 2003). Many large US companies in the ICT sector are reducing their employee base at home while hiring software programmers in India, Taiwan and other countries. The downsizing and outsourcing of activities by large companies may benefit SMEs in a number of ways. SMEs may work as suppliers of parts or services, during the process acquiring knowledge, skills and experience. SMEs may learn directly and indirectly from international customers. The first international contact for most SMEs is of the inward type. This may serve as preparation for later outward international activities (Welch and Luostarinen 1993).

Financial activity

SMEs may benefit from the expansion of international financial services that facilitate financial transactions. The ease or difficulty of finding capital or finance to pay for the internationalisation process varies from country to country so it is not possible to generalise (European Commission 2004). However, SMEs may be badly affected by financial turmoil; clients may hold back payments or suppliers may cancel the delivery of parts, and most SMEs have no financial cushion to fall back on.

One of the most important causes of internationalisation has been the rapid expansion of international financial activity. There has been a continuous trend to liberalise and remove barriers to the cross-border movement of financial assets. The daily volume of trading in the world's major foreign exchange markets reached almost \$1 trillion by the early 1990s, which is almost forty times the daily value of international trade (Helleiner 1996). But world economic integration may have drawbacks as well. Take the recent economic crises that shook the international financial system during the decade of the 1990s. These started with problems in Mexico in 1995, followed by the South East Asian Crisis of 1997, Russia in 1998, and Brazil in 1999. These financial crises became worse, by contagion, even in countries that geographically were far from the origin, and did not have any trade relationship with these markets.

International factors: migration, foreign remittance and foreign-born managers.

Another cause is the migration of knowledgeable and ambitious young workers and labourers, determined to relocate to countries where they may improve their economic or working conditions. This is generally a south-to-north migration to North America, Western Europe and the Arab Gulf (Johnson and Contreras 2004). A series of push and pull factors influences people's mobility. Migrants may be divided into six groups: managers and executives, engineers and technicians, academics and scientists, entrepreneurs and students, and unskilled workers (Mahroum 2000). The international migration of human capital has consequences for the sending and receiving country; hence the debate about whether a country has a brain drain or a brain gain. However, the flow is usually two-way, which is more appropriately interpreted as brain exchange (Mahroum 2000). In general, foreign-born people are more likely to initiate their own businesses than local people (Storey 1994). Some so-called 'ethnic' businesses have developed an active intra- and inter-ethnic network of suppliers, customers and even creditors (Werbner 1999). When foreign-born managers initiate international activities, they usually do it through friends or family located in their home country (Crick and Chaudhry 1998).

SME managers who have lived overseas may play an important role in the initiation of the company's international activities. This may be the consequence of having been exposed to different ways of thinking, making the managers more receptive and open to new ideas. When these managers return to their home countries, they may exploit the skills and social contacts they are leaving behind (Johnson and Contreras 2004). During the time spent abroad, the manager may have gained not only experience, but knowledge and money as well, that could be used to initiate a business in their home countries. This has been the case with Indian software engineers who, after a period of work in the US, have returned to India and have opened their own companies; on several occasions as suppliers to the companies they used to work for (Saxenian 2003).

There is an important flow of remittances that migrants send to their families back in their home countries. For example, Mexican migrants sent an estimated US\$6.5 billion in 2000, which it was calculated would double to US\$13 billion by 2003 (Orozco 2002; Johnson and Contreras 2004). In the case of poorer countries, the workers' remittances represent an even more important source of income to the economy; in Nicaragua,

remittances are equivalent to one-quarter of the country's annual national income (Orozco 2002).

Information and communication technologies (ICT): The Internet and mobile phones

Information technology has played an important role in the activities of SMEs. During the 1990s, the use of the Internet and e-mail became widespread and was adopted by many SMEs. This trend facilitated communication with customers and suppliers, and access to information in real time regardless of physical location across continents. In poorer countries, there are fewer people who own computers or have access to the Internet. Here the technology with the greatest impact is the mobile phone, which is shared by several people and is used to keep in contact with the value-chain of the company (*Economist* 2005).

English language

The use of English as the common language for the world's business, trade and communication has also helped to extend internationalisation. The widespread use of only one language has worked in favour of SMEs that have limited human and material resources. There are historic and economic reasons for the emergence of English as the preferred language. Its influence started with the British Empire and continued uninterrupted when the US overtook Britain as the world's superpower during the first part of the 20th century. In the European Union, with 25 country members and with nearly as many different languages, English is becoming Europe's language, increasingly used by its citizens to communicate with each other (Fox 2000). Many multinational European companies are adopting English as their working language, spoken not only by CEOs, but also managers, engineers and even shopfloor supervisors. This is the case with Nokia (Finnish), Aventis (French and German), and Daimler-Chrysler (German) (Fox 2000).

English is also the dominant language on the Internet; it may be considered its *lingua franca*. English is the modern equivalent of Latin as the language of reference for communication. English-speaking countries are considerably ahead of other countries in the use of e-commerce. Therefore, businesses with websites not written in English are at

a great commercial disadvantage when conducting activities on the Internet (OECD 2002):

English is overwhelmingly the language of e-commerce. In 2000, more than 94% of links to pages on secure servers were in English. The only other languages to account for more than 1% of detected links to secure servers were German and French. (OECD 2002: 204)

Government policies to encourage SMEs become international.

Policy makers in many countries are eager to promote the internationalisation of SMEs. This is an export-led strategy that aims, among other objectives, to generate income for the country. There are a number of programmes at the national and international level that put the issue of international SMEs at their forefront of their policies (OECD 1997; Hall 2003). Policy makers do benchmarking and adapt the most suitable best practices for international SMEs on a variety of topics (OECD 1997; 2000; 2001; Hall 2003). The OECD (1997) defines 'best practices' as:

It refers to practices, which appear to be superior in achieving improved performance. These are identified by monitoring [its effectiveness]. The practices can then be improved, and adapted to suit specific circumstances. (OECD 1997: 104)

Group of SMEs that have derived advantages from internationalisation.

An interesting example of internationalisation is small producers of organic food from third-world countries that have been able to access market niches in European countries. They have been helped by the emergence of the concept of fair trade in parallel with internationalisation, a process that started in the mid-1980s (Ransom 2001). Their products carry the Fairtrade brand that promises to pay a fair price to the producers (www.maketradefair.org). There are now over 350 Fairtrade certified retail products, covering a wide range of tropical and semi-tropical products. These products carry the International Fairtrade Certification Mark, which is used by more than 19 organisations in several countries (www.fairtrade.org.uk). Initially, such products were found only in the outlets of organisations like Oxfam, but they have now become mainstream, earning a place on the shelves of several supermarkets chains. They have small market share, but this is growing through the use of conventional retail and clever advertising campaigns that have convinced people that it is right to pay a premium price for these ethical products (Ransom 2001). Even multinational

companies, such as Starbucks, are becoming sympathetic to the cause of Fairtrade and are taking up the challenge of paying more for their coffee (www.maketradefair.org). Perhaps it is not only ethical but also sensible to sell organic products grown by small producers.

Barriers to the internationalisation of SMEs.

Double standards of some developed countries

World trade has increased rapidly, especially during the last two decades. But an analysis of winners and losers shows that the world's poorest countries have seen their share of world trade decline by more than 40% since 1980 (Oxfam 2000). Developing countries that want to export to the advanced countries of Europe and North America face trade barriers that cost them US\$700 billion a year in lost export earnings (Oxfam 2000). It seems that poor and rich countries do not play on a level playing field since rich countries continue to dump heavily-subsidised agricultural exports (Oxfam 2000). The current situation limits the international options of many SMEs.

There is criticism of the double standards of the rich countries. They protect their domestic industries, while demanding that poorer countries open up their markets. This matter is debated in the mass media:

...[T]he three most vital sectors in every Western economy are agriculture, construction, and textiles. Those sectors, which feed, clothe and house the people of these economies, are protected. So it's not possible, for example, to sell maize to the Americans, or rice to the Japanese. It's not possible and it's not easy to sell shoes or textiles to the Spanish or to the Portuguese and it's certainly more difficult to move construction companies around the world. Those three sectors are the pillars of every Western economy and yet a poor nation, which becomes indebted, is given no choice. It's forced to compete in agricultural trade with the United States (Analysis, BBC Radio 4, 15 November 2001).

Tariffs and non-tariff barriers

The World Trade Organisation (WTO) "is the only global international organisation dealing with the rules of trade between nations...the WTO Agreements cover goods,⁵

⁵ GATT General Agreement on Tariffs and Trade

services,⁶ and intellectual property”⁷ (www.wto.org). The WTO deals primarily with custom duties or tariffs in international trade that need to be paid by the importer and exporter of the products and services, at customs, and are added to the final price in the country of destination (Bancomext 2001; 2002). SMEs may be affected in a number of ways. Some examples are: not knowing the process for exporting and importing, not following the tariff regulations, and not registering the company’s intellectual property rights in the target country (Bancomext 2001; 2002).

Non-tariff barriers are established by the government of a country and have different functions: to control the type and quantity of merchandise and services that enter the country, to protect national producers, to preserve the environment, and to assure national consumers of the good quality of the product (Bancomext 2001; 2002). Non-tariff barriers are more numerous than tariff barriers and more difficult to satisfy. Therefore they present a more important challenge to the SME that wants to export products or services if it is to avoid problems in the target country. They are broadly divided into two groups: quantitative and qualitative. The first group restricts the import or export of certain products by issuing import or export quota limits, by setting up an official price and dispositions against dumping practices. The second group deals with the quality of the product, the packaging and labelling, technical standards and ecological regulations (Bancomext 2001; 2002).

People who cannot yet be considered consumers

A major barrier to the expansion of internationalisation is the great number of people who cannot yet be considered consumers. They live in poor countries with a hand-to-mouth existence. However, even poor people from these countries at the bottom of the socio-economic pyramid may offer important market opportunities to companies that know how to exploit them (Prahalad and Lieberthal 1998). The World Bank (2002) carried out a study of growth and poverty in the world economy, roughly dividing the world’s population into three groups: the first, rich countries with a total population of about 1 billion people (Japan, US, EU countries and others); the second, developing countries with some 3 billion people altogether, which have increased their integration

⁶ GATS General Agreement on Trade in Services

⁷ TRIPS Trade-related Aspects of Intellectual Property Rights

with the world economy following rapid growth during the 1980s and 1990s (Korea, Taiwan, Singapore, Brazil, Mexico, India and China among others); the third, poor countries with a total population of about 2 billion people, which have not been integrated into the world economy and have been left behind (most of sub-Saharan Africa). Most SMEs with international activities come from the first two groups, especially from the rich group of countries.

Terrorism

The fear of terrorism may be threatening the expansion of internationalisation, and forcing companies, of all sizes, to review their strategies. Most people agree that internationalisation is not going to disappear because of the high level of integration of the world's markets. However, internationalisation will become slower and costlier, crimping the high-productivity, low-inflation model of the 1990s (Engardio and Miller 2001). There may be a link between the economic, social and cultural discrimination felt by large groups of people, who feel internationalisation has left them behind, and terrorism. Desperation may motivate people to attract the world's attention to their pleas. For example, the 2001 terrorist attacks that took place in the US, in New York and Washington DC, were on highly symbolic targets.

Evolution of the international economy from the 1870s to the 21st century

Since 1870, there have been four distinctive periods from which today's internationalisation has emerged (World Bank 2002). The first period, from 1870 to 1914, was initiated by a combination of falling transport costs, and the reduction of tariffs that allowed the exchange of primary commodities for manufacturing goods. During this period, more than sixty million people migrated from Europe to North America and Australia, representing nearly 10% of the world's population at that time (World Bank 2002: 24-26). The second period, from 1914 to 1945, was a retreat into nationalism and protectionism as countries attempted to divert demand into their domestic markets instead of looking for international markets for their products. An exception was the increase of trade within the British Empire, and between other European countries and their colonies (Hirst and Thompson 1999). International trade decreased sharply and was at about the same level in 1950 that it had been in 1870 (World Bank: 26-28).

The third period, in the evolution of international trade took place from 1945 to 1980. It saw a shift from nationalism to internationalism. However, trade liberalisation was selective in terms of which countries participated and which products were included. Trade policy among developed countries was to reduce trade barriers among themselves, while they were kept for products from developing countries. (World Bank: 28-31). These large industrial firms in the heavy and durable goods industries (i.e. steel, shipbuilding, locomotive and automotive sectors, etc.) had their major strengths in economies of scale, technological and product know-how, backed up by extensive financial and marketing resources (UNCTAD 1993; Acs 1996). Developing countries also based their development on large firms, usually as part of import-substitution policy (Dussel-Peters 2000). The 1950s and 1960s saw the zenith of the large firm in the twentieth century, certainly in the United States (Acs 1996). Industrial development based on large firms worked well up to the 1960s, because international markets and prices were relatively stable, and there was a high demand for similar products that were mass produced. However, the situation changed in the 1970s with more international competition, the oil shocks of 1973 and 1979, and high inflation.

The fourth period of internationalisation, the one in which we are immersed, started about 1980. A major feature is the integration of societies and economies of different geographical regions as a result of reduced costs of transport and lower trade barriers in most countries. Another factor is the integration of economies in the developing world with the world's economy (World Bank: 31-38). During this period, some large companies shifted their competitive strategy. They started to outsource their manufacturing and assembly operations to low-cost overseas contractors. However, these companies retained control over their core activities, such as research and development of new products. Trade liberalisation has made it possible for many large companies to focus on the marketing of their branded products rather than on producing them (Klein 2000). In the post-industrial economy, based on knowledge, the real power resides in the decision-making and financial centres, usually located in the advanced economies, while labour and materials are usually provided by low-cost economies that manufacture products and offer back-office services (Ransom 2001).

World trade during the 1990s.

International trade has grown steadily since World War II, but has been particularly strong since the new wave of internationalisation started in the 1980s and 1990s. The World Trade Organization reports growth of about 7% per annum in volume terms in world trade during the 1990s (WTO 2001). Internationalisation has also been characterised by greater economic integration through the formation of regional trade blocs, such as NAFTA, APEC⁸ and the European Union⁹ (Hirst and Thompson 1999). Foreign direct investment (FDI) has also increased significantly during the 1980s and 1990s. About two-thirds of total FDI flow was between North America, Europe and Asia (the Triad), and only about one-third of FDI was directed to developing countries (Hirst and Thompson 1999).

Most consumers have benefited from an increased level of competition, as they may choose the most suitable products or services from a wide range of domestic and international producers. Consumers have become better informed than before, they search and compare before buying, thanks to the options offered by information technology, such as the Internet or the mobile phone (Markillie 2005). Internationalisation has created opportunities but also threats, in a shifting and competitive environment, the SME manager needs to be aware and well-informed. The surviving companies will be the ones that offer reliable, reasonably priced, better-made, well-designed products and services that deliver what has been promised.

International market entry mode.

Most initial literature on the internationalisation of trade activities was focused on the strategy followed by large multinational corporations (Welch and Luostarinen 1988). There are two main theories. The first states that internationalisation is a sequential, gradual and evolutionary process. It may be described as a stepwise process of increasing involvement and commitment with overseas markets (Johnson and Vahlne 1977; Welch and Luostarinen 1988; OECD 1997). The second theory, or rather group of theories as there is not one but a series of them, states that the whole process of

⁸ Asia-Pacific Economic Co-operation

⁹ The European Union is much more than just a trade bloc as there is free flow of people, and there are some common laws and institutions.

internationalisation is changing. Companies may start overseas activities in a shortened period of time, either by-passing or leaping over, some or all of the logical steps of increasing foreign market commitment (Welch and Luostarinen 1988; Nordström 1991). Technologies such as the Internet and e-commerce have opened new opportunities that go beyond the consideration of some traditional theories of internationalisation (Wright and Etemad 2001).

The step-by-step approach to internationalisation.

Large companies got to know their home market before they ventured abroad. They usually followed the same lengthy step-by-step process: first they gained access to local markets, and after that, moved to regional and national markets. Once they consolidated their position in their home markets, they looked for opportunities to export. Some of the first studies on the internationalisation of large firms came from the University of Uppsala in Sweden (Nordström 1991). The Uppsala model was based originally on the study of the internationalisation of overseas markets by large Nordic manufacturing firms, initially most of them Swedish, that developed their international operations following a step-by-step approach targeting neighbouring countries (Johanson and Vahlne 1977; Nordström 1991; Knight and Liesch 2002).

The Uppsala model has two underlying assumptions. First, firms became interested in overseas markets to continue growth because the home market had become unprofitable. They usually entered new markets through exports and only years later set up manufacturing operations in the target country (Johanson and Vahlne 1977; Nordström 1991). Second, in order to reduce uncertainty, these firms preferred to initiate export activities to countries with similar languages and cultures, and thus reduced levels of psychic distance (Nordström 1991).

The psychic distance is defined as the sum of factors preventing the flow of information from and to the market. Examples are differences in language, education, business practices, culture and industrial development. (Johanson and Vahlne 1977: 24)

Once the company had gained international experience, it would set its eyes on international markets that are psychically distant (Liesch and Knight 1999). The last

stage is the international company with holistic strategies and overseas partnerships transcending cultural differences. This type of company follows international trends and conditions and exploits them to its advantage (Liesch and Knight 1999; Srinivas 1995). However, it may be argued that this model just reinforces the popular belief that companies should grow and become bigger in this step-by-step process. In this lengthy model of increasing internationalisation based on large firms, it seems there is little room for small and medium-sized firms.

Other theories of internationalisation

A new approach was needed to try to explain the different strategies followed by companies of all sizes, and in particular SMEs, in the internationalisation of their activities. However, there is no single theory that captures the variety of options for internationalisation. The means by which companies enter overseas markets are not mutually exclusive; in fact, they are generally combined (Petersen and Welch 2002). There are companies that follow a low-risk approach, preferring to use local operators that are familiar with the target market that may act as licensees or distributors. However, depending on the market results, these companies may decide to switch the operation mode, perhaps by creating an overseas production plant (Petersen *et al.* 2000). The international strategy of some other companies may evolve toward strategic alliances with overseas companies. SMEs have limited material and human resources; therefore, an alliance may offer the opportunity to initiate distribution channels, and even the joint development of new products with another company (Chen and Huang 2004). But, in general, few SMEs ever establish joint ventures abroad as it is a complex type of internationalisation that demands much commitment of time and resources (European Commission 2004).

Other theories of internationalisation establish that there is a series of push factors in the home market and pull factors in overseas markets that trigger large companies to initiate international activities (OECD 1997; Bartlett and Ghoshal 2000; European Commission 2004). Companies may go to overseas markets because they are searching for suppliers of parts and materials, to reduce their costs of production, or to secure markets for their own products (Bartlett and Ghoshal 2000). SMEs may initiate international activities because of a decreasing market share, increasing domestic competition or to obtain economies of scale (European Commission 2004). Strong pull factors coming from

overseas may make the company decide to set up its production facilities in some of the countries that have been importing its products. This is more common with large firms than with SMEs (Bartlett and Ghoshal 2000). The deciding factor for SMEs to engage in international activities could be a growing overseas market, or an important customer going overseas (European Commission 2004).

A company may also gain an international presence by franchising arrangements. In the US, it is estimated that 35% of all retail sales are generated by domestic franchising (Felstead 1993). Most companies start franchising activities within their own domestic markets before they initiate international franchising operations. However, this is not always the case, as some companies have expanded to overseas markets through establishing individual franchises, through an independent company, by creating master franchising or by sub-franchised units (Petersen and Welch 2000).

The extreme case of internationalisation is the so-called 'born global' companies. They were created specifically to exploit an international opportunity without undergoing a process of increasing commitment to overseas markets (Rennie 1993). Other authors detect 'born-again global companies;' these are companies that did not have any international activities in the past, but suddenly changed their strategy for a total dedication to international markets (Bell *et al.* 2001). Born global companies are SMEs that have targeted an overseas niche market to exploit a unique product or service, which is knowledge-based.

SMEs do not often have a strategic plan to become international; they are reactive to opportunities that come by chance and many do not have a long-term commitment to overseas markets (OECD 1997). The first international contact for most SMEs is not through exports, but rather, a direct or indirect foreign supplier, as this is a low-risk strategy (European Commission 2004). SMEs that have a mid-term perspective may use the inward experience they acquire to prepare for a future outward activity using the links formed with international suppliers (Welch and Luostarinen 1993). SMEs may become international by linking outward with inward activities. A holistic approach is needed to capture the great variety of international options that are opened (Fletcher 2001).

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CHAPTER 3

THE SMALL AND MEDIUM-SIZED ENTERPRISE

Introduction

Small and medium-sized enterprises, most of them in the service sector, have always formed the backbone of national economies. Nevertheless, the development of most countries during the last two centuries has been based, mainly, on large industrial firms. But, as mentioned in the previous chapter, this situation started to change during the 1970s and became more apparent in the 1980s. In a fast-evolving economic environment, the large firms' strengths became weaknesses, preventing many of them from responding to changes in the market and hindering their ability to compete (Acs 1996). The near monopoly of large firms in international trade was challenged, offering new opportunities for small and medium-sized enterprises that wanted to engage directly or indirectly in international businesses. However, in spite of these changes, large multinational companies still account for a large share of the world's output and international trade (Bartlett and Ghoshal 2000).

From the 1970s onwards, there has been a reassessment of the role and significance of the small and medium-sized firm (Acs 1996). Schumaker (1973) criticised large firms and pointed to the new direction of things to come in *Small is Beautiful: A Study of Economics as if People Mattered*. He was one of the first to note the importance and possibilities of SME firms, and their effect on how people could live:

I was brought up on the theory of the 'economies of scale' – that with industries and firms, just as with nations, there is an irresistible trend, dictated by modern technology, for units to become bigger (p. 58)...and [I now] begin to see the possibility of evolving a new life-style, with new methods of production and new patterns of consumption: a life-style designed for permanence. (Schumaker 1973: 17)

Large companies have been getting smaller. This downsizing process is the consequence of a shift in the large companies' strategy, as they concentrate on high-value core activities, subcontracting low-value activities, often to SMEs in the value chain (OECD 2000). Manufacturing companies started in the 1980s to outsource assembly-type operations and routinely transferred activities to low-cost countries, such as China, Korea, Brazil and Mexico. But it is China's cheap and abundant labour that has attracted the lion's share of international direct investment in manufacturing

companies, and has turned the country into the new 'workshop of the world' (Roberts and Kynge 2003). Companies producing digital devices, such as cell phones, laptops and digital cameras, have started to pursue a new model of innovation as they have begun outsourcing research and development activities to countries such as Taiwan, Singapore, India and China (Engardio and Einhorn 2005). It is not yet clear what the outcome will be, in the mid and long-term, for those companies that outsource innovation in the rush to deliver new products to the market. This group of companies is breaking the paradigm of keeping critical activities in-house (Engardio and Einhorn 2005). Innovative SMEs that may gain access to the value chain, either directly or indirectly, of large manufacturing companies may gain international experience in their own domestic market. The first international contact for most SMEs comes from importing products and parts from an overseas supplier (European Commission 2004).

Service companies followed the example of manufacturing companies in the 1990s. Large US companies in the ICT sector started to reduce their employee base at home while subcontracting software design activities to SMEs in India, Taiwan and other countries. This group of companies has derived advantages from ICT and the widespread use of the Internet. They first sent simple and repetitive tasks, such as processing credit card receipts and insurance claims, and later knowledge work, such as design and software development (Engardio *et al.* 2003). These service companies are attracted by the technical and English language skills offered by professional people in India, and by the fact that the pay is only about one-fifth of the American average (Baker and Kirpalani 2004). Call centres have followed suit; Indians are handling customer service calls and doing telemarketing activities for American and British companies (Engardio and Kirpalani 2003). These SMEs not only provide their expertise to larger companies, but in the process also gain the confidence and experience to turn an international inward activity into future outward international activities (Welch and Luostarinen 1993).

Definition of SME

There is no universally accepted definition of what a small and medium-sized enterprise is. The most commonly used criteria are the number of employees, sales turnover, type of ownership, assets, and economic sector (Storey 1994). The OECD (2000) defines SMEs as:

... non-subsiary, independent firms, which employ fewer than a given number of employees. This number varies across countries. The most frequent upper limit designating a SME is 250 employees, as in the European Union. However, some countries such as the United States consider SMEs should include firms with fewer than 500 employees. Small firms are generally those with fewer than 50 employees, while micro-enterprises have 10 or fewer employees. In the European Union, SMEs must have an annual turnover not exceeding EUR €40 million and/or a balance-sheet valuation not exceeding EUR €27 million (OECD 2000: 7)

SMEs play an important economic and social role in the life of most countries, and are crucial for future long-term development (Acs 1996). There are numerous examples in the literature that illustrate the weight that SMEs carry in their own national economies. Between 96% and 99% of all enterprises in OECD countries are SMEs (OECD 1997; 2000; 2002). SMEs contribute between 40% and 70% of jobs, providing most new employment, especially in high technology and other innovative sectors (OECD 1997; 2000). SMEs account for between 30% and 70% of the gross domestic product of most countries (OECD 1997). There is much governmental interest in SMEs, often prompted by their high failure rate. It is estimated that fewer than half of SME start-ups survive more than five years (OECD 2000; European Commission 2002).

The topic of SMEs is booming. In the last decade, several journals have been created specifically to study the SME sector, and some traditional journals have also become interested in the subject (Acs 1996). There are now a number of SME-specific magazines. Government bodies and private associations have been created at national, regional and local level, to deal exclusively with SMEs. Seminars and conferences are organised regularly throughout the world to analyse SME issues, and several SME research centres have been created in universities. However, in spite of the importance of SMEs, they are still under represented in the mainstream financial media. The quality business press written in English, such as the *Financial Times*, *Wall Street Journal*, *The Economist* and *Business Week*, dedicate something like 95% of news coverage to large firms. The irony is that more than 95% of firms are SMEs (Storey 1994).

SMEs form a very heterogeneous group, facing different realities that are therefore difficult to generalise. The needs and situations of a company with 10 employees differ substantially from those of a company with 100 or 250 employees. But if national comparisons are difficult, cross-country comparisons of SMEs are even harder because

of the lack of reliable data. There is a need for better guidelines and practices in SME measurement (OECD 2004). One of the aims of the Second OECD Conference of Ministers Responsible for SMEs, held in 2004, was “to strengthen the factual and analytical basis for policy making” (OECD 2004):

This requires both reliable and internationally comparable data and statistics on which analytical work can be based as well as cross-country comparative studies and longitudinal analyses which can assess the impact of economic forces and developments on SMEs over time. (OECD 2004: 4)

Policy makers organise events for small and medium-sized firms. However, academics and other people interested in SMEs tend to comprise the audience at these events, while SME managers themselves, short of time and resources, are busy minding their businesses. European Union programmes for SMEs tend to talk about successes, but not failures, and evaluation of these programmes tends to be non-critical. In the UK, there are also problems with government policy for SMEs; Macdonald *et al.* (2001) argue that:

The very nature of the sector – huge, scattered, volatile, diverse – together with the range of problems it faces, makes any single, uniform intervention unlikely to be successful. (Macdonald *et al.* 2001: 1)

Importance at the national and international level.

SMEs play a central role in the debate on economic policy everywhere. In the case of Latin America, policy makers highlight the importance of SMEs as one of the engines of growth. Most governments in the region have established programmes to assist SMEs. However, the stark reality is that politicians often tend to pay only lip service to SMEs. Their support is mostly moral and few material resources are diverted to the support of SMEs (Peres and Stumpo 2001). The problem is compounded because the policy and decision makers who are in charge of SME issues are often ignorant of the characteristics of the SME sector (Dussel-Peters 2001). Each industry and activity has its own behaviour and needs, and it faces unique threats and opportunities. There are many politicians and policy makers who see SMEs only as miniature large firms that, nurtured and given the opportunity, will grow and become MNCs (Storey 1994; OECD 2001):

All successful MNCs began as SMEs, and successful SMEs today will be the MNCs of tomorrow. No big bang created a large MNC. They grew from the seeds of start-up companies, sometimes expanding through acquisitions, but nonetheless beginning small, sometimes more than a century ago. (Donald Johnston, OECD Secretary-General quoted in OECD 2001: 42)

A large number of countries has recognised the importance of SMEs in their economies and has established government departments to deal exclusively with SMEs. One of the services typically offered is a SME-dedicated website. This is often complemented by a one-stop shop for SMEs, where the manager may find information about regulations, administrative processes, training opportunities, and other relevant data for the company (OECD 2000). The five countries where the empirical work for this research was conducted (Finland, France, UK, Australia and Mexico) all have a government department or SME agency, and a website that works as a single information source for SMEs.¹⁰

Governments at the national, regional or local level often have policies to sponsor clusters, as it is believed that enterprises, most of them SMEs, specialised in a type of business or activity, are more productive, innovative and competitive when located close to each other (OECD 2001):

A cluster is an agglomeration of firms in a related line of business. It can contain a small or large number of enterprises, as well as small and large firms in different proportions. Some clusters, such as many of Italy's industrial districts, are comprised principally of SMEs (OECD 2001: 115)

¹⁰ In Finland, it is the Ministry of Trade and Industry (MTI) <http://www.ktm.fi> and the Federation of Finnish Enterprises (*Suomen Yrittäjät*) <http://www.yrittajat.fi/sy/home.nsf/www/english>. In 1999, there were 220,000 enterprises in Finland, and SMEs represented 98.5% of total firms. In France, they are the Ministry of the Economy, Finance and Industry (MINEFI) <http://www.minefi.gouv.fr/> and the Ministry of SMEs <http://www.pme.gouv.fr>. In 2003, there were 2.4 million enterprises in France, with SMEs representing 99.8% of all firms. In the United Kingdom, they are the Department of Trade and Industry (DTI) <http://www.dti.gov.uk/> and the Small Business Service (SBS) <http://www.sbs.gov.uk/>. In 2002, there were 3.7 million in the UK, with SMEs representing over 99% of all firms. In Australia, they are the Department of Industry, Tourism and Resources <http://www.ausindustry.gov.au/> and the Small Business Service <http://www.smallbusiness.gov.au>. In 2000, there were 1.1 million enterprises in Australia, with SMEs representing 97% of all firms. In Mexico, the Ministry of Economics <http://www.economia.gob.mx/> has an Under-ministry for SMEs <http://www.contactopyme.gob.mx/>. In 2002, there were 2.84 million enterprises in Mexico, of which 99.7% were SMEs (OECD 2002).

Clusters are located in regions that have distinctive economic, cultural and political characteristics, and a cohesiveness that differentiates the region from other areas (Cooke and Morgan 1998). There are a number of regional clusters across the world. Examples are: Silicon Valley, a high-technology agglomeration, and Bangalore, offering software services (OECD 2001). Spain's Basque region has specialised in machine tools and engineering, whereas Italy's Emilia-Romagna region is a centre of advanced automotive engineering, ceramics and knitwear products (Cooke and Morgan 1998).

SMEs tend to be independent, but their businesses may be dependent on large firms. However, there are occasions when companies cannot compete on their own, as they do not have the resources, expertise, products or distribution capacity. This situation has forced SMEs to join forces with competitors. Two or more companies enter a 'competitive collaboration,' in most cases on a temporary basis, in the form of joint ventures, product licensing or outsourcing agreements, among other possibilities (Hamel *et al.* 1989). When companies join forces, each partner brings something that the other does not have, such as technology or market access. Nevertheless, "collaboration is competition in a different form" (Hamel *et al.* 1989). Small and medium-sized firms collaborate, as they need each other to survive. SME managers exchange information, but not out of concern for other companies. They seek competitive advantages that would have been difficult to obtain on their own (Fuller-Love and Thomas 2004). Most SMEs are in very competitive markets, facing not only domestic competitors in their home markets, but also foreign competitors. Many countries have programmes to promote the internationalisation of SMEs. Most are export-oriented, although few are tailored to the firm's degree of internationalisation (Moini 1998; European Commission 2004). However, many SME managers are reluctant to use government assistance in their efforts to become international (Tesar and Moini 1998).

Strengths of the SME

Drucker (1985) indicates that a business can endure, and even prosper, by being innovative, converting challenge into opportunity. Being small or medium-sized, allows companies to have an efficient, informal communication network (UNCTAD 1993). SMEs are able to react quickly to most shifts in the marketplace, and their lack of bureaucracy allows them to implement necessary changes within the organisation

(Rothwell 1991; UNCTAD 1993). SMEs can be close to customers and adaptable to their demands; they excel at serving niche markets demanding specialised products in small volumes. Small and medium-sized firms have fast decision-making (Rothwell 1991; UNCTAD 1993). For example, Italian SMEs have had to face heavy regulation, high taxes and convoluted bureaucratic systems. However, Italian managers have learned to thrive by keeping their firms small, nimble and innovative, having extensive in-house training, and by focusing on niche international markets (Rothwell 1991; Edmondson *et al.* 2001).

Weaknesses of the SME

SMEs face a number of hurdles because of their limited material and human resources. It may be difficult attracting risk capital to start or expand a business (OECD 2001). SMEs can survive on small margins, but this makes them vulnerable to late payments from customers (OECD 2001). If a company wants to engage in a large project or start an international business, it does not have an economic cushion to fall back on if anything goes wrong. Small and medium-sized firms cannot tolerate volatile cash flow for long (OECD 2001). SMEs have difficulty recruiting technical and administrative specialists (Rothwell 1991). Small and medium-sized firms tend to offer a limited product line, rely on few customers and cannot compete with larger companies that have economies of scale (Rothwell 1991). SMEs are innovative out of necessity, applying and adapting technical advances to their products and services (UNCTAD 1993). Most SMEs conduct only rudimentary research and development (Rothwell 1991).

The burden of red tape is disproportionately heavy for SMEs. Small and medium-sized firms have to cope with complex and time-consuming regulation intended for larger companies (Rothwell 1991). Complying with government requirements distracts employees from value-added activities. Because SMEs cannot afford specialist employees, their unit cost of compliance is higher (Rothwell 1991; Moules and Croft 2005):

When you look at a big company, they have a human resource department to deal with these matters. We have one person who acts as HR manager, IT manager and finance director. (Mark Jefferis, British SME manager of Camel Construction Products, quoted in Moules and Croft 2005: 3)

SMEs tend not to use the intellectual property system to protect their innovations as the system is considered complex, expensive, and they cannot afford the time and cost involved in litigation to defend their intellectual property rights (Blackburn 2003). With time and resources at a premium, day-to-day activities keep the SME manager extremely busy, giving little opportunity for devising strategy for the company (Rothwell 1991).

Life in the SME

SME employment is different from that in large organisations. Small and medium-sized firms offer a variety of activities that many people may find more rewarding than the routine offered by large firms. The main actor in the life of the SME is the manager, often the founder of the company. One type of manager is the all-rounder, traditionally knowing the technical side of the business, but who also needs to be an administrative person as well (Fröhlich and Pichler 1998). There is strong personal identification between the manager and the employees (UNCTAD 1993). The smaller the firm, the more managerial tasks fall to the SME manager, as s/he is the main driving force in the company:

‘Mr. Microcosm’ is the ‘centre of activity’ ... acting as his own designer, market analyst, customer consultant, administrator, accountant, controller, industrial engineer, etc., and thereby, like the all-rounder, not really excelling in one or two functions. (Fröhlich and Pichler 1998: 78)

There are other distinctive types of SME manager: pioneers, who are more open to change and risk; organizers, who are good at administrative activities; and the routineers, who like predictable environments and are risk-averse (Fröhlich and Pichler 1998). It may be that a pioneer manager will be more willing to take the initial step in the internationalisation of the firm. Some observable variables are commonly suggested to predict the type of firm most likely to engage in international activities: the educational level of the manager, number of product and customer groups, and coverage of the domestic market (Andersen and Rynning 1994).

The SME manager who has failed previously and has had to close his business can often see past events as part of a positive experience. He is perhaps more motivated to succeed the next time around (Stokes and Blackburn 2002). According to the UK’s

Association of Business Recovery Professionals, in 2003, the most significant cause of business failure in Britain was: the manager's shortcomings (www.r3.org.uk). Powerful learning comes from failure.

Internationalisation of the SME

There are examples of the growing internationalisation of SMEs in different parts of the world. In the United States, SMEs contribute about 30% of total exports (OECD 2004). SMEs from OECD countries contribute between 25% and 35% of the world's manufactured exports (OECD 1997; 2000). SMEs from APEC economies produce about 30% of direct exports (Hall 2002). In the European Union, 18% of all SMEs export; however, the most common form of internationalisation for 30% of them is importing from foreign suppliers (European Commission 2004).

The traditional view of the internationalisation process is that SMEs start by importing, followed by exporting. The next phase will be setting up an agency, opening a sales subsidiary and, if the company has obtained the expected benefits, opening production facilities overseas (UNCTAD 1993). But SMEs are opportunistic and do not necessarily follow a linear process. SMEs are much more active in direct or indirect exports than in foreign direct investment, which implies a long-term commitment on the part of the SME (European Commission 2004). In the APEC region, it is estimated that small and medium-sized firms generate about 10% of total foreign investment (OECD 2000; Hall 2002). In the European Union, only 3% of SMEs have overseas subsidiaries and branches (European Commission 2004).

The major internal barriers for companies that want to export are strategic, such as lack of appropriate product, insufficient production capacity and capital, and the complexity of the process. The major external barriers at the domestic market level are government policy and local competitors (UNCTAD 1993). However, the circumstances that may hold or push a company to engage in internationalisation may change over time as a country moves up the economic ladder. For example, the competitive advantage of Italian SMEs in the 1960s was the ability to offer in overseas markets products at low costs and prices, whereas in the 1990s attention to customer needs, product differentiation and technological innovation in products were more important factors (OECD 1997).

SMEs are subject to competitive forces from beyond their national borders. Domestic markets have become internationalised and companies have to face international competitors coming from overseas in their own territory. Those SMEs unable to adapt are at risk as a result of internationalisation pressures, and probably would not survive without significant changes to improve their output quality, cost competitiveness and management practices (OECD 1997). SMEs are becoming major players in international markets, and in many cases they are not following in the steps of larger firms. Small and medium-sized firms can enter and leave new international markets with relative ease. The internationalisation of the SME is not confined to a single geographical region. There is evidence from Asia, Europe, North America and Latin America of increasing numbers of SMEs involved in international trade (Knight 2001).

A new breed of international SMEs is the 'born global.' These companies adopt an international approach from the outset as a result of an international opportunity (Rennie 1993). The strategy of born global firms is knowledge-based and they look to value-added products and services for competitive advantage. Managers who head born global firms, embark on rapid internationalisation, driven by the desire to gain first mover advantage to exploit unique opportunities (Rennie 1993).

The role of the SME manager in the internationalisation

The SME manager plays the central role determining the behavioural characteristics of the firm, such as the initiation of international activities (McGaughey *et al.* 1997; Hankinson 2000; Lloyd-Reason and Mughan 2002). The relationship between the manager and the SME tends to be personal (Storey 1994). In this situation of permanent turmoil and change, the manager perceives the vulnerability of the SME (Storey 1994). The internationalisation of the firm depends, in part, on the motivation of the manager and his/her values and attitudes (Storey 1994; Haahti 1998). Other factors that will influence the manager's decision are the knowledge acquired about international markets, and the commitment and the skills in conducting international activities (Johanson and Vahlne 1977; McGaughey *et al.* 1997). The manager's demographic characteristics also need to be taken into account (age, gender, education, professional experience and international experience) (Lloyd-Reason and Mughan 2002; Manolova *et al.* 2002).

It has been argued that the managers engaged in international activities are more aware than the non-international managers, and that their perceptions are more important than their demographic characteristics (Manolova *et al.* 2002). Recognising threats and opportunities in the environment are essential to the survival of the company:

Awareness of market imperfections requires knowledge about market factors, information about market opportunities, insights into customer needs, production and products to satisfy those needs, and understanding of the key success factors in the industry needed to create a sustainable position. (Hahti 1998: 3)

This research uses the notion of awareness as one of the central elements in the internationalisation of the firm. The SME manager must be on guard and well informed about the shifting conditions in the market in order to cope, probably, better than non-aware managers.

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CHAPTER 4

AWARENESS OF INTERNATIONALISATION

Introduction

This chapter attempts to provide a new way of looking at the internationalisation of SMEs that better reflects the worldwide process of increasing economic, financial, cultural and technological integration. Most internationalisation models have focused on trade-related activities, usually based on the value and quantity of physical goods sold. However, the international activity of SMEs is not limited to physical products and increasingly includes services, processes, information, ideas, and licences as well. The overseas activities of foreign firms have increased the internationalisation of the domestic market, forcing even local companies to defend their turf. In the 21st century, it is rare to find any companies anywhere that escape internationalisation (Jones 2001).

Internationalisation in today's context is less about entering foreign markets than it is about increasing the firm's exposure and response to international business influences, opportunities, threats, and imperatives...(Jones 2001: 193)

Internationalisation may be analysed from two perspectives: as an outward process; that is, when the company has international – either direct or indirect – activities beyond its national borders, or as an inward process, when the company has to face international competition in its own domestic market (OECD 1997).

SME manager

The internationalisation of the SME is presented from the perspective of the manager's awareness of the internal and external environment. The SME manager plays a key role in initiating the internationalisation process (McGaughey *et al.* 1997; Lloyd-Reason and Mughan 2002). In the small and medium-sized firm, the manager is the central figure, whereas in large firms, the decision-making process is shared by a larger number of people. The SME manager fulfils different roles: s/he is the main decision-maker, information gatekeeper and the driving force of the company (Macdonald and Williams 1993; Menou 1995; Holmlund and Kock 1998). The educational background, work experience and attitudes of the manager are of critical importance in the

internationalisation of the SME (McGaughey *et al.* 1997). Mature managers at the helm of SMEs who have international experience and industry-specific knowledge are more likely to engage in international activities than those who do not (Westhead *et al.* 2001). It seems that there is a relationship between the international behaviour of the firm and whether the manager has previously lived overseas, speaks foreign languages and has been educated in international business (Lloyd-Reason and Mughan 2002). There are cases where foreign-born managers take advantage, either actively or passively, of business contacts back in their home countries to initiate international activities (Crick *et al.* 2001). The “international predisposition” to engage in overseas activities is not limited to the foreign birth of the manager; it may also come from foreign parentage, spouses and business partners (Reid 1984).

The international mind-set of the manager develops in three progressive phases. The first, the pre-internationalisation stage, is concerned with whether and how to internationalise; the second is the planning and initiation of international activities; the third is dealing with practical issues, such as technical, financial and procedural matters (Anderson *et al.* 2001). The manager may become competent to engage in international business in a learning-by-doing manner or may opt to employ experts, or hire advisers (European Commission 2004). Liesch and Knight (1999) argue that the manager’s previous knowledge of overseas markets must be linked to information:

A SME’s readiness for involvement in international markets can be interpreted as being a function of its state of informedness on targeted foreign market(s) and the means for entering them. Clearly, the more relevant the information that the firm internalizes and translates, the better its preparation for entry into that market... (Liesch and Knight 1999: 386-7)

Chapter 6 focuses on the SME manager’s demographic characteristics (such as age, gender, education, work experience and position in the company) and the international experience (whether the manager has lived abroad, speaks foreign languages, takes international trips, etc.) of the SME managers that participated in the study. Chapter 7 focuses on the firm’s demographic characteristics (economic sector, number of employees and foundation year.) and type of international activities (whether they export or import, have overseas customers, percentage of income from overseas, etc.) of the surveyed SMEs.

Awareness

Awareness has several characteristics, but this research is concerned with the degree to which the SME manager finds out about events taking place in domestic and overseas markets. He may have a flexible attitude and tries to orient the company to take advantage of market opportunities (Stevens 1989). Most managers are well aware of the impact that the internationalisation of the economy has had on their businesses. In the past, it was thought that this was of little relevance to SMEs. However, internationalisation is now seen as an irreversible force that will have both positive and negative effects on a large number of SMEs (OECD 1997). The manager, in his role as gatekeeper, selects, compares, analyses and transfers information from the external environment to the company (Macdonald and Williams 1993).

Manolova *et al.* (2002) claim that managers of SMEs engaged in international activities are more alert and tend to perceive the domestic and international business environment more positively than those managers whose companies are not internationalised. These authors challenge the importance of demographic factors in the internationalisation of the SME:

Perhaps the most important finding for managers is that internationalization is not a function of 'demographics,' but instead is a function of 'perceptions.' If the owner/founder or manager perceives that there is a lower level of environment uncertainty in a particular international market, or perceives that there is the requisite skill set to internationalize, then chances are high that the small firm will be pursuing a strategy of internationalization. (Manolova *et al.* 2002: 24)

The manager's alertness allows him to identify market opportunities (Gaglio and Katz 2001). The internationalisation of the world economy brings challenges, but also opportunities for market diversification and growth (OECD 1997). Some SME companies initiate international activities by collaborating with former competitors or by being suppliers to larger companies (Dana 2001). The SME manager who has an open attitude and is observant of domestic and international competitors, customers, and trends, may learn a lot about internationalisation by paying close attention and becoming aware (Stevens 1989). Awareness is a key element in the company's survival strategy.

An internationalisation awareness model

Triggers

The SME manager may be impelled to internationalisation by some sort of trigger or driver. This may be an unexpected opportunity or threat that alerts the manager and forces him to respond (Liesch and Knight 1999). The drivers that initiate internationalisation can be categorised as push and pull drivers. The push drivers are internal to the company or to its home market. The manager reacts to decreasing domestic sales, a contracting domestic market, or moves by international competitors (OECD 1997; European Commission 2004). The pull drivers are generated overseas. The manager responds to growing overseas markets, customers moving overseas, or to an unexpected request from an overseas customer (OECD 1997; European Commission 2004).

Such incidents set in motion a search for relevant information from trusted sources, to be acquired by formal and informal means. However, it is then necessary to internalise the information, adding it to existing information and transforming it into practical knowledge that is connected with the objectives the company is pursuing (Liesch and Knight 1999). This knowledge should be up-dated constantly to provide the company with relevant knowledge of overseas markets and international competitors. An internationalisation awareness model is proposed. Although it has limitations, it attempts to represent the information acquisition of the SME manager (see Figure 4.1).

Information

Information *per se* is generally of no value: it usually acquires value only when it is put to use (Macdonald 2000). This is the case for information used in long-term planning, such as the decision-making process for possible engagement in international activities (Bradshaw and Burrige 2001). Therefore, information should be seen as a means to achieve an objective, rather than an end in itself (Macdonald 2000). Macdonald (1996) claims that the “organisation is an information organism.” If a firm is active in international businesses, its information intensity is likely to increase. Its managers must find and acquire information from and about a variety of environments, some probably very different from the one with which they are familiar. But most domestic markets have become so internationalised and competitive, that the differences are becoming blurred.

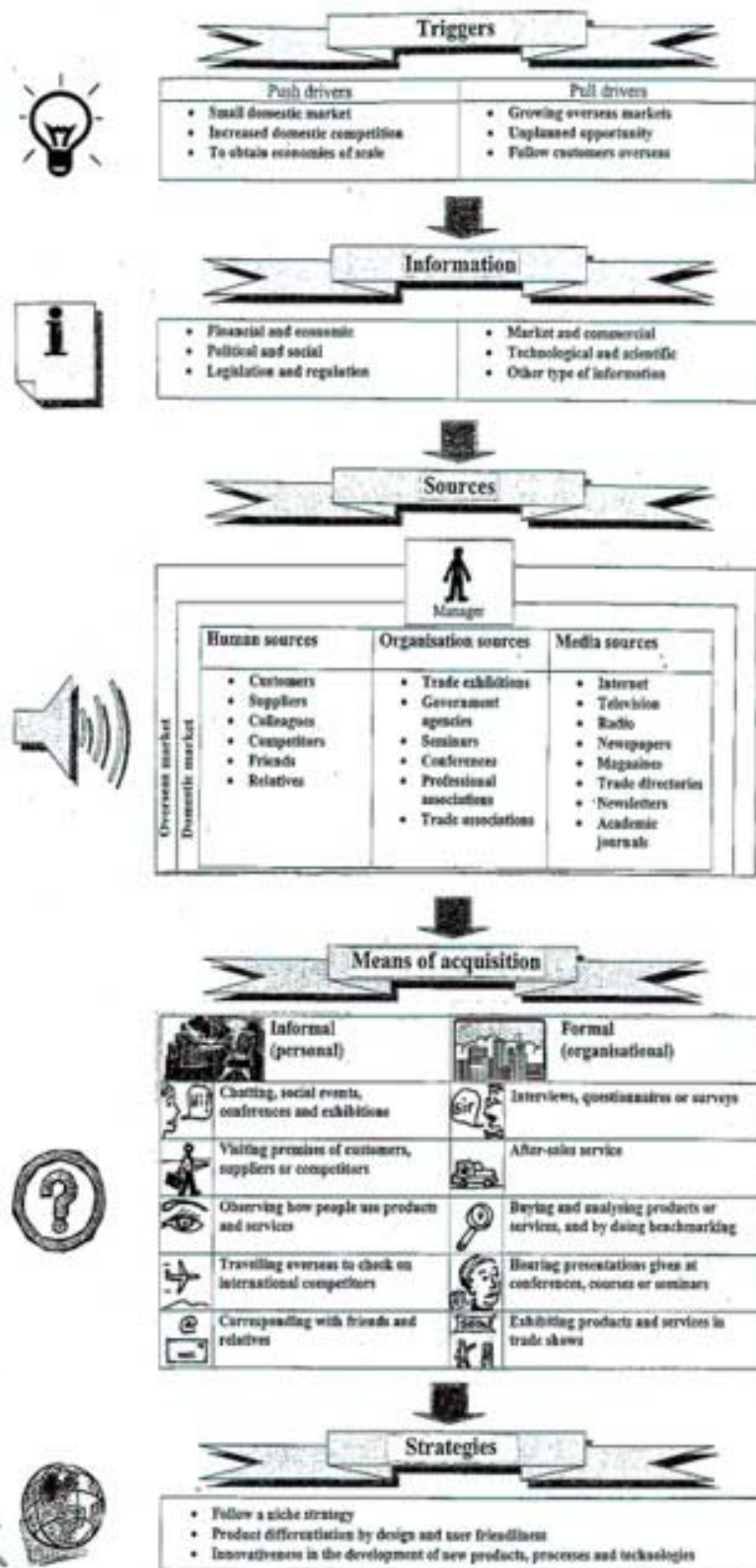


Figure 4.1 Internationalisation awareness model

Source: Adapted from Kaye (1995), Knight and Liesch (1999) and Macdonald (2000).

Information plays a very important role in society and the economy; we live in what has been called an 'information society' (Macdonald 2000). Information communication technologies can transmit large amounts of information, but with so much information easily available, there is a danger of information overload. Information is needed for every activity, in the day-to-day operations of the SME, as well as its decision-making processes (Kaye 1995). However, only some of the information available is useful:

A whole bevy of bits of information is required to do even the simplest things. Much of the information required is tacit information, derived from distant experience and deeply embedded. Some of the information is explicit, the stuff of which operating manuals and blueprints are composed... If part of the package is missing, the task cannot be completed. If there is to be change in the way things are done, or in what is done, an addition is required to this information package. Put another way, an addition to the information package means that new things can be done or old things done in new ways. (Macdonald 2000: 50)

It is easier to deal with information that is already in use, but change demands new information that needs to be added to the existing information (Macdonald 2000). The essence of the internationalisation of the world economy is change. There is a growing number of companies undertaking international activities, increasing the competition. There are changes in product and service markets as well, and the product life cycle is shortening (OECD 2001). A key problem for the SME manager, ever short of time and resources, is identifying what information is wanted and what is not. Managers must learn to acquire the information the company needs and to incorporate it into what they already know (Macdonald 2000). Information on overseas markets and competitors needs to be internalised and transformed into practical knowledge available in the SME (Richey and Myers 2001). The SME manager whose company is engaged in international activities tends to make intensive use of market-related information in strategic, environmental and institutional activities (Richey and Myers 2001).

It seems that of all resources available to the company, information and knowledge are the most important in the international activity of the SME (Liesch and Knight 1999). Knowledge is based on information that is sent and received, but not all information is knowledge. Knowledge demands active participation from the manager, as s/he needs to interpret new information and integrate this new information with previous knowledge before it may be used (Toften and Olsen 2003). The SME needs information to survive and prosper, but this information must have certain characteristics (Kaye 1995):

It should be reliable, fast and accurate... it may come in the form of quantitative data or qualitative information such as opinions; it may be commercial, scientific, technical, legal, political or social; it may be internal to the organisation or relate to the external environment. An organisation is in fact a complex information-processing system, in which every action, decision, opinion and attitude of individuals and groups is derived from or influenced by the information which they have acquired and processed. (Kaye 1995: 5)

The SME manager engaged in international activities must keep abreast of different types of information (McAuley 1993; Wood and Robertson 2000; Bradshaw and Burrige 2001; Jones 2001). This is the case with overseas financial and economic information (such as exchange rates, prices of parts and materials and economic forecasts); political information (unfolding events overseas, armed conflicts in other regions, etc.); and with legislation and regulation information (ISO 9000 / 14000, industry-specific and environmental laws, etc.). The company also needs market and commercial information (about customer preferences and needs, comparable products and services, and design and fashion trends); and technological and scientific information (about new materials, new manufacturing technologies and technical details of competitor's products, etc.). This is not a comprehensive list as each company has different information needs, depending on the specific market conditions that it is facing.

Menou (1995) is sceptical about the ability of individuals to appreciate the significance of information. The owner-manager does not recognise information as a separate element in his/her entrepreneurial behaviour:

A vexing reality for the inflated self-consciousness of information specialists is that they are probably the only group to recognise information as a discrete subject. The vast majority of the so-called users, when asked about which information was useful to them, or they valued most, and the like, hardly understand what the question is about. (Menou 1995: 467)

Sources of information

The source is where the information comes from (Macdonald 2000). Kaye (1995) divides sources into formal and informal depending on their closeness to the manager. However, this distinction is not clear-cut, as the source of information can change its

status. Kotler (2000) divides information sources into four categories: personal, commercial, public and experiential sources. This category list also creates problems. That is why this research proposes to categorise sources into three groups, depending on the main characteristics they have in common: media, institutional and human sources.

Media sources transmit information aimed at a wide audience. This type of source delivers high volumes of visual and auditory information. Media sources may be divided according to the medium: paper or electronic (Kaye 1995). Traditional paper sources are: newspapers, magazines, newsletters, trade and business directories, books and academic journals. Electronic sources are: the Internet, television and radio. However, most paper-based sources can also be found in electronic format. Institutional sources may be divided into commercial (trade exhibitions and banks), academic (universities and research centres), educational (conferences, seminars and libraries), governmental (government agencies and information centres), and professional sources (trade associations, and professional associations).

Human sources deliver information aimed, in most cases, at the specific demands of a person or small group. SME managers interested in international business prefer consulting human sources to complement their information-gathering activities, as there is a high level of interaction between the enquirer and the source (McAuley 1993). The human source may provide not only information, but also recommend, encourage, persuade, and even back up a business decision (Kaye 1995; Welch 1996; Jones 2001). A human source may create awareness in the SME manager, by word-of-mouth, of an international opportunity or threat, by evaluating options and influencing possible options (Kotler 2000). These sources may be living in the company's home country or overseas. Human sources may be work-related (customers, suppliers, competitors, employees, consultants and government officials), or be part of a social network (relatives, friends, acquaintances, and colleagues).

Rothwell (1991) states that a SME manager often lacks the time and resources to identify external sources of scientific and technological expertise. For example, the SME manager is often unable to cope with complex government or trade regulations. Therefore, the type of information that the SME manager needs must be utilitarian and, hopefully, useful in decision-making. Companies with no international activity face a barrier, as their managers are often unaware of important sources of information

(McAuley 1993). Managers of SMEs with international activities may have an even more difficult task selecting from a large variety of information sources. The accumulation of international experience allows the manager to become more selective in the sources and information that is needed, whereas new exporters tend to depend on a larger number of sources (McAuley 1993).

Acquisition of information

The owner-manager (occasionally other persons) plays the key role in the acquisition of information. As managers accumulate experience in information acquisition, they develop an ability to realise the potential of the acquired information (McAuley 1993). Lloyd-Reason and Mughan (2002) suggest that the cultural orientation of the owner-manager, such as his degree of openness to foreign cultures and willingness to understand and adapt to them, plays an important part in the international activity of the firm. The manager's orientation influences preparation for internationalisation, the international performance of the company, and acquisition of appropriate technology (Knight, 2001).

Informal means of acquiring information entail non-market and non-institutional information transactions (Macdonald 2000). There must be trust among the parties involved. The information that has been acquired informally "melds with personal skill and experience" (Macdonald 2000). Informal conversations tend to be longer and richer in information, and are much more subjective than formal ones. Individuals give and receive information (Macdonald 2000); for example, by chatting with friends and relatives (either face-to-face, or at a distance) or with people who attend conferences and exhibitions. Informal exchange may take place in diverse places, such as restaurants, bars, the facilities or premises of customers, or at industrial association offices. Informal means may include observing the use of competitors' products and services, either in the home country or by travelling overseas and checking on international competitors.

Formal means of acquiring information involve are information transactions of the institutionally-type. There is usually formality in the interaction between the manager and employees (Macdonald 2000). Formal means tend to be objective, with some distance among the parties. Examples include formal conversations with customers,

interviews, questionnaires and surveys. Formal means may also consist of visiting customers' facilities to give advice or deliver after-sales service. Other kinds of formal means are hearing presentations, reading commercial and academic literature, exhibiting the company's products and services in trade shows, and doing systematic benchmarking.

Strategies

The internationalisation awareness model must be connected to the decision-making process and the strategy adopted by the company. SMEs cannot, generally, compete in mass markets with large international firms, either in overseas markets or in their domestic market. The alertness of the SME manager helps in identifying market opportunities (Gaglio and Katz 2001). One practical strategy is to look for market niches that demand well-designed, customised products and services. A niche strategy can give the SME a competitive edge over larger companies (Rodriguez 2002). The OECD (1997) reports that the fastest growing international SMEs are those in niche markets and new industries.

Ideally, the SME manager is a good listener, and open to new ideas. The manager should be able to translate the customer's wishes and desires (which may be subjective) into a product or service that responds to what the customer really wants. To succeed in international businesses, the SME obviously needs to deliver on time, price and quality (McAuley 1993). But the SME manager must also seize every opportunity to acquire information from doing business. For example, the company needs to differentiate its products (by making them attractive and user-friendly) from those offered by competitors. The SME must not only provide after-sales service, but also ensure that this service is a means of acquiring information from customers. The international SME needs a long-term strategy. Even though most SMEs are reactive to changing market conditions, they must still have some defined goals. The company's strategy must rest on the awareness of its manager as much as on its ability to identify market niches.

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CHAPTER 5

METHODOLOGY

The challenge of doing research.

This chapter deals with the methodological approach used during this research process, that is, definition of the research problem, design of the research, and collection and analysis of the data (see Hussey and Hussey 1997). The aim is to describe not only *what* activities were undertaken before, during, and after the empirical work was conducted; but also *how* the research was carried out, and *why* it was done as it was. The researcher soon discovers while performing empirical work that, contrary to what some authors state, research is anything but a linear and predictable process. Many activities have to be conducted simultaneously and in parallel, while others have to be tackled consecutively. The researcher must be flexible and adaptable to changing circumstances (many of them beyond his control) without losing sight of the desired destination. Any research activity is bound to face restrictions of time and resources. This situation is even more acute when the research is conducted individually and is a far-reaching international study, as is the case with this project.

Selection of five countries for the research.

The empirical work was carried out in five different countries: the UK, France, Finland, Australia and Mexico. There are several reasons for selecting this diverse group. Of the five, the UK and France are developed countries with large domestic markets and about the same populations. On the other hand, Finland and Australia, also developed countries, have small populations, especially Finland. Small domestic markets force Finnish and Australian companies to look for international markets. Australian SME managers are also geographically isolated. The fifth country, Mexico, is a large developing country that opened her economy in the 1980s and now has significant international activity. Another criterion for selecting these countries was the need to have a contact person in each. These people¹¹ were sources of information on the countries, they sometimes helped with administration, and they provided logistic support for the research project.

¹¹ In the case of France, Finland, and Australia, the contact persons were researchers at the following universities: Grenoble Ecole de Management, Swedish School of Economics in Helsinki and the University of Queensland at Brisbane. In Mexico, a consultant for SMEs was the contact, his office located in Mexico City.

Most of the existing studies on the internationalisation of SMEs have been focused on European or American firms (OECD 1997; Haahti *et al.* 1998; European Commission 2004). This research examines the awareness of SME managers in both developed and developing countries.

The initial exploratory work was carried out in Mexico. Why Mexico? Mexico is the author's home country, and besides is an interesting case of a developing country. During the period between World War II and the mid 1980s, Mexico followed a path to industrialisation based on an import-substitution model. At that time, the Mexican economy was closed and there was little international trade. When the country became a member of GATT, in the 1980s, Mexico opened her economy, and followed an export-led strategy, which was boosted in 1994 when the North American Free Trade Agreement (NAFTA) between the US, Canada and Mexico took effect (Dussel-Peters 2000). The country is now the world's 11th largest economy and its 13th largest exporter. Mexico is the third largest trade partner of the United States, after Canada and China (INEGI 2001). Mexican companies have undergone dramatic changes during this period. Many international companies already have a physical presence in Mexico or are exporting to Mexico. Thus, Mexican SME managers must keep abreast of ever-changing market and commercial information. This is why it was decided that Mexico would make an interesting initial reference for the empirical part of this research.

Research design.

There are different methodological options for the study of the small and medium-sized enterprise, but in this case the survey technique was selected. It is one of the most widely-used research techniques (Burton 2000). The survey gives access to a large sample, but a thorough understanding of the most relevant concepts of the research topic must support it. The theoretical framework is based, in part, on the rich initial information obtained through one-to-one exploratory interviews. There are examples in the literature of the use of the survey as the most suitable method for a cross-cultural study that targets a large number of companies located in several countries (OECD 1997; Haahti *et al.* 1998; Diamantopoulos *et al.* 1999; European Commission 2004). However, all these results are the result of a team effort, whereas the present research is an individual project.

The pilot work for this research was conducted during two trips to Mexico in 2002 and 2003, each one lasting about five weeks. The first phase consisted of a series of semi-structured, face-to-face interviews of academics and experts in SMEs from several universities, experts in international trade, policy makers and government officials. They had all been contacted previously, either by e-mail or telephone, followed by a formal letter explaining the purpose of the study and requesting an interview. Participants had first-hand experience of important issues relevant to SMEs. Interviews lasted from 30 to 90 minutes and were taped – unless there was objection on the part of the interviewee – and notes were taken. The interviews helped to reveal some of the main factors in the internationalisation process of SMES and established the background scenario for the work. In the second phase of the study, 14 Mexican SME managers were interviewed. One of the main purposes was to understand the awareness of each manager, regardless of the economic sector to which they belong. The sort of questions asked included:

- What are the links between awareness and internationalisation?
- What is the impact of inward and outward internationalisation on SMEs?
- How does a SME become international and what are the costs and benefits?
- Who is the driving force behind the internationalisation of the SME?

The emphasis of the questions was on the company's internal situation, such as the characteristics of the owner/manager, the company's human capital, products and processes, and the strategy followed by the company. Some of the material from these interviews was transcribed and has been used throughout the thesis for quotes or for mini case studies.

Firms of all sizes are constantly required to complete surveys for the government, investors, rating agencies and researchers. British companies complain of "survey fatigue" and of "being swamped" by polls and questionnaires; some of these companies claim to receive over 200 questionnaires per year (Tucker 2004). SME managers also resent surveys, most of which need their personal attention (see Figure 5.1). The manager who answers a questionnaire is distracted from day-to-day activities, and consumes the most precious resource in a SME: time (Bartley 2003).

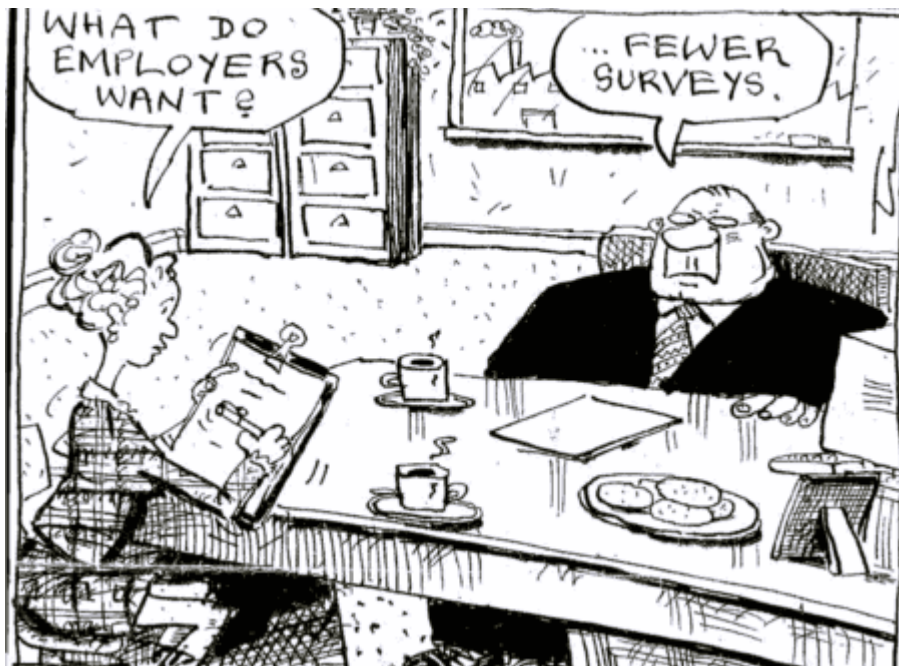


Figure 5.1 Sanders, T. (2003). What do employers want? *The Guardian*, London: 44, March 18.

Managers have complained that the people who conceive government surveys have no idea what the world of the SME is like (Bartley 2003; Kingston 2003). SME managers were not always anxious to participate in this study:

Dear Mr. Rodriguez:

I'm sorry I didn't answer your request for information. After 50 years of filling in forms and answering questionnaires and giving time freely to universities, schools, colleges and the government. I now tend to answer surveys if I am legally bound to provide information (e.g. Government statistics and at least another six government departments)...

Now, I think it's time that someone else provided the information to complete whatever statistics or reports which are considered necessary for the movement of the world...

However, I can still answer questionnaires if I am paid for it.

UK SME manager, May 2003.

The questionnaire was delivered by post. This approach tends to attract a higher response rate, and is more personal, than sending questionnaires by e-mail or fax. The questionnaire was written after having reviewed the literature and having formulated the awareness model discussed previously. Other input came from the interviews conducted during the exploratory phase of the research.

The questionnaire was part of a five-month effort that went through a very large number of revisions. The objective was to strike a balance between the sort of information people would be able to give, and the sort of information that would be useful and possible to process. The questionnaire was pre-tested for content and validity by colleagues, and was also sent to 25 experts working as academics, policy makers, researchers at OECD and APEC, and managing directors of SMEs. These people were located in different countries, as it was important to confirm that respondents coming from diverse cultures and educational backgrounds had an equal understanding of the questionnaire. The received feedback was used in the clarification of questions and in the addition of options that were originally not considered.

The questionnaire consisted mainly of closed and objective questions with boxes provided for the selection of possible answers. One of the main concerns when developing the questionnaire was to keep it as clear and short as possible. Simple terms were preferred to academic phrases. The final questionnaire was 5 pages long, with a clear and uncluttered layout and ample space between numbered questions. The final version is included in the appendices. It consists of 31 questions and was divided into seven sections:

- general company data
- international activity of the company
- personal data
- type of international information
- sources of international information
- means of acquiring international information
- strategies used in the company

The same questionnaire was used in each of the five countries. The layout and the answer options – although in 4 different languages – were not changed at all. The cover letter, questionnaire and reminder letters were all translated using the final English version as the basic reference. Native speakers carried out translation of these documents into French, Finnish and Spanish. In each case, a different person did the back translation, which was then compared with the original document to make sure that the original meaning had not been lost in translation.

Selection sample criteria

The European Union defines a SME in terms of full-time employees; that is, a company that has fewer than 250 but more than 10 employees, and this was the definition used in the survey. In each one of the five countries, 500 small and medium-sized companies were selected. This was considered to be large enough to provide an adequate number of usable responses. The response rate in SME surveys is generally low (Cavusgil and Naor 1987; Gallo and Pont 1996; Wolff and Pett 2000; Anderson *et al.* 2001; Westhead *et al.* 2001; Kalafsky 2004).

The intention was to survey companies as illustrative as possible of the whole universe of SMEs in each country. Half of the companies came from the service sector and the other half from the manufacturing sector. There are a number of studies in the literature that focus on the internationalisation of the SME by sector, either in services (Austrade 1994; Littunen and Hyrsky 2000; Wolff and Pett 2000; Westhead *et al.* 2002), or in manufacturing (Haahti 1998; Tesar and Moini 1998; Lautanen 2000; Bell *et al.* 2004; Kalafsky 2004). This study was designed to allow the results from these two sectors to be compared.

One of the objectives of the research was to examine the awareness of managers irrespective of sector, or whether they were exporting. For example, only companies with outward activities were required to answer questions on export marketing strategy, whereas companies with no international activity were asked for their reasons for not importing and whether they were planning any international activity in the future.

Pilot study

A large cross-cultural study of this nature uses a vast number of resources and is very time consuming. It needs to be well coordinated from the beginning. Therefore, it was essential to undertake a pilot study before initiating the final survey. The pilot study offered an opportunity to improve the survey process, take into consideration important details, and fine-tune before the full survey was launched. A pilot study of 50 UK companies, half from the manufacturing sector and the other half from the service sector, was conducted during the months of May and June 2003. The name of the managing director, company and its postal address were obtained from the 2002 Kompass directory of British companies. The response rate was about 20 per cent.

The answers obtained from the pilot study, along with the comments received from people who had read the questionnaire, were used to revise the content and reduce the length. The approach was to focus on the most important variables only. The questionnaire was reduced from 8 to 5 pages, taking the respondent between 15 and 20 minutes to answer the final, shorter version. To boost the numbers in the final study and make it more rewarding for participants, respondents were offered both the results of the research and the chance of winning three annual subscriptions by country to business magazines (*The Economist* or *Business Week*).

Databases.

Any survey of SMEs faces the problem of obtaining reliable databases. After having analysed a number of options, it was decided to use the services of Kompass, a UK-based commercial company selling international trade directories. These were used for the Australian, French and British surveys. A different strategy had to be employed for the Finnish and Mexican surveys in the absence of Kompass. The SMEs selected in all five countries are illustrative but not statistically significant of the universe of firms. Table 5.1 presents a list of the databases used in each country.

Table 5.1 Total number of manufacturing and service sector SMEs in the database used in each country

	Manufacturing SMEs	Service SMEs	Total
UNITED KINGDOM (Kompass)	14,336	15,256	29,592
FRANCE (Kompass)	5,749	9,476	15,225
AUSTRALIA (Kompass)	2,085	1,852	3,937
FINLAND (Federation of Finnish Enterprises)	Not available	Not available	88,000
MEXICO (Canacintra)	-----	-----	-----
(Sectur)	35,000	Not applicable	35,000
(Diampro)	Not applicable	32,643	32,643
	Not applicable	Not available	Not available

British, French and Australian databases

A possible weakness of using a commercial database is that the survey is necessarily confined to those companies that have paid a registration fee. Such companies are obviously aware of the importance of being listed in a trade directory consulted by potential customers in different countries. Such SMEs may be typical, but their selection for a survey is not random.

Finnish database

Finland has about 225,000 enterprises and 99.8 per cent of them are SMEs. The database for the Finnish companies was obtained from the Federation of Finnish Enterprises (*Suomen Yrittäjät*). The membership of the Federation is 88,000 and these firms are said to be representative of the whole SME population (<http://www.yrittajat.fi/sy/home.nsf/www/english>). This database was obtained for free in exchange for the results of the study.

Mexican database

In Mexico, there were several possible databases. The most obvious one was the Mexican Entrepreneurial Information System (*SIEM*) (www.siem.gob.mx), offered by the Mexican government. This provides data on more than half a million companies. However, the names of managing directors are not provided and this information was essential for the survey. Unfortunately, no commercial company provides information on SMEs. It was decided to obtain the information through chambers of commerce and industrial associations. The Mexican database came from three sources: the manufacturing one came from the national chamber of the manufacturing sector (*Canacintra*), and the service data were obtained from the Tourism Ministry (*Sectur*) and from a publicity and marketing association (*Diampro*).

Logistics of the postal survey.

In each one of the five countries, 500 questionnaires were sent out by post for a total of 2,500. A reminder letter was sent about two weeks later. This amounts to a total of 5,000 pieces sent by mail. Studies as extensive as this are rare in the literature. The general survey was conducted from July 2003 to February 2004. There were 550 questionnaires received for a general response rate of 22%. The range varies from 38% for the Finnish survey to only 12% for the French survey (Table 5.2). The first survey

sent was the UK one, as it was the most convenient to undertake and offered the opportunity for fine-tuning the logistics of the remaining four surveys. The second survey was organised and posted in Mexico while some of the empirical work was undertaken. The three remaining surveys followed this order: Australia, then Finland, and finally France.

Table 5.2 Survey response by country

Country	Questionnaires delivered	Questionnaires received	Response rate %
Finland	500	190	38.0%
Mexico	500	107	21.4%
Australia	500	101	20.2%
UK	500	92	18.4%
France	500	60	12.0%
Totals	2500	550	22.0%

The cover letter was addressed to the managing director, who was assured of confidentiality by mentioning that neither his/her name nor that of the company would be made public, and that the information given would be used for academic research purposes only. The name of the managing director and company were handwritten, and each cover and reminder letter was individually signed. Personalised letters stand out from the impersonal letters that managing directors usually receive. Sheffield University Management School stationery was used throughout. The cover letter also carried the address of the researcher's personal web page (www.sums.ac.uk/phd/rodriguez), containing further information about the research and a series of articles and papers written on internationalisation and innovation issues.

For further information or queries, e-mail, telephone and fax numbers were provided in the cover and reminder letters. A few responses were received via fax, and between 8 and 10 e-mails were received from each country survey, generally explaining why the questionnaire would not be returned, or requesting another copy of the questionnaire as the original had been misplaced or thrown away. With hindsight, it appears that offering respondents different modes of responding might have slightly increased the response rate.

The questionnaire was sent in an A4 size manila envelope that contained a cover letter, the 5-page questionnaire and a folded, self-addressed and stamped envelope to encourage the manager's response. The reminder letter, sent a fortnight later, was in a white window C5 envelope. In the cases of Australia and France, special Freepost-type¹² envelopes were included in which to return the questionnaires to the University of Queensland and to the Grenoble Ecole de Management respectively. Here they were collected and sent back to the UK in parcels. When the researcher relies on other people to perform such duties, as in the case of these two countries, some part of the control of the survey is lost. This can cause problems.

In the UK survey, a label with the Sheffield University Management School Freepost number was affixed to the C4 envelope, and was received at the same school address. In the cases of the Finnish and Mexican surveys, every envelope had a local stamp affixed. The Mexican survey was collected locally, in Mexico City, and later sent to the UK in a parcel. The Finnish responses were sent directly to Sheffield University Management School. The Finnish response rate was by far the highest of the five surveys, and it may be that managers are more likely to participate in a study on internationalisation when they have to reply to an overseas address rather than to a domestic one. With hindsight, the approach used in the Finnish survey was probably the best, even though the unused postage was wasted. In the cases of France and Australia was necessary to send a parcel to and from the country, buy Freepost envelopes and pay for clerical help, so even though local postage was not wasted, the final overall cost was probably higher.

Data analysis.

Each company was given an identification number so that it could be traced on a master list of companies for each country. This code number was useful for organising the dispatch and receipt of questionnaires. Data analysis was carried out at different stages of the survey. A manual tally was kept of the results of the pilot study and also of the UK survey. These first analyses gave a feeling of what the data looked like, and offered the opportunity to detect general trends and the distribution of frequencies.

¹² When using Freepost envelopes, the respondent does not have to pay postage.

To facilitate the process of capturing data and reduce the number errors, a template with cutout holes was made for each page of the questionnaire. The template was laid on top of the received questionnaires so that answers were easy to spot and code. The process of entering the data from the 550 received questionnaires lasted more than 5 months. SPSS software was used as it allows many possible combinations. A discussion of the data analysis is presented in later chapters.

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CHAPTER 6

THE SME MANAGER AND INTERNATIONALISATION

Introduction

Most studies on the internationalisation of SMEs indicate that the key variable in this process is the decision-maker of the company, usually the managing director. In most family businesses, this is the owner-manager, often the founder of the company. In this chapter, this person will be referred to only as the SME manager, unless it is necessary to make a specific distinction. The manager is involved – in most cases – not only with day-to-day operations, but also with defining the short and medium-term strategy of the company. S/he is the driving force that gives direction, vision and purpose to the company. The SME manager tends to be the only individual in the company who has detailed knowledge of, and access to, strategic information, and the person who is most familiar with the company's domestic and international competitors (Bonaccorsi 1992; Lloyd-Reason and Mughan 2002; Westhead *et al.* 2002).

The strategic behaviour of SMEs is likely to be influenced, even determined, by the SME manager's cultural orientation, openness to other cultures, and ability to adapt to changing circumstances (Lloyd-Reason and Mughan 2002). This is a function of such factors as the size of the company, but particularly of the manager's overall and intimate knowledge of what goes on in the company. The company needs to be efficient in doing what it does, but if the company wants to survive – even prosper – it should be effective as well. It must target appropriate markets and deliver products or services that consumers want to buy (Jobber and Fahy 2003).

The SME manager should know the company's customers and its competitors. In the past, it was relatively easy to become familiar with the domestic market; competitors were well known and their strategies and tactics were relatively predictable. But internationalisation has changed many things. Internationalisation has been brought about by a combination of technological, social, cultural and economic forces, affecting the way people, businesses and entire nations interact with one another. The domestic market, where local or national producers used to rule and their products or services were household names, has become part of a global arena. International competitors are no longer an abstract and distant concept as they now have a presence, tangible or

intangible, on the doorstep. It is now common for a multinational company to conduct research and development in one country, manufacture its products in a second country, outsource parts and operations to a third, and distribute and sell its products in a fourth. Internationalisation represents opportunities, but also threats for those along the production supply chain, such as small firms. The consumer benefits from fierce competition in the market place as international competitors have brought a wider variety of options in terms of new products, quality, delivery and cost. The manager who chooses to know about these changes may develop a high level of internationalisation awareness. This large cross-cultural survey has shed light on some of the personal attributes of managers from five different countries. The main characteristics of the surveyed SME managers are discussed in this chapter, whilst the national characteristics of managers in each country will be presented at a later stage.

Demographic Characteristics of SME Managers

Position in the company

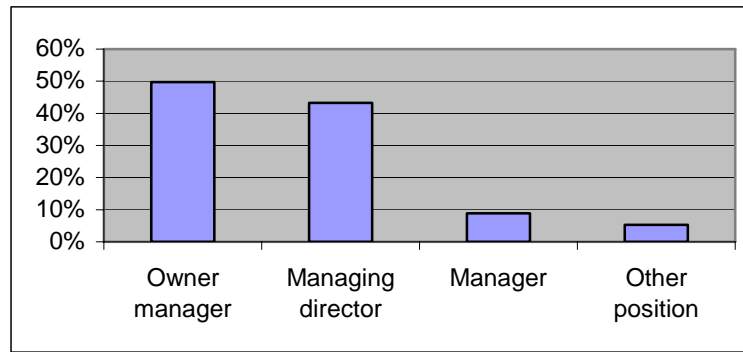
The mail questionnaire was addressed to the manager of the company, as he is not only the key decision maker, but is also familiar with the international activities of the firm (Jones 2001):

...[M]anagement tends to be centralised and vested in a few individuals who are likely to be knowledgeable about all aspects of the firm's development (Jones 2001: 197).

The SME manager usually runs the company in a 'personalised' way, and not necessarily through a formal management structure; therefore, his personal motivation is key, and has a disproportionate influence on the performance of the company (Storey 1994). That is why this chapter focuses on the role played by the managing director or owner manager's awareness in the international orientation of the SME.

Nearly half of the respondents to the survey were owner-managers, followed closely by managing directors (Figure 6.1). Together these two positions account for more than 90 % of responses, which would seem to lend considerable credibility to this study. The main distinction between the managing director and the owner manager is that the former tends to be a professional manager, while the latter, as the name suggests, not only manages but also owns the business.

Figure 6.1 Position of respondent in the company (n = 546)



Note: Percentages do not add up to 100 because of possible multiple answers.

As the most influential person in the SME, the manager tends to perform several roles, changing hats as often as needed. The archetypal image that comes to mind is that of a ‘jack of all trades’ juggling different balls at the same time. But the average manager has professional qualifications even though this ‘educated jack’ needs to have at least a basic knowledge of all aspects of the business. The SME manager rarely has a normal day, as there is always something urgent to do, an important problem to be sorted out, an order that needs to be dispatched, or a government survey that needs to be completed (Hunt 2003). The SME manager is a very busy person, but, nevertheless, his level of awareness of international influences and moves by competitors needs to be very high. His decision-making process tends to be visceral and reactive to changes in the marketplace rather than proactive.

The most precious commodity for anyone running a small business is time. Time is what we don’t have enough of in our working day. Time is king. However, the queen of commodities is information; accurate and timely information; be it about products, competition, grants, training, [or] whatever. (Bartley 2003: 45)

A great number of SME managers share a series of personality traits that make them more likely to be successful; they are outgoing, risk-takers, persistent and constantly on the lookout for opportunities for their businesses (Markman and Baron 2003). When it comes to the internationalisation of the SME, it is the personal characteristics of the manager, such as his personality, commitment, and individual preferences that play the most important role (European Commission 2004). To this list, awareness of internationalisation, the topic of this research, should be added.

The owner manager

As indicated in Figure 6.1, about half of the survey respondents are owner managers, indicating the prominence of family businesses in this study. For the owner manager, it is hard to differentiate between family and company affairs as they are intertwined. In the case of family businesses there may be 2 or 3 persons as heads of the company, but the survey did not contemplate this situation as the questionnaire was addressed individually to the listed owner manager. Donckels and Fröhlich (1991) concluded after a large study carried out in eight European countries that family businesses are inwardly directed and tend to preserve close-knit family systems. The participants in Donckels and Fröhlich's study preferred to retain ownership and management in family hands; the main objective was to build up the business, as it was the family's capital. For most family businesses anywhere in the world, the family comes before the business.

The family is the most important thing for us: that there may be union, communication and support at the level of our companies; but the business should not interfere with the family. [We need] to maintain the family values...
(Female Mexican owner-manager)

Most family businesses, when compared with non-family businesses, initiate the internationalisation of their activities late. This is because they are originally set up to serve customer needs in local markets (Donckels and Fröhlich 1991; Gallo and Pont 1996). Gallo and Sveen (1991) suggest that a company needs to have an adequate level of technological competence and a good service record before considering going overseas. The same authors cite three types of factors that either facilitate or hamper the internationalisation of family businesses: external factors, such as overseas opportunities; internal factors, such as the availability of family members with the necessary professional skills and interest in overseas activities; and lastly, the attitudes of top management, specifically a positive attitude towards long-term international orientation. Donckels and Fröhlich (1991) indicate that because of the conservative attitude that prevails among many family businesses, there are few pioneers entering international businesses. The two profiles that are most likely to prevail among SME owner managers are: the all-rounder manager, characterised as responsive, adaptable and versatile; and the organiser manager, who tends to be analytical, rational and is oriented toward administration.

Gender

In this study, only 14 per cent of respondents are women¹³. In a large study on the internationalisation of European SMEs conducted by Fröhlich and Pichler (1998), a small proportion of female managers was also found, averaging about 10 per cent of the sample. In large public companies,¹⁴ men have also traditionally occupied the managerial and executive positions. However, women represent a growing share of the labour force, and an increasing number of companies – between a quarter and a third of all businesses worldwide – is now owned by women (Weeks 2001). Women have made major progress in higher education and are now better educated than men. An OECD report (2004) indicates that among the OECD country members, 29 per cent of women have tertiary qualifications, compared with only 26 per cent of men. Thus, the next generation of women will not only be better prepared, but will also, possibly, play a more important role as SME managers than they do now.

One of my sisters studied management, the other marketing and I am an accountant. We all studied at the *Tec de Monterrey* (a leading private university in Mexico), and each one of us deals with different areas of the business. For example, my sister who studied marketing is in charge of all the creative aspects of the business. She [regularly] goes to Italy to keep up with new fashion trends in the shoe industry and bring back samples and photographs. We now have contracted Italian modelists who are designing for us a new children's shoe line based on the design brief that we sent them. However, my father is the one that makes the final decisions, as he is the head of the business [and of the family].

(Male Mexican manager, son of the company's founder, in the shoe-producing district of Leon in Mexico)

Sonfield and Lussier (2001) conducted a study of American SMEs to identify gender-based differences between male and female-owned SMEs, but did not find a clear gender difference either in the level of innovation or risk they take, or in the strategies they tend to apply. In a large study of British SMEs, it was found that female-owned companies are in general smaller and have a limited product range than their male counterparts; another finding was that women tend to be sole proprietor of the business and prefer domestic customers (Mukhtar 1998). Other differences found in the literature are that most female-owned SMEs are in general young, and tend to be in the service

¹³ From this point onwards, as the vast majority of SME managers in this survey are male, the manager will be referred to as 'he.'

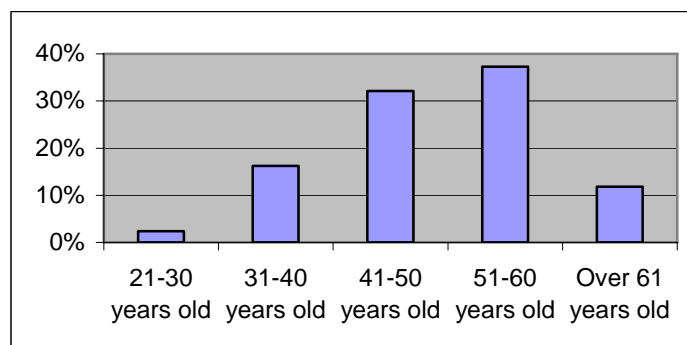
¹⁴ Only 5 per cent of the directors of the UK's largest public companies listed in the FTSE 100 are women. Maitland, A. (2000). Wanted: More Uppity Women. *Financial Times*. London: 22, November 7).

sector, such as in retailing (Weeks 2001). Women-owned or managed SMEs are less internationally active than male-owned SMEs for a number of reasons: the business does not lend itself to internationalisation, the company has not reached a size where it is viable to internationalise, or it does not fit within the manager's life style (Lever 1998).

Age

Nearly three-fifths of SME managers participating in the survey were between 41 and 60 years of age (Figure 6.2). In general, older SME managers tend to have not only greater management know-how, but also more resources, information sources and social networks than younger managers; these characteristics may prove crucial in the internationalisation of the firm (Westhead *et al.* 2001). A large study conducted in the European Union found that the average age of owner managers was about 35 (European Commission 2002). A middle-aged manager is at the peak of his career after climbing up the corporate ladder, which may have only a few rungs in small firms. The image of a twenty-something person creating and leading a successful small company seems to be the exception rather than the rule. The age variable, though, seems to depend on the economic sector; for example, people under thirty tend to dominate in the 'new economy' type of business, such as e-commerce, software, and some creative businesses (European Commission 2002).

Figure 6.2 Managers' age (n = 548)



The age of managers is generally related to the experience and skills they have acquired over the years. Young people gain work experience in junior positions and gradually move up to senior jobs with major responsibilities. SME managers take time to build extensive networks of customers and suppliers, to develop a thorough understanding of

the business, and to formulate strategies to fend off competitors. So, the general hypothesis is that experienced managers will have a higher level of internationalisation awareness than junior managers. Educated and experienced managers, in general, are better prepared to seize international chances, and to respond to incoming commercial threats from overseas than their younger counterparts. Surveyed managers are presumably interested in promoting the company in a variety of ways. One way is by having the company listed in commercial databases, such as the ones used for this research project. It is likely that most participating companies already have an established supply chain, regular customers, domestic competitors and – increasingly – international competitors.

Family businesses

As the owner manager of a family company grows older, he is faced with a dilemma; who is going to take charge of the company when he retires? In family businesses, defining the succession is extremely important if the family is to retain ownership into the second and third generation of the company. If the matter is not dealt with properly, it may create management problems and divisions within the family. Byrne (2000) reports that in Europe the generational attrition rate in family businesses is very high, as less than 25 per cent of family businesses survive to the second generation, and fewer than 10 per cent prosper to the third generation. The parents – often the founders of the company – groom their children to rise to management levels.

My father worked for over 20 years in a company making children's shoes. He started as a driver and moved up the ranks until he became the company's manager. When he [became independent and] started this company my mother helped him out. But now my two sisters and myself are working with him, while my mother stays at home. My father started bringing us to the factory when we were little to do simple chores; he has showed us all the different aspects of the business...

(Male Mexican manager, son of the company's founder, in the shoe-producing district of Leon in Mexico)

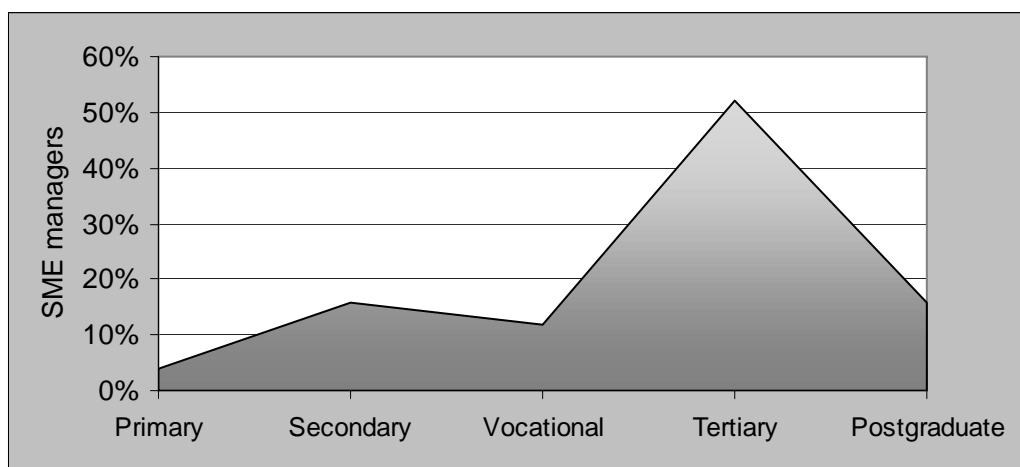
Education

The group of SME managers participating in this survey is highly educated; more than half have a university degree (Figure 6.3). Plimmer (2001) claims that not long ago, a person obtaining a university degree was considered to be prepared for most of the

demands of professional life. Nowadays, the formal training and education a person receives in three or four years in a higher education institution seems insufficient to cope with an increasingly complex business world. While once a person started ‘earning a living’ after school, today one way to keep up with the pace of change is by ‘learning a living’ (Plimmer 2001). Managers see benefit in updating their education, opting for taking postgraduate degrees, and over one-sixth of these managers reported having obtained one.

Keng and Jiuan’s (1989) found that SME managers with higher education have a wider global perspective, making them more receptive to new ideas, such as expanding their company’s traditional markets by going overseas, whereas less educated managers were more interested in domestic markets. In an economy that is increasingly based on knowledge, many people feel that one of the best ways to catch up with, and keep ahead of, technological, market and business trends, is by pursuing postgraduate studies.

Figure 6.3 Managers’ highest level of formal education (n = 527)



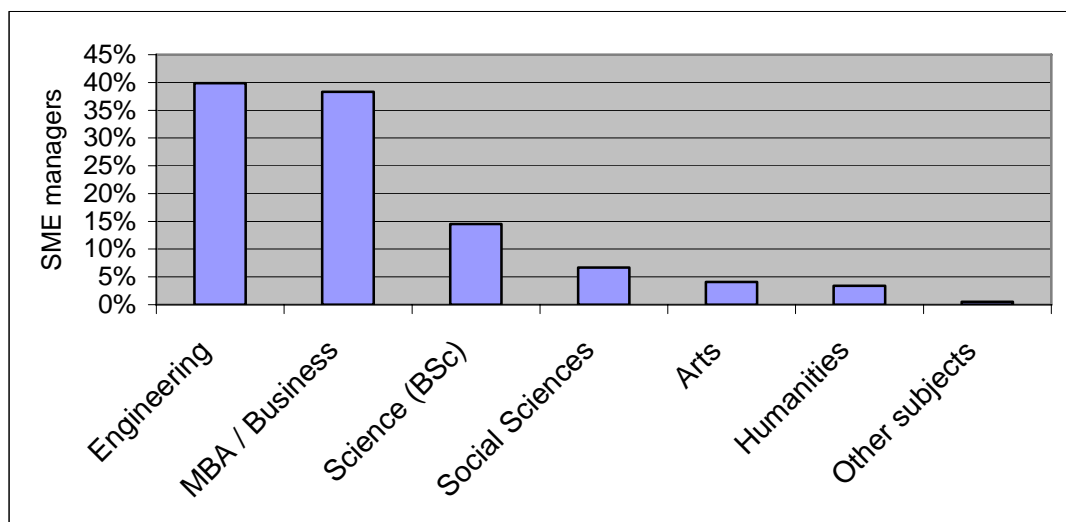
An OECD (2002) study demonstrates that a person with higher education tends to have higher earnings over a lifetime and a lower risk of being unemployed than one who leaves the educational system after secondary school. Though this is not necessarily a causal link, in general, the more educated the manager, the more aware he is of the world around him, and the more able to use the information required and acquired in his company. An educated person is not somebody who commands isolated information about things or events, but rather someone who can make connections, and is able to

transform this information into useful knowledge. Education instils the ability to learn and may encourage a positive attitude to life-long learning in the SME manager.

Managers' higher education qualifications

The traditional formal education path for many SME managers has been to attend higher education to study engineering or a business degree before starting professional paid work. The survey shows that of the three-fifths of managers with undergraduate or graduate degrees, engineering is still the most common qualification for nearly 40 per cent, followed very closely by business degrees. The third most-preferred option, a science degree, was chosen by about one-sixth of respondents (Figure 6.4). Few SME managers obtain higher education qualifications in social sciences, arts, humanities or other subjects.

Figure 6.4 Managers' higher education qualifications (n = 386)



A person with an engineering degree may be good at engineering processes and at making things, but not necessarily a good manager. The SME manager has to face an increasingly complex business world for which he may not be academically prepared. This may explain the emergence of the business qualification, either instead of a technical degree or as an addition to it in the form of a postgraduate degree. A business degree may be particularly helpful in providing the SME manager with 'the whole picture' of a situation, allowing him to analyse a situation from different perspectives,

suggesting new possibilities for the company and teaching him how to read evolving trends in the market.

The typical profile of the SME owner manager is that they are technical people that know how to make the products they manufacture, but are not good at managing his business, and generally ignorant about how to make market studies. Most owner managers don't even write a business plan when they ask for a bank loan.

(Male Mexican manufacturing manager who is an engineer)

Sharma and Roy (1996) note that the growing internationalisation of national economies demands a 'new mindset'. Some leading business schools have tailor-made programmes for international businesses. However, it is rare to find a business school anywhere in the world that does not have at least a couple of courses on the subject.

Life and work experience

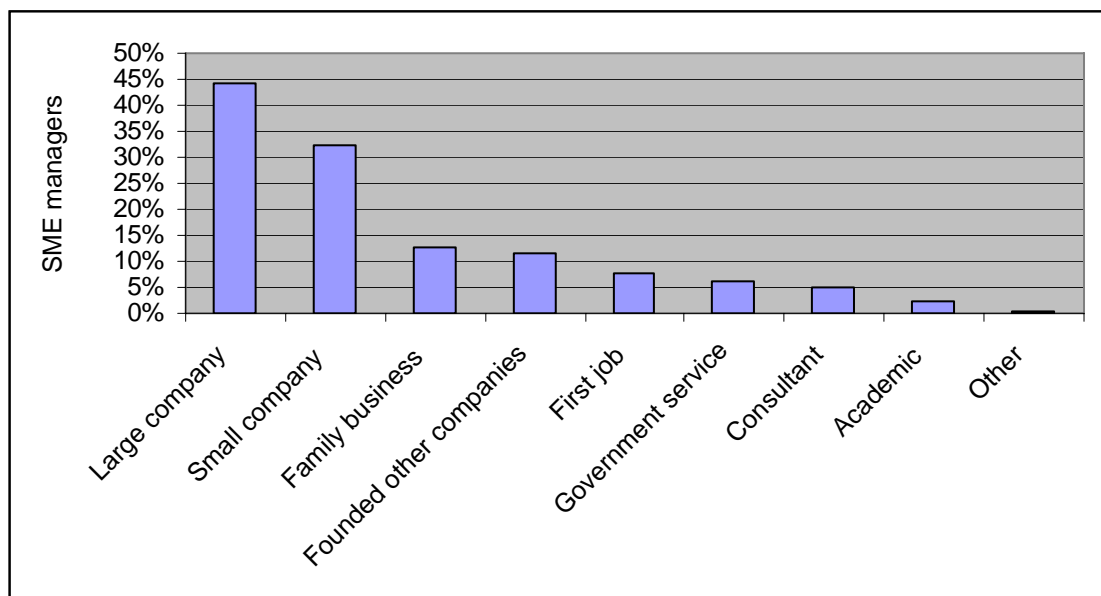
Traditionally, SME managers have learned and accumulated practical experience through a hands-on approach based on observing, asking, experimenting, and both on-the-job and off-the-job training. One way to acquire the tacit knowledge necessary to serve customers is by learning informally through individual or local business networks (Anderson and Boocock 2002). Most SMEs have short-term priorities as uncertain demands on time and funds make planning difficult. Nevertheless, a faster rate of product development, and rising expectations and demands from customers, have encouraged SME managers to update their skills and learn more about local and international competition through formal education (Plimmer 2001).

Most of the SME managers surveyed had gained a variety of work experience before starting their present job. The majority, about forty-five per cent, had previously worked for large companies. A third had worked for other small firms. This may indicate career mobility or a high mortality among small firms. Over one-eighth of them had worked in their own family business, and a similar number had previously founded other companies (see Figure 6.5).

Why do most SME managers start their working careers in large companies? Large companies, especially high-profile national or multinational operations, offer the employee several advantages: stability, good pay, opportunities to receive training and

make contacts, overseas assignments, and contact with people from different countries and cultures. On the negative side, large firms tend to be impersonal and ruled by formal procedures. This situation tends to create a culture of conformity where people not only behave similarly, but may also lose their individuality. Large firms can be bureaucratic and may be slow to offer promotion to the ambitious manager. A SME may be a desirable place to work because it offers a series of advantages: a sense of belonging, varied work, and a wide range of responsibilities. The organisation is, in general, less bureaucratic and offers more opportunities for fast promotion.

Figure 6.5 Managers' work experience (n=538)



Note: Percentages do not add up to 100 because of possible multiple answers.

The experience and skills that the manager acquires while working in a large firm may prove quite useful in a SME, providing familiarity with the latest technology and management techniques, and a large social network of contacts. The manager brings with him the 'global picture' of an industry, and may be more aware of any international openings and threats than the SME manager who has worked in a small firm all his working life. The previous work experience acquired by the SME manager has a strong influence on his choice of sector of activity and even on the creation of new companies. A large study conducted by the European Commission (2002) reveals that nearly half of German, and nearly two thirds of Dutch owner-managers had worked as employees for between 10 and 20 years before founding a new company, frequently in the same line of business.

Competition among companies is very intense at both the domestic and international level; companies survive by a combination of having good products and services, but also by having access to information, connections – even luck may play a part. Many companies – most of them SMEs – close every year; in the UK, for example, this is approximately 10 per cent of the total (Stokes and Blackburn 2002). While there is a social tendency to associate the closure of a business with failure, Stokes and Blackburn (2002) state that owner managers regard the process as a positive learning experience, especially at the personal development level; 70 per cent of them still wish to run their own business. If the manager starts a new company, or goes to work as a managing director, he will carry with him very valuable experience, which is generally applied within the same industry.

International Characteristics of SME Managers

Introduction

The SME manager is like a captain at the helm of a ship. He has a disproportionate influence on the direction that the company is taking and whether or not it is engaged in international activities. But it is not clear whether managers gain awareness of internationalisation before the SME goes international or after.

The first perspective is that the manager has gained in-built international experience before starting international activities. The ‘nature’ aspects of the manager are developed over a long period of time and are slow to change (Keng and Juan 1989). Some of the manager’s international interests are defined during his early years, and are indicative of his family upbringing. The international experience of the SME manager helps to shape his awareness and determine his interest in what happens beyond the borders of his own country. International market changes may affect the domestic market of the company. The SME manager is the person who is most likely to establish an ‘international mind-set’ within the company by engaging in outward or inward international business (Anderson *et al.* 2001).

I was raised in Mexico, and as a child we were neighbours of a Japanese family. I played and grew up with my Japanese children neighbours. I later studied mechanical engineering. It was the head of the Japanese family who told me there was an opportunity to study automotive maintenance in Japan. I applied and was accepted... Before leaving for Japan I learned the Japanese language for a year. After returning from Japan I worked briefly for Nissan, the Japanese

automotive company, in Mexico. The experience in Japan, and many other international trips that I have taken after that, have opened my eyes to other realities and have broadened my horizons. My way of thinking is different from a local person who has not been exposed to foreign cultures.
(Mexican male manager of a manufacturing company that exports 100% of its production)

In general, family businesses have less international activity than their non-family counterparts. The owner-manager tends to be inward looking, as he prefers the domestic market and is conservative in his behaviour (Donckels and Fröhlich 1991; Donckels and Aerts 1998). However, when the owner-manager has interest or has accumulated previous international experience, this tends to be instilled in family members, which may be important in the future internationalisation of the company's business:

Obtaining international knowledge might be difficult, but is easier when the family members are internationally exposed from the beginning. This exposure can be obtained by family encouragement to speak other languages; to travel, be it for leisure or work; and to spend time in other countries. (Gallo and Sven 1991: 188)

There are cases where the founder of the company does not have formal education or international experience, but the second generation does. The owner's children may bring to the business new ideas and may be more willing to internationalise the company (Keng and Juan 1989). The international activities of family businesses usually start during the first or second generation; subsequent internationalisation is very unlikely (Okoroafo 1999).

The second perspective sees the SME manager as 'nurtured' and encouraged to engage in international activities through adequate training, information supply and assistance schemes (Keng and Juan 1989; Ali and Camp 1996). This is the approach taken by policy makers who want to increase the number of SMEs that participate in international markets. This is usually an export-led process, although, for most SMEs, the first contact with international activities is through importing products and parts. For some authors, the SME manager's international experience results from hands-on activities. It comes as a result of international exposure and learning by doing, by copying, by problem-solving, by opportunity-taking, and even by making mistakes (Ali and Camp 1996; Anderson *et al.* 2001). Some authors consider that SME managers engaged in international activities may have a positive attitude and perceive fewer risks

when exporting, whereas SME managers who are focused only on domestic markets tend to have lower levels of education, are inward looking, consider their product not suitable for overseas markets, and do not seek information that may be considered international (Cavusgil and Naor 1987; Keng and Jiuan 1989).

Managers' foreign language competence

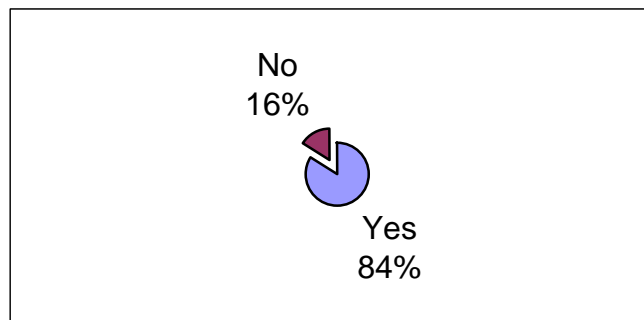
In this survey, nearly all of the SME managers reported having a working knowledge of at least one foreign language. Language is an underrated element in most studies of companies with overseas activities, in spite of its central role in most activities of the company (Marschan *et al.* 1997). Having a common language allows managers to communicate directly not only with potential customers overseas, but also with prospective suppliers and even competitors. The manager may also tap international information sources in the original language without the need for translation, giving him a lead-time advantage to react to any changes in the market.

The survey was conducted in five countries, just two of which are English-speaking. While SME managers from these two countries represent only 35 per cent of the total respondents, 84 per cent of the total participants claimed competence in English (Figure 6.6). English was considered more important than all other languages. It is necessary to emphasise that the questionnaire, originally written in English, went through the painstaking process of translation into each country's national language; answers were later translated back into English, making sure the original meaning was retained. With English being the international language of business, there was a temptation to send out only the English version of the questionnaire. However, had this been done, this would have eliminated all those managers not competent enough in the language, or people who did not wish to answer in English for nationalistic reasons.

The English language has become the world's *lingua franca* in business, finance, trade, culture and technology thanks to the overwhelming influence of the United States and to the prevalence of the British Empire from the 18th to the early part of the 20th centuries. Many large international companies (e.g., Renault, France Telecom, DaimlerChrysler, BMW and Nokia) have adopted English as their official language, even though their home language is different. A similar situation exists in many international business schools that have adopted English as the language of instruction (Baker and Resch

2001). It is more common that younger people speak English than their older counterparts. It has been found that Europeans from non-English speaking countries between 15 and 24 years old are three times more likely to speak English than those over 55 (Baker and Resch 2001).

Figure 6.6 Managers competent in English (n = 550)



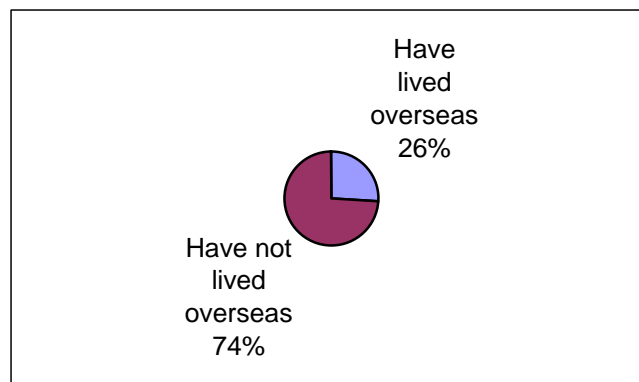
But it is not only SME managers who need to be proficient in English. The growing internationalisation activities of SMEs and the need to communicate with customers and suppliers in other countries is forcing middle managers, and even rank-and-file employees, to learn the language (Baker and Resch 2001). The increasing integration of European countries has been fuelled in part by the use of English as a common language. According to the European Union, 47 per cent of Western Europeans have at least a working knowledge of the language, but the percentage of Western European university students who claim to speak English is even higher, at more than three-quarters. In addition, 69 per cent of Western European managers, and 65 per cent of young people between 15 and 24 years old, say they speak English (Fox 2000).

Managers who have lived overseas

Over one-quarter of the SME managers taking part in this study have lived overseas (Figure 6.7). Perhaps one of the most powerful and enduring intellectual experiences is living abroad for a considerable period. This group of people appears to be interested in acquiring first-hand experience of other cultures. It is possible to speculate that these managers have been immersed in foreign knowledge, and have gained valuable experience by exchanging the security and familiarity of their own country for the culture and experiences of another country.

When living overseas, for pleasure, study or work, the manager is exposed to new culture, language and ways of thinking. It may be argued that there is nothing like practical experience for understanding the importance of internationalisation. As a result of this experience, the SME manager may bring to the company a willingness to learn and adapt. The influence of the managing director has a significant impact on the degree of openness the company shows towards information from overseas. The level of internationalisation awareness embedded in the company may make the difference between seeing opportunities and threats, either in the international arena or in the domestic market, and being blind to them.

Figure 6.7 Managers with experience of living overseas (n = 548)



The type of internationalisation in a company is likely to be determined by the orientation of the manager and what Lloyd-Reason and Mughan (2002) call the manager's "degree of openness." Some of the elements that play a strong role are:

...educational background, existing formal and informal international contacts, contact with overseas visitors, language skills, knowledge of foreign competitors and experience of foreign cultures. (Lloyd-Reason and Mughan 2002: 126)

According to Gallo and Sveen (1991), many truly international family businesses have made it part of their internal policy to send the family children abroad for at least a couple of years to obtain not only education, but work experience as well. These children will become the second, and possibly third, generation of managers and will tend to bring new perspectives to the business.

A SME manager born overseas brings a wider perspective of the world than a manager born locally, and being bi-cultural means, in many cases, that he is likely to be bi-

lingual as well. It is very likely that the manager will still have friends and relatives in his motherland who may provide social networks and sources of information; this may be the first step in the internationalisation of his company. Reid (1984) suggests that 'foreign socialising influences' are not limited to the manager himself, as he may have a foreign-born father, mother or spouse. In countries that traditionally receive immigrants, many coming from less-developed regions, there is a long tradition that a large proportion of migrants will start their own businesses as opposed to taking up paid employment (Storey 1994).

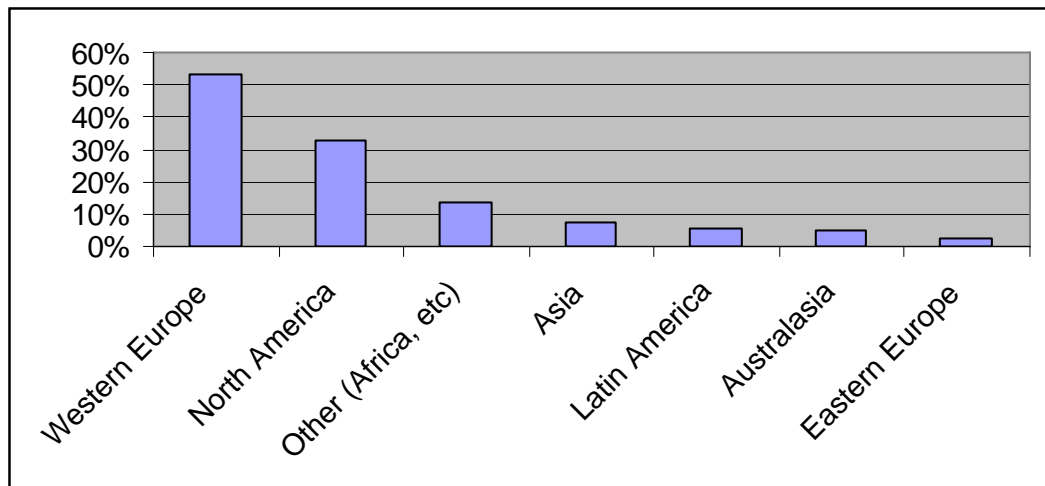
Werbner (1999) states that immigrants who arrive with little financial capital must rely on the skills and knowledge they possess from their own culture; people who belong to these ethnic groups tend to specialise in particular industries, such as clothing and food. Most ethnic businesses depend on very active intra- and inter-ethnic networks, not only for supply and custom, but also for credit (Werbner 1999). Crick and Chaudhry (1995) conducted a survey of the export practices of UK SME owners of Asian ethnic background in the clothing industry. They found that these managers are more likely to initiate overseas activities within their 'cultural niche', that is, with countries that are culturally close even though geographically distant, than within geographically close European countries that are culturally distant (Crick and Chaudhry 1998). Saxenian (2003) examines the relatively new phenomenon of highly skilled engineers from India and China becoming managers in new information technology SMEs in Silicon Valley. They tend to form hi-tech network communities, but the information exchange is at the individual level. Some of these managers may decide to stay in the US, while others go back to their home countries, often to provide outsourcing services for the American IT industry. The relationships between people of the same ethnic origin give rise to information and business links that promote international trade and foreign direct investment (Saxenian 2003).

Where SME managers have lived overseas

Of the one-fourth of managers who have lived overseas, most of them have been in Western Europe, followed at some distance by North America (Figure 6.8). This group of managers reflects the growing global trend of labour, student and entrepreneurial mobility at the international level (Mahroum 2000). These two geographical areas comprise some of the world's most developed economies and have some of the highest

standards of living; the opportunities they offer for further personal development, education, and employment are unmatched anywhere in the world.

Figure 6.8 Regions where SME managers have lived overseas for more than one year (n = 147)



Note: Percentages do not add up to 100 because of possible multiple answers.

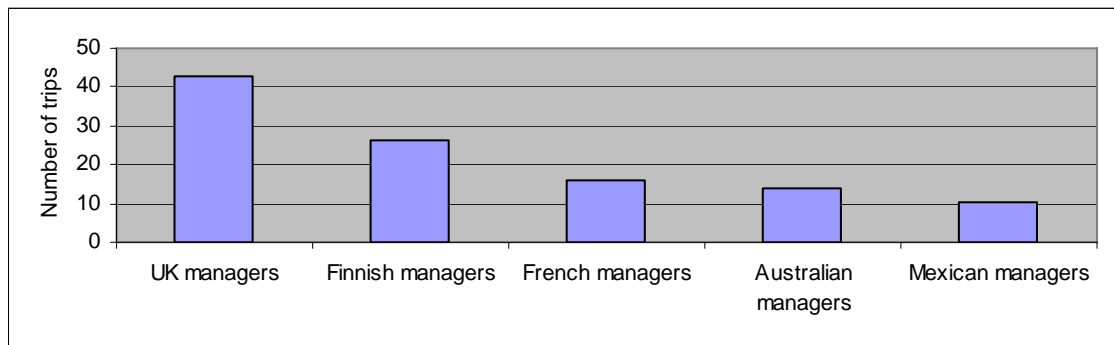
The region where the SME manager has lived will influence his internationalisation awareness. Personal contacts made while living abroad may be turned into business contacts or into sources of practical international information. The SME manager may decide to use ideas and concepts that have proved successful in overseas markets and adapt them to his own national market. Or he may look outwards for an overseas niche to fill with the product or service that his company offers.

Managers' international trips in the previous 5 years

This group of SME managers is very well travelled, taking more than three international trips per year on average. The British managers are the most travelled with nearly 9 trips on average, followed by the Finnish managers, who average slightly over 5 trips. However, even the Mexican managers, who are the least travelled, take an average of 2 trips yearly (Figure 6.9). International trips have greatly increased the international awareness of SME managers. These managers have a proactive attitude and actively search for new clients; an Australian manufacturing manager wrote that they reviewed the world market by visiting potential clients overseas. Other Australian manufacturing managers mentioned that, despite distance, they felt close to their overseas markets.

In the past, the high cost of international business trips made them the privilege of large companies' chief executives, directors and senior managers. They were sent to visit subsidiaries, headquarters and important customers all over the globe. Most airlines complied by designating a special section of the plane 'business class' and pampering their business passengers. Travel overseas was well beyond the reach of most SME managers. It was up in the 1960s and 1970s, with the introduction of inexpensive charter flights, that the concept of mass travel appeared. Europeans started to travel more often to the Mediterranean and Adriatic resorts (Jefferson 1995). But the airline industry changed beyond recognition during the 1990s. The emergence of no-frills, low cost airlines has made air travel accessible to more people than ever before. SME managers have greatly benefited from these new travel opportunities. It has never been so easy and convenient to travel internationally, especially in Europe, where three of the surveyed countries are located. In Europe, it is common for people to take two, three and even four holidays per year (Jefferson 1995). SME Managers who detect an international opportunity may act on impulse and simply jump on a plane.

Figure 6.9 Average number of international trips taken by managers in the previous 5 years (n = 540)

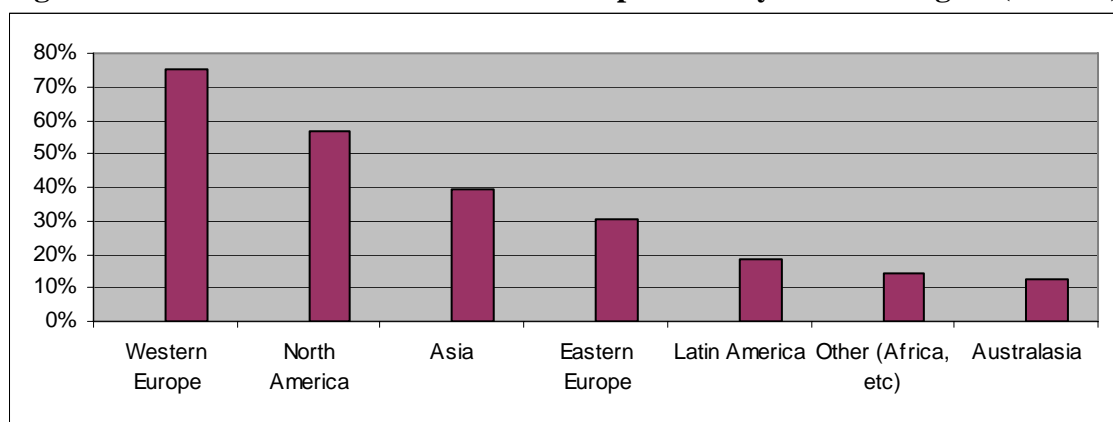


A manager working for a large company tends to take trips for very specific purposes. The SME manager, by contrast, tends to take multi-purpose trips, combining holidays with checks on international competitors, buying equipment, or visiting prospective or current customers. International trips may enable the SME manager to be more aware of new market trends as they happen, giving the manager more time to react or to adapt the products or services his company offers.

Destination of international trips taken by managers

The three major destinations for international trips taken by SME managers were Western Europe, which accounted for three-quarters of all trips; North America, with more than half; and Asia with two-fifths (Figure 6.10). The first two regions have traditionally had the largest purchasing power in the world, and all three have large domestic markets. Western Europe and North America were also the two regions where managers had most commonly lived. It may be that the international trips taken by SME managers are related to social or business contacts developed while living overseas.

Figure 6.10 Destination of international trips taken by SME managers (n = 514)



Note: Percentages do not add up to 100 because of possible multiple answers.

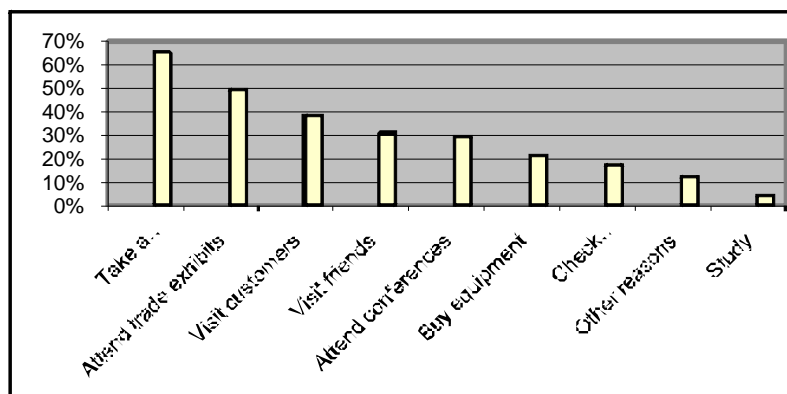
The costs of communicating with other countries may have been greatly reduced, but SME managers still seem to prefer to travel to regions close to their home market, especially regions that are culturally close. In this study, Europe was the preferred travel destination for SME managers, but there may be a bias, as Europe is home to three of the countries that were surveyed: UK, France and Finland. Nevertheless, many of the Australian and Mexican managers surveyed, in spite of the geographical distance, also travel to Europe frequently.

Managers' reasons for taking overseas trips .

The main reason cited by two-thirds of SME managers for travelling overseas was to take a break or go on holiday. Nearly half of them attended trade exhibitions, and 39% visited current or prospective customers (Figure 6.11). There are several reasons why SME managers travel overseas. They do it to attend conferences or trade exhibitions, purchase equipment and visit current customers, and often combine these activities with

breaks and holidays, visiting friends and relatives – as well as checking on international competitors.

Figure 6.11 Reasons for managers taking overseas trips (n=521)



Note: Percentages do not add up to 100 because of possible multiple answers.

The most important reason for travelling for this group of managers is to take a break or a holiday. However, regardless of the purpose of the trip, the SME manager's 'business antennae' are out wherever he is; most managers are always on guard, looking for opportunities for their business. It is probable that SME managers do not distinguish between social and business reasons for travelling. Even though they are on holiday, they are still on duty. Advances in information technology have made constant contact with people back in the office, and with customers and suppliers, inexpensive and easy. The second most important reason for the SME manager for travelling overseas is to attend international trade exhibitions. There are several benefits here, as in a single place he is able to check on international competitors' products, meet actual or potential customers and suppliers, and update international information relevant to his business.

When a SME manager decides that his company needs to have a physical presence at a trade fair, with a stall to promote its products, he faces hurdles. An international fair is a showcase that may increase the company's ability to initiate or continue international activities. However, for most SMEs, fairs are prohibitively expensive. For this reason, a number of governments have set up export promotion programmes that subsidise prospective exhibitors (Seringhaus and Rosson 1998). One study identifies the

differences between government-sponsored and independent exhibitors at international fairs. Seringhaus and Rosson (1998) find that the first group obtains learning benefits, but the independent group is better prepared, attracts more visitors and turns more customer contacts into orders for products.

I estimate that nearly three quarters of Mexican small firm managers that participate in international trade fairs [in a government-sponsored stall for several exhibitors] do not close deals. The reasons are [their company's products or services] lack of good quality, or they simply cannot supply the quantity or variety that is demanded. Generally the problems are of the structural type.

(Policy maker from Mexico's Economics Ministry)

The SME manager does not necessarily have to go to overseas trade fairs to exhibit and meet international buyers. They may come to domestic trade fairs, thereby reducing the company's costs (Bello and Barksdale 1986). Even on his own doorstep, though, the SME manager must be internationally aware if he is to exploit overseas opportunities.

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CHAPTER 7

THE SMALL AND MEDIUM-SIZED ENTERPRISE AND INTERNATIONALISATION

Introduction

In the third chapter, the small and medium-sized enterprise was examined from a macro perspective. This chapter will look at the SME from within. Observations will be supported, in part, by some of the results obtained in the five-country survey. This chapter starts by defining what is meant by outward and inward internationalisation, and the impact of internationalisation on small and medium enterprises. The chapter is divided into two main sections: firm characteristics and the international activity of the firm. This first analysis of the firms will present – as in the previous chapter, dedicated to the SME manager – the general situation of the 550 participating companies. Differences across the countries will be discussed at a later stage.

Internationalisation and small and medium-sized enterprises

In a study of internationalisation and the SME by the OECD (1997), companies were divided into three groups, depending on how actively they participated in the internationalisation process. The first group consists of SMEs that have taken advantage of the opportunities offered by the internationalisation of the world's economy and that participate actively in the international arena. The second group includes companies that are at risk because they are exposed to international competition in their own domestic markets. If these companies do not adapt by improving their product quality, cost and competitiveness, they may go under. Finally, the study identifies a third group of companies that serve only the domestic market and whose business is relatively insulated from the effects of internationalisation.

Table 7.1 clearly shows that over the 10-year period presented there will be an estimated 8 per cent increase in the number of SMEs pursuing international activities. However, the most dramatic changes are expected from the steep decrease in the number of companies focusing their activities solely on the domestic market, and that have previously been unaffected by the internationalisation process. Their number will be cut in half. A recent report by the European Commission (2004) considers this last type of company as 'non-internationalised'. This may be considered a 'residual group'

of SMEs, as these companies neither export nor have suppliers, subsidiaries, joint ventures or networks, and do not practise any type of informal cooperation with overseas companies (European Commission 2004). The non-internationalised company may have survived in the past by providing a product or service that is specialised in a specific geographical area (Storey 1994). Nevertheless, the managers of these companies still need to keep track of changing market conditions, exchange rates and official regulations, as these affect the day-to-day operation of the company.

Table 7.1 Expected changes in the pattern of SME internationalisation

TYPE OF SME	1995	2005
International SMEs	25 %	33% ▲
SMEs at risk	20-30%	40% ▲
SMEs insulated	40%	20% ▼

Source: OECD (1997).

So, according to the OECD, more than three-quarters of SMEs are going to be directly affected – or are already affected – by the growing trend towards internationalisation.

A common feature of the globalisation impact seems to be greater awareness of the phenomenon; where globalisation was once considered of little or no relevance to SMEs, it is now seen as a pervasive and irreversible force that will have both positive and negative effects on a significant proportion of SMEs. (OECD 1997: 36)

Outward and inward international activities

A previous chapter discussed the step-by-step process, which seeks to explain the internationalisation of the firm. One of the weaknesses of this model is that it does not always reflect the fast-moving nature of the internationalisation of the small and medium-sized firm. Many SMEs are opportunistic and move in and out of overseas markets, depending on circumstances (Lloyd-Reason and Mughan 2002). In a five-year study of Italian manufacturers exporting products and parts, it was found that only 14 per cent were stable exporters, the rest exporting only occasionally. Furthermore, the average export volume of the stable group of exporters was much higher than that of the unstable exporters (Bonaccorsi 1992).

Most research on the internationalisation of the SME has been interested in their exporting. But companies may also become international through importing. A company that aims to be competitive in the international arena, or that wants to be prepared to face increasing international competition in its domestic market needs an international perspective (European Commission 2004). A more holistic research approach is needed to capture the intensity, complexity and diversity of today's internationalisation process (Fletcher 2001; European Commission 2004).

Inward international activities

This covers all the activities undertaken by the firm related to the import of products, services and resources from overseas when seeking to compete in its own domestic market. These imports may be incorporated in the company's products or services for the domestic market or may be later exported (OECD 1997). The term also includes international competition in the domestic market (European Commission 2004). The most basic form of inward international activity is the import of products, parts and services, either directly or indirectly. Most SMEs start internationalisation by first having a foreign supplier (European Commission 2004). The SME manager may hire a buying agent, or may even set up an overseas buying office (Pleitner *et al.* 1998). There are some more complex forms of inward internationalisation, such as becoming the licensee or franchisee of an overseas company, or buying know-how (Fletcher 2001). The SME may become the international joint venture partner of a company that wants to exploit an opportunity in the SME's domestic market; there are also companies that manufacture products and parts overseas to reduce costs (Fletcher 2001). This trend offers opportunities for SMEs that want to become part of a supply chain.

The companies that participated in this survey are extensively engaged in outward and inward international activity; nearly five-sixths of the surveyed companies participate either directly or indirectly. Table 7.2 gives an overall view of the five-country results. On the left hand of the chart are outward activities originating in the home country, while on the right are inward activities coming from overseas. The activities are arranged by whether they are performed directly by the company or indirectly through a third party. They are further divided according to whether they are rudimentary basic (that is, those activities dependent on the export or import of products or services) or advanced (that is, activities based on the company's exploitation of its intellectual capital).

Inward activities in the survey

Table 7.2 shows that nearly three-quarters of surveyed companies buy directly from overseas. The most important activity by far is the import of products or parts (62%) from overseas suppliers, while import of services (11%) does not have the same importance. Most studies of the internationalisation of the SME have focused on outward activities. However, inward activities may initiate future outward activities, as the SME manager may select overseas suppliers based on how they may help in the company's international plans (Welch and Luostarinen 1993). The surveyed SMEs are not very active in more complex forms of advanced inward internationalisation, such as buying know-how (about 5%). The survey did not ask about the indirect international inward activities of companies, such as the importing of products or services through domestic agents.

Table 7.2 Outward and inward direct and indirect international activities of surveyed companies (n=455)

Home country				Foreign country			
Outward international activities				Inward international activities			
Direct	Basic	Export of products	38.0% (173)	Import of products	62.0% (282)	Basic	Direct
		Export of services	19.3% (88)	Import of services	11.0% (50)		
	Advanced	Selling know-how*	6.4% (29)	Buying know-how	5.0% (23)	Advanced	
		Franchising	0.2% (1)	Buying franchises	0.7% (3)		
		Commissions and licences	4.2% (19)	Commissions and licences	0.2% (1)		
Indirect	Export products or services through other companies	59.1% (269)	Through other companies	----**		Indirect	

Note: Percentages do not add up to 100 because of possible multiple answers, and activities are not mutually exclusive.

* Know-how activities include the licensing or acquiring of patents.

** This information was not requested in the questionnaire.

Outward international activities

This covers all the activities undertaken by the SME to deliver its products and services when seeking to compete in overseas markets (OECD 1997). The most basic form of outward international activity is the exporting of physical products, parts and services either directly or by being supplier to a larger company, or via an intermediary domestic company, such as a wholesale company (European Commission 2004). There are some more complex forms of outward internationalisation that are more knowledge-based, such as having a licensor or franchisor overseas, or the sale of know-how. SMEs with foreign direct investment activities are scarce; for example, a European study of SMEs with international activities found that only 3 per cent reported having subsidiaries, branches or joint ventures abroad (European Commission 2004). An earlier study by the OECD (1997: 29) claims that about 10 per cent of SMEs are engaged in foreign direct investment. In the light of other survey results, this percentage seems overstated.

Outward activities in the survey

Table 7.2 shows the number of surveyed SMEs that receive some sort of income through direct basic outward activities. Nearly three-fifths (59%) of surveyed companies are engaged indirectly in international activities. This is the most common form of outward activity among companies. The most frequently used direct outward activity is export of products with 38 per cent, while export of services is half of that with 19 per cent. This finding is in line with a European Commission (2004) study that found that the manufacturing sector is more likely to have international activities than the service sector, which has been traditionally oriented to domestic markets, although this situation is changing rapidly. SMEs in this survey do not have an intense international activity in the advanced forms of outward activities. The most important of these activities is selling know-how (about 6%), followed by companies receiving income from commissions or licences (about 4%). Patent licensing and franchising involved only one SME manager each in the whole survey. An earlier OECD (1997: 29) study claims “around 10 to 15 per cent of SMEs have licences, franchises or other arrangements with firms outside their host country.” These percentages appear extremely high, and are not consistent with what was found in this five-country survey.

General characteristics of the SME

Those who found a company generally start with an idea that will make money, and will also bring other benefits, such as jobs. They evaluate the risk, sometimes in the form of a business plan. Once a decision has been made, any start-up business needs initial capital; the way this is obtained will determine the type of ownership. Companies may be created as a result of different reasons. For example, a Mexican owner-manager stated “our hotel was founded for sentimental reasons, rather than as part of a commercial strategy.”

Most of the largest multinational companies that dominate the global economy started as small businesses. Their growth and success in becoming leaders in international markets is attributable to the combination of new skills, knowledge and information applied to products or services, and their ability to capitalise upon new market opportunities in domestic and international markets (Acs *et al.* 1997). The company uses input resources that transform or change the state or condition of something to produce an output in the form of a physical good or a service. The product is any offering that can satisfy customer needs and wants (Slack *et al.* 2001). It is possible to identify two broad groups of factors of production that affect the internationalisation process of the small firm:

Firm-specific factors: within the company, special knowledge has been accumulated over the years by the people who work there, and by the manager. Part of this knowledge is empirical, and some of it is documented and codified in the form of work procedures and norms (OECD 1997). It reflects the company’s unique know-how and skills, which are used to produce a product or service (OECD 1997). The intellectual capital of the company, manifested in its organisational products and routines, may be protected in the form of legal rights, and is increasingly regarded as a source of competitive advantage for the company (OECD 1997; Kitching and Blackburn 1999).

Product-specific factors: products are broadly divided into services or manufactures. A service is an intangible product that one party offers to another to fulfil either a personal or a business need, and is equipment-based or people-based (Kotler 2000). A manufactured product, on the other hand, is generally a tangible item that may be either a durable or non-durable good, depending on

how many times it is used, and whether it has a consumer or industrial use (Kotler 2000). In an era of 'commoditising', a company must aim to differentiate itself from its competitors with the products or services it offers, adapting these to the needs of its customers and maintaining an attractive price-quality relationship. Some innovative SMEs have developed export markets based on a strategy of customisation, niche product specialisation, and providing a highly specialised service (Storey 1994; Wolff and Pett 2000; Kalafsky 2004). For example, some SMEs have found an overseas niche by creating a product that is unique and suitable to the specific needs of foreign markets (OECD 1997).

The SME that wants to engage in an outward or inward internationalisation process is most likely to do this in the traditional way, exploiting product-specific factors, and exporting or importing tangible products or parts. There are now many more opportunities available for small and medium-sized companies that want to internationalise which are firm-specific but they are not yet widely used.

Globalisation of industry refers to an evolving pattern of cross-border activities of firms, involving international investment, trade and strategic alliances for product development, production, sourcing and marketing. (OECD 1997: 24)

Firm size

There is no single, universally-accepted definition of what a SME is, as this varies from country to country and from sector to sector. The measure of firm size used throughout this study is the total number of full time employees or their equivalent. The European criteria were used: a medium-sized company has fewer than 250 employees; a small-sized company has fewer than 50. Micro company, with fewer than 10 employees, were not deliberately surveyed.

Any study of small and medium-sized firms faces the problem of unreliable statistics. The sheer number of SMEs created every year in any country's economy makes for uncertainty in measuring precisely how many exist at any point in time. Many companies have a very short life. European policy makers take a lively interest in business demography as it reflects the entries and exits of companies in the economy, and is an input to improving competitiveness. For example, in the European Union in

the 1995 to 2000 period, there was an average yearly birth rate of just over 10% and a death rate of over 7%, thus giving a net growth rate of SMEs of about 3% (European Commission 2002). Some other evidence of the high mortality of small and medium-sized firms is provided by the OECD (2000), which estimates that less than one half of company start-ups survive for more than five years. A rare 20-year longitudinal study of exporting and non-exporting SMEs, conducted in the American state of Wisconsin found that there had been an overall reduction of nearly 63% in the original sample of companies; these companies ceased to exist entirely, merged, changed owners or were renamed (Tesar and Moini 1998).

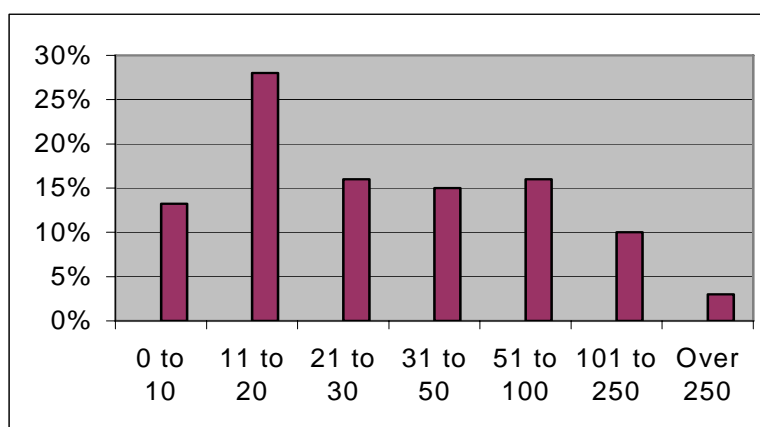
For economists and researchers, it is simpler to obtain economic information from large companies, especially the publicly-owned ones (Forsman 2001). So, much attention is paid to large companies while much of the activity of SMEs is not measured by anyone:

Nobody really knows how many small businesses came and went last month, how many jobs they provided or eliminated, how much money they made or lost. It can take years to figure that out and adjust all the numbers. (William Dunkelberg quoted in Forsman 2001)

Some studies reveal a positive relationship between the company's size and its readiness to pursue international activities (European Union 2004). Size still matters, as the probability of being an exporter increases with firm size, this being especially true in mature industries (Bonaccorsi 1992). There tends to be a direct relationship between exports sales and size. This is attributable, in part, to the broader resource base of the large company. But resources alone are not going to make the large company more internationally oriented or competitive than the SME. It seems that "it is not the breadth or quantity of resources but the types of resources available to the firm that determine a firm's competitive pattern..." (Wolff and Pett 2000: 45). However, the theory that firm size and international activity are positively correlated has been challenged and the evidence is not conclusive. Recent studies show that firm size on its own is not necessarily a critical variable in defining export success. There is evidence that small and medium-sized enterprises are becoming more internationally-oriented (OECD 1997).

This research was targeted at companies that have between 10 and 250 employees. However, 13 per cent of the participating companies have fewer than 10 employees. More than a quarter of respondents belong to the 11 to 20 employees group. Therefore, many respondents are hovering around the 10-employee threshold. The SME is volatile: it would appear that some firms in this survey had slipped below the threshold. In this study, the smallest companies tend to dominate as more than half of the total have between 10 and 50 employees (see Figure 7.1).

Figure 7.1 Number of full time employees in surveyed SMEs (n = 549)



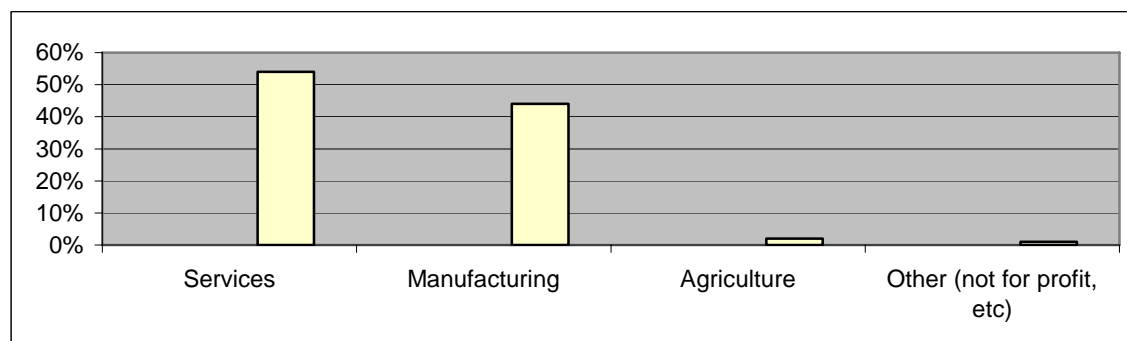
The small company with fewer than 20 employees tends not to have the productive capacity, the experience or knowledge to initiate export activities (Mittelstaed *et al.* 2003). A nationwide manufacturing industry survey conducted in Italy found that the probability of becoming an exporter increased sharply among companies with more than 20 employees (Bonaccorsi 1992). In the service sector, a study conducted with American traders found that large companies with a rich resource base are more likely to undertake export activities than smaller companies, but companies with fewer than 25 employees and that are less resource-rich are not necessarily restricted in their internationalisation options. It is the quality rather than the quantity of resources that counts (Wolff and Pett 2000).

Economic category

Half of the surveyed companies are from the service and the other half from the manufacturing sector. However, there was a slightly higher response rate from the service sector, as is shown in Figure 7.2. A possible explanation may be that service

companies are more accustomed to dealing with documentary requests, and therefore find it easier to handle survey requests.

Figure 7.2 Economic category of surveyed SMEs (n = 550)



The manufacturing and service sectors are both internationalised, but the manufacturing industries tend to be more export-oriented. The degree of internationalisation varies from one business sector to another. Overall, the three sectors with the highest propensity to export are manufacturing, wholesale and transport/communication. Construction and personal services tend to have the lowest export rates (European Commission 2004). However, it has been found that once companies have gained access to international markets, the export intensity of the different business sectors is very similar (European Commission 2004).

The economies of the most developed countries are shifting from an industrial to a post-industrial stage based on knowledge, much of it provided by service companies. In this survey, the three European countries and Australia fall into this post-industrial category, whilst Mexico is still a developing country. Manufacturing companies in most developed countries have seen a reduction in their home market employment as more and more operations are sub-contracted and/or relocated to countries with lower labour costs. The outsourcing activities of large companies and fragmentation of the value chain has benefited SMEs.

Most international activity is still dominated by manufacturing companies, either exporting or importing products and parts, directly or indirectly. However, this situation is rapidly changing as more service companies follow the trend. The process started with service companies outsourcing work that they used to do internally to overseas firms in order to reduce costs (Edwards 2004). Initially, companies subcontracted repetitive jobs, such as processing credit card receipts, to low-cost countries (*Economist*

2004). But thanks to the Internet and the possibility of sending digital information through high-speed data networks, it is now possible to send what is considered knowledge work almost anywhere in the world (Engardio *et al.* 2003). The financial press reports that service sector outsourcing activities, when compared with the manufacturing sector, are still modest, but there are several sectors that are taking advantage of this tendency to improve productivity, such as accounting, software design, health care, IT support and research and development (Engardio *et al.* 2003). However, differences between the manufacturing and service sectors are blurred. For example, when a manufacturing company sends physical products overseas, these are usually accompanied by support service activities, such as customer service, marketing and distribution (OECD 1997).

Type of ownership

The most usual type of ownership, for one in two of the surveyed companies, is limited; that is, a company in which a number of people have contributed funds in return for shares; the second most common type, for one in three of surveyed companies, is family business; that is, a company run by family members. A long way behind is the sole proprietor, a firm owned and controlled by a single person (Bloomsbury 2002). However, the analysis is not clear-cut as these categories are not mutually exclusive. A family business may be limited as well. An appropriate approach, therefore, is to form two groups: family business and non-family business.

In a family business, a single family owns the majority of stock and makes the most important decisions for the business (Gallo and Sveen 1991; Donckels and Aerts 1998). A large number of SMEs everywhere are family businesses (Donckels and Aerts 1998). Large family businesses in Germany and the UK tend to be older than non-family businesses (Welsch 1991). In Latin America, large family businesses, also called *grupos*, have strong economic and social influence in the private sector, and even in the political life of their countries (Lansberg and Perrow 1991). A family business may be very large in size. Some of the world's largest automotive companies are still managed and owned by family members, descendants of the original founders; this is the case with Ford, Fiat, Peugeot, BMW and others (Burt 2001).

The vast majority of family businesses are SMEs. One or more family members work in the company, which tends to be managed by the same owner-manager for many years

(Welsch 1991). A family business tends to have continuity, as family members are committed to the business, staying in the business in both good and bad times (Gallo and Sveen 1991). Family members may occupy posts in the family business because of kinship links rather than professional qualifications (Gallo and Sveen 1991). They tend to be conservative, cautious and risk-averse, and may be considered followers, seeking to learn from more innovative companies (Donckels and Aerts 1998; Gudmundson *et al.* 1999).

If the owner-manager decides to initiate international activities, this happens several years after the family business's creation (Gallo and Pont 1996). Yet, evidence from American family businesses suggests that they are more likely to become international with the first generation of family members, as interest seems to taper off with second or third generations (Okoroafo 1999). However, even though the first generation knows how to make things, it might not be well educated and aware of internationalisation opportunities and threats. The children who take over the reins of the family business from the father, the founder, are usually more educated and more likely to internationalise (Keng and Juan 1989).

The owner-manager may decide to engage in international activities to search for a larger market and economies of scale, or to source from overseas suppliers (Gallo and Sveen 1991; Okoroafo 1999). The background of the family members plays an important role in the internationalisation of the family business. Their participation will be more active when they have had previous international experience, such as education, work and international trips, or if they speak other languages (Gallo and Sveen 1991). The family businesses with stronger international orientation may become part of international business associations and establish links with other family-owned businesses overseas (Gallo and Sveen 1991; Okoroafo 1999). Non-family businesses tend to have more international activities than family businesses (Donckels and Aerts 1998). This is true in all forms of internationalisation: exporting, importing, buying and selling franchise agreements, acquiring and selling know-how, and the creation of branches and production plants abroad (Donckels and Aerts 1998).

There may be heavy mortality among SMEs, but the surviving companies show remarkable resilience. The companies participating in this study are nearly three decades old on average; they are well established and may be considered the survivors.

How have they done it? We may speculate that the surviving companies in this survey have gone through a competitive selection process and have survived, most likely, by being efficient and flexible; perhaps by being able to satisfy their customers' demands better than the defunct companies. There is a consensus in the literature that older firms have a higher probability of survival than younger firms, and that there are no significant differences between economic sectors. But predicting why some businesses fail and others do not is a complex task with no easy and precise answers (Storey 1994).

The internationalisation of company activities

The traditional perspective on the internationalisation of the SME states that there is a gradual increment in the commitment of the SME manager's time and company resources (Figure 7.3). It has been argued elsewhere that the step-by-step model of internationalisation does not apply to all SMEs, as managers are opportunistic. Nevertheless, the internationalisation process may be divided into three levels of increasing engagement, which will be useful for reference in the discussion that will be presented (Pleitner *et al.* 1998):

1) Low level of resources and management activity with short-term commitment.

This includes the import of goods and services delivered from abroad, either directly or indirectly; and the export of goods and services delivered to an overseas customer, either directly or indirectly.

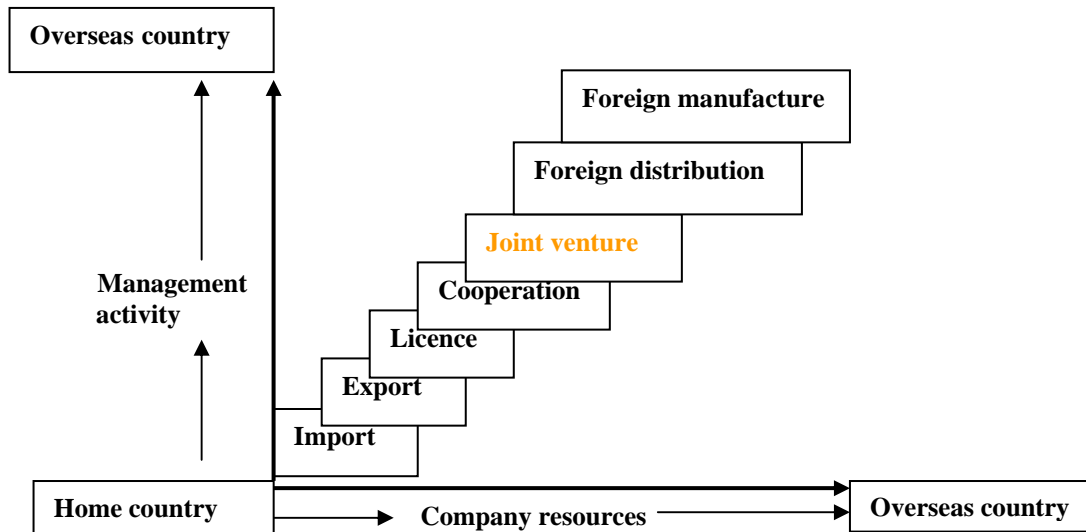
2) Medium level of resources and management activity with medium-term commitment.

This is the case when a company acquires a licence from an overseas company to produce a product or offer a service within a geographical market. Two companies may form a joint venture or a strategic alliance in areas such as product development, customer service or market research.

3) High level of resources and management activity with long-term commitment.

This is the most intensive and complex form of internationalisation, as it demands a higher level of engagement from the manager and the SME than in the previous two cases. Time and resources will be tied up for lengthy periods. Examples are opening up a foreign subsidiary or an overseas production site.

Figure 7.3 Company's resources and management activity required for internationalisation



Source: in Pleitner *et al.* 1998: 46

Characteristics of the internationally-oriented company

Internationally-oriented companies of all sorts tend to have larger annual sales volumes, employ more people (Tesar and Moini 1998), and are more profitable than others (Acs *et al.* 1997). The principal advantages enjoyed by this type of company come from having flexible management strategies, proprietary technology, organisational and marketing ability, well-established reputations and stable supplier/customer relations (UNCTAD 1993). This group of companies tends to be innovative and have a narrow product range (Haahti 1998). SME managers decide to engage in international activities for a variety of reasons. These can be arranged in two broad categories: ‘push’ and ‘pull’ drivers (OECD 1997; European Commission 2004):

Push drivers. This is an internal stimulus, either at the company or home country level. In this survey, the most important push factor is the need to exploit full production capacity, followed by a shrinking domestic market, attributable either to a mature market or increased competition. A manager may be interested in obtaining economies of scale and decide to generate more sales by looking for overseas customers. One British manufacturing manager stated that his aim was to expand full

production. The size of the company's domestic market may be limited. This was an important reason cited by several Finnish managers looking for overseas markets. SMEs may also be pushed out by intense domestic competition.

It may be that the incentive to pursue overseas markets is the shrinking of the company's domestic market. An official from the Mexican Bank for Foreign Trade said that many Mexican SME managers come for advice when their domestic market had collapsed and they were "up to their neck in it;" they see exporting as an option for survival.

The domestic market was a disaster and the only clear option was to export. We made catalogues of our products, took courses on how to export and participated in the international shoe trade fair held in Leon. We made contacts and made our first exports to Costa Rica. We wanted to export to the US and England, but we faced a lack of trust from buyers who have had previous bad experiences with Mexican shoe producers. We also discovered that we could not sell what we wanted to manufacture, but rather what the market was demanding.
(Mexican shoe and boot manufacturer describing the 1994-5 economic crisis)

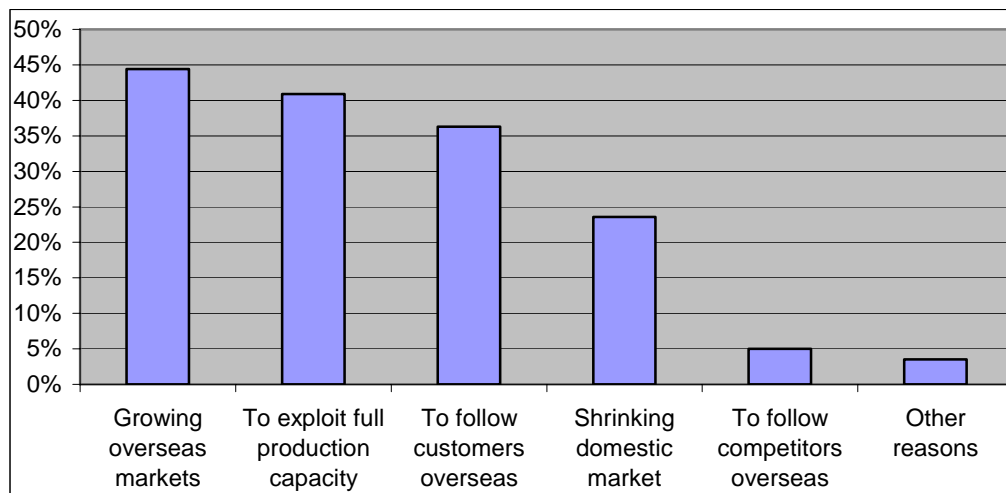
Other factors to be considered may include national membership of a regional trade agreement (e.g., NAFTA), or whether the SME is participating in a government programme (OECD 1997; European Commission 2004). Value chain issues may make going overseas attractive as a way of increasing returns and reducing costs in purchasing, production and sales (European Commission 2004).

Pull drivers. This is an external stimulus coming from the target country. The SME manager may be attracted by the opportunity to enter growing overseas markets. Foreign buyers may make unsolicited demands for a product, or major customers may require that the SME accompany them into overseas markets, thereby internationalising the supply value chain (OECD 1997; European Commission 2004).

Although a company may participate in international activities for a variety of reasons, the most frequently used in this survey seem to be the pull factors. The manager of this type of company tends to have a proactive attitude and a high level of awareness. These managers scan the international market for useful information that may be turned into practical knowledge and new opportunities. One Australian manager claimed "we review the world market by visiting potential clients in various countries." In this

survey, the most common driver option for over half of managers is the lure of growing overseas markets for their company’s products and services. The second most frequently used pull factor is following an important customer starting an overseas adventure. One Finnish manager said: “Our own clients expanded to Northern European countries and they buy our services.” Another pull factor is matching moves by a domestic competitor to start outward activity (Figure 7.4).

Figure 7.4 Reasons for engaging in international activity (n = 259)



Note: percentages do not add up to 100 because of possible multiple answers.

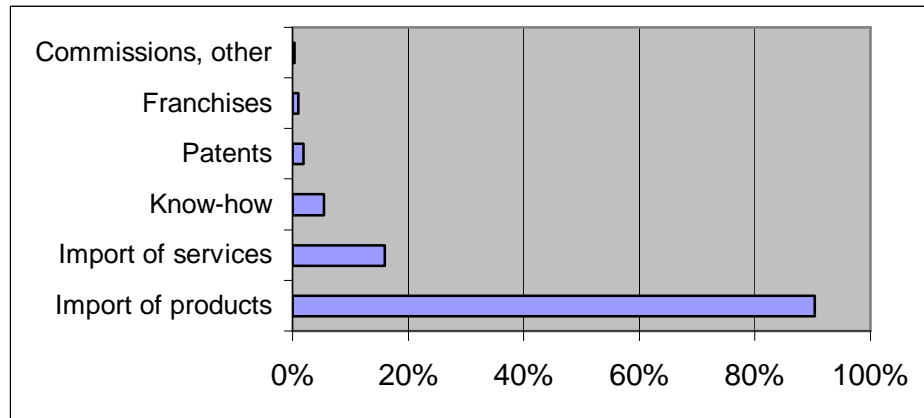
Some companies are more reactive, and have a ‘wait-and-see’ attitude and only answer to demand. However, this group of companies may be forced into taking a more active role in international markets by push factors, such as the shrinking of their domestic market. The motivation for some managers to start international activity is purely economic. One British service manager clearly stated in one word: “profit!” For some managers the internationalisation of their company is a personal challenge. An Australian services manager described it as an activity that brings “higher intellectual stimulation and the opportunity to differentiate our services.”

Starting inward international activity

More than two-thirds of surveyed SMEs are involved in inward international activities (Table 7.2). The most significant inward international activity by far is the import of products, followed by import of services. Other activities that may be considered advanced and knowledge-based, such as importing know-how or buying franchises, are

of little importance (Figure 7.5). Strong inward internationalisation reflects the increasing global economic integration that saves companies from dependence on domestic suppliers. It follows that SMEs should be aware of the best possible suppliers of products and services, wherever they are physically located.

Figure 7.5 Surveved SMEs purchasing overseas (n = 312)



Fletcher (2001) suggests that SME internationalisation is better analysed from a ‘holistic’ perspective that is more inclusive and better represents current SME international behaviour, as “outward internationalisation can lead to inward internationalisation and vice-versa.”

Firms can also become internationalised by inward-driven activities such as indirect importing, direct importing, becoming the licensee for a foreign firm, been the joint venture partner with an overseas firm in its domestic market, or by manufacturing overseas to supply the home market. (Fletcher 2001: 29)

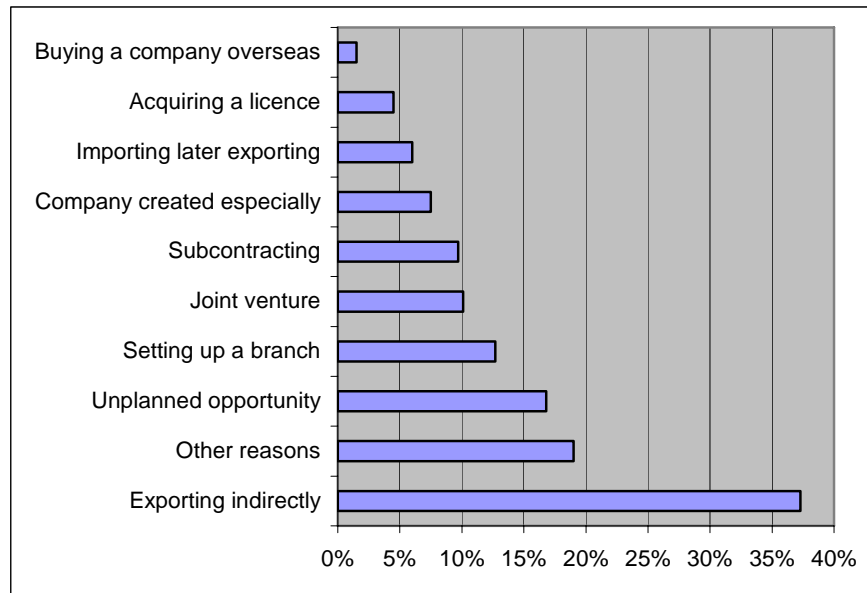
Inward activities may be easier to establish than outward activities and may lead and even shape the company’s future international activities (Welch and Luostarinen 1993). There are other more complex international activities where there is a direct link between outward and inward activities; this is the case with joint ventures, strategic alliances and counter trade (Fletcher 2001).

Starting outward international activity

Most of the surveyed companies started their international activity by exporting indirectly; that is, through a third party (see Figure 7.6). Its advantage is that this strategy is less risky than direct exporting. They may be international unknowingly.

We are a small subcontractor. We make parts for other organisations that supply drawings of the parts required. Most of our customers are within a 25-mile radius. [However], some of the parts are used in items that are sold internationally. (UK manufacturing manager)

Figure 7.6 How surveyed companies started international activity (n = 268)



Many managers selected the ‘other reasons’ category. There was a diversity of written comments, although one element in common is a link to promotional activities. One British services manager indicated that a customer contacted his company as result of having consulted the company’s web pages. A Mexican manufacturing manager stated that his company started international activities as the result of direct promotion to overseas companies, while an Australian manager contacted his clients by participating in trade exhibits. The international activity of a company may start when searching for opportunities in its home country. For example, one British services manager said his company initiated international activity “contacting clients through the Arab Chamber of Commerce.”

Chance factors seem to play an important role. An unplanned opportunity comes as a “result of a fortuitous combination of events and circumstances” (OECD 1997). However, what some people may consider luck, it is actually self-created. A British manager claimed that his company’s reputation brought in customers. Another important start-up activity (for one-eighth of the participating SME managers) is setting up an overseas branch as this strategy demands a high level of resources at the SME

manager and company level, and a long-term approach, it is surprising that this activity is so prominent in the survey.

Some SMEs are attracted to strategic alliances or joint ventures with an overseas partner, as this is one way to access know-how and gain entry to new and larger markets (European Commission 2004). Considerable time and resources are required for collaboration among companies. A 1997 report on the internationalisation of SMEs mentioned that the use of alliances and cooperative agreements with overseas firms is still not very common (OECD 1997). But this survey suggests that SME managers are reconsidering the inconvenience of teaming up with overseas partners, perhaps because the arrangement offers a way of reducing risk.

There are companies that have been created specifically to exploit an international opportunity. These are 'born global' companies, first mentioned in the literature just over a decade ago (McKinsey & Company 1993). This type of company contradicts the prevalent belief that the great majority of SMEs start internationalisation by first establishing a 'beachhead' in their own domestic market, and only later consider importing or exporting (OECD 1997). However, born global companies are not as widespread as it is commonly believed. In this survey, only about 4% of surveyed companies seem to have been born global. Managers described other less common ways of leaping into overseas markets. For example, a Finnish manager said: "we have trade with Finnish embassies abroad, [we send them] promotional material, badges and T-shirts."

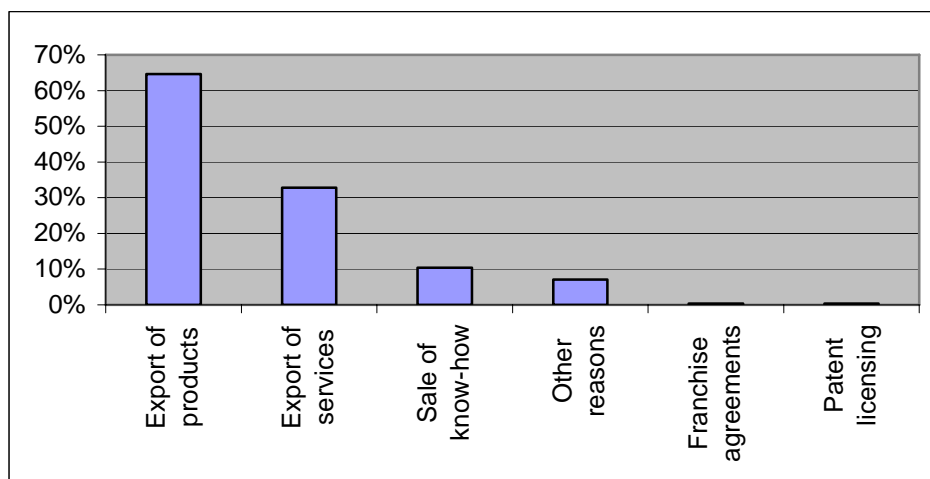
It has long been accepted that larger and older SMEs are more likely to internationalise (OECD 1997). However, surveyed SMEs seem to have started international activities early. A large number of these companies (44%) started international activities within five years of being created. Over two-thirds of companies initiated outward or inward trade activities within their first decade. Such results seem to challenge the traditional theory of the lengthy step-by-step internationalisation process that claims that a company needs to consolidate its position in the domestic market before it can venture into international markets.

Nearly half of the surveyed managers report receiving some sort of income from overseas, which is probably why more than half of surveyed managers consider their company's international activities either very important or important. The main source

of income from outward international activities, by far, is export of products, followed by export of services (see Figure 7.7). The traditional route to becoming an international player has been to export physical products. An Australian service manager described his strategy as buying cheap and selling expensive: “value added to products brought to Australia then exported.”

The international service activities offered by the surveyed companies are varied, including one Mexican manager that said: “we receive sales commissions from representing foreign products.” Other Mexican manager from a travel bureau reported: “we get international service commission from booking hotels, cars and cruise ships for our customers [who travel overseas].” Some British managers receive income from selling their expertise, “we have overseas customers from whom we receive consultancy fees.”

Figure 7.7 Activities of surveyed SMEs producing income from overseas (n = 268)



Most of the overseas customers of these SMEs are in Western Europe. The significance of Western Europe in this survey is perhaps not surprising; three out of the five countries surveyed are in Western Europe. Despite all the talk of the death of distance and the world becoming a global village interconnected by information technology offering instant communication, distance still matters; companies still tend to prefer customers that are nearby (Ghemawat 2001). SMEs from the three European countries in the survey – the UK, France and Finland – prefer to trade within Western Europe. There are several supplementary reasons: Western Europe is a compact continent, with good communications and other infrastructure; its countries have similar consumer

incomes and engage in active cross-border economic activity; and many European countries share the same currency, the euro.

Indirect international activity

Companies that follow an indirect approach to internationalisation may bypass the entry barriers to international markets, which may be financial, legal, or cultural (Table 7.2). These barriers tend to be riskier and higher for SMEs than for their larger counterparts. The SME may use an intermediary domestic company or a multinational company as a conduit to engage in international activity (Acs and Preston 1997). This is the most important outward activity for about three-fifths of surveyed companies. Such SMEs may play an active role in the value chain by being suppliers to multinational companies operating in their own country (Acs and Preston 1997). One surveyed Finnish manager manufactures the interior fittings of boats for a local company that builds and exports boats and ships. Indirect exporting may be the first contact that may lead later on to a more active international activity (Welch and Luostarinen 1993). There are those who claim that the current tendency of large firms to downsize by outsourcing many manufacturing and service responsibilities to networks of firms, provides opportunities for SMEs that want to start international activity, and state that this trend is creating the ‘virtual firms of the new economy’ (Mittelstaed *et al.* 2003). Several SMEs in this survey engage in outward international activities through export agents. A more permanent presence in overseas markets is achieved by having an overseas distribution agency (see Figure 7.3). However, this demands more time and commitment from the manager and employees.

Non-international companies

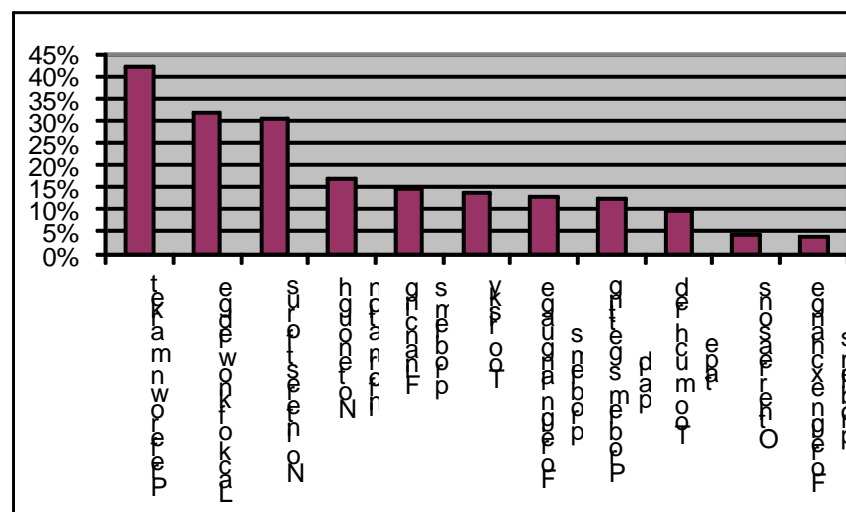
Less than two-fifths of the surveyed SMEs had no international activities. In this study, only one in six companies reported not having any type of direct or indirect outward or inward international activity.¹⁵ In general, the non-international companies have lower annual sales and employ fewer people than their international counterparts. A local SME company that is focused only on its domestic market has a number of competitive advantages when facing companies from overseas that want to establish a foothold in its market. It may excel in meeting specific demands from local and loyal customers and

¹⁵ The number of companies per country that do not have any type of international activity were: in the UK, 18 out of 92 companies; France, 9 out of 60; Finland, 47 out of 190; Australia, 9 out of 101; and Mexico, 12 out of 105 companies. This makes 95 non-internationalised out of a total of 550 companies, that is 17.3 per cent.

have good customer relations; it may understand local preferences better than anybody else; have a good local reputation and may have consolidated a regional distribution network (Dawar and Frost 1999). But even this type of locally-oriented company needs a high level of international awareness and knowledge of the products and services offered by overseas companies. It may be necessary to improve or upgrade the products that the company offers, as the arrival in the market of international competitors raises the expectations of consumers (Donckels and Aerts 1998; Dawar and Frost 1999).

Some non-internationalised SMEs can be roughly divided into two subgroups: companies that would not even consider going international, and companies that find internal or external barriers too high (European Commission 2004). Among the first group of non-internationalised companies, most prefer to concentrate on their own domestic market (Figure 7.8). In many occasions the company’s strategy reflects the nationalistic interests of the manager. One Mexican manager explained: “No, I have not travelled abroad, I prefer my resources stay in Mexico.” For a French manager international activities “are of no interest for us.” A British manager said that “the product is made for the local market and it is difficult to export.” Another example is a Finnish manager: “we are a local bakery that produce local fresh products.”

Figure 7.8 Reasons of surveyed SMEs for not having international activity (n =210)



The second group of non-internationalised companies are the ones that find internal or external barriers too, this may be due to the lack of information. The most common

reason was the lack of knowledge. Other reasons are the lack of motivation. For a Finnish manager the main reasons are: “the sales cost is expensive and there are problems receiving payments.” It is interesting to note that foreign language problems are well down the list, suggesting that for most managers this is not a significant barrier.

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CHAPTER 8

INFORMATION FOR INTERNATIONALISATION

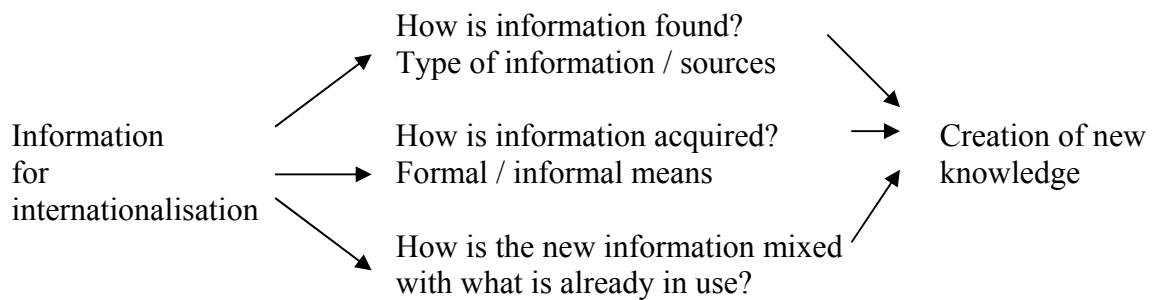
Introduction

The nature of information was discussed in Chapter 4, and an internationalisation awareness model was proposed. Information is a prerequisite for performing any activity. This is especially true in the internationalisation of the small and medium-sized enterprise. Information has a series of characteristics that make it unique: it is everywhere, and when the international dimension is added, the amount of available information grows exponentially. There are, however, SME managers that initiate international activities intuitively or by chance, and not as a result of strategic planning or information seeking (OECD 1997; Meyer and Skak 2002; Toften and Olsen 2003; European Commission 2004).

It is hard for an inexperienced manager to know what information is relevant and what is not, and from which sources to acquire it. Experience brings a shift in the type of information needed, and in the sources of information used. McAuley (1993) argues that an experienced manager demands information that is task-specific from a few trusted sources; nevertheless, because the economic environment is constantly changing, not even the most experienced manager knows what pieces of information are necessary all the time.

Information is intangible and invisible, and it is difficult to measure how much is needed (Macdonald 2000). It is a good that is very much in demand as companies need to obtain information generated overseas for their survival, even in their own domestic markets. The manager may resort to formal or informal means, or a combination of both, to acquire information. However, in spite of its versatility, information *per se* has no value until it is combined with other information that already exists in the company and is applied as new knowledge (Menou 1995; Macdonald 2000). This knowledge needs to be integrated with the company's strategy, and the SME manager needs to use both his judgement and experience to know when and how it can be applied (see Figure 8.1).

Figure 8.1 Information for internationalisation



Source: Adapted from Macdonald (2000).

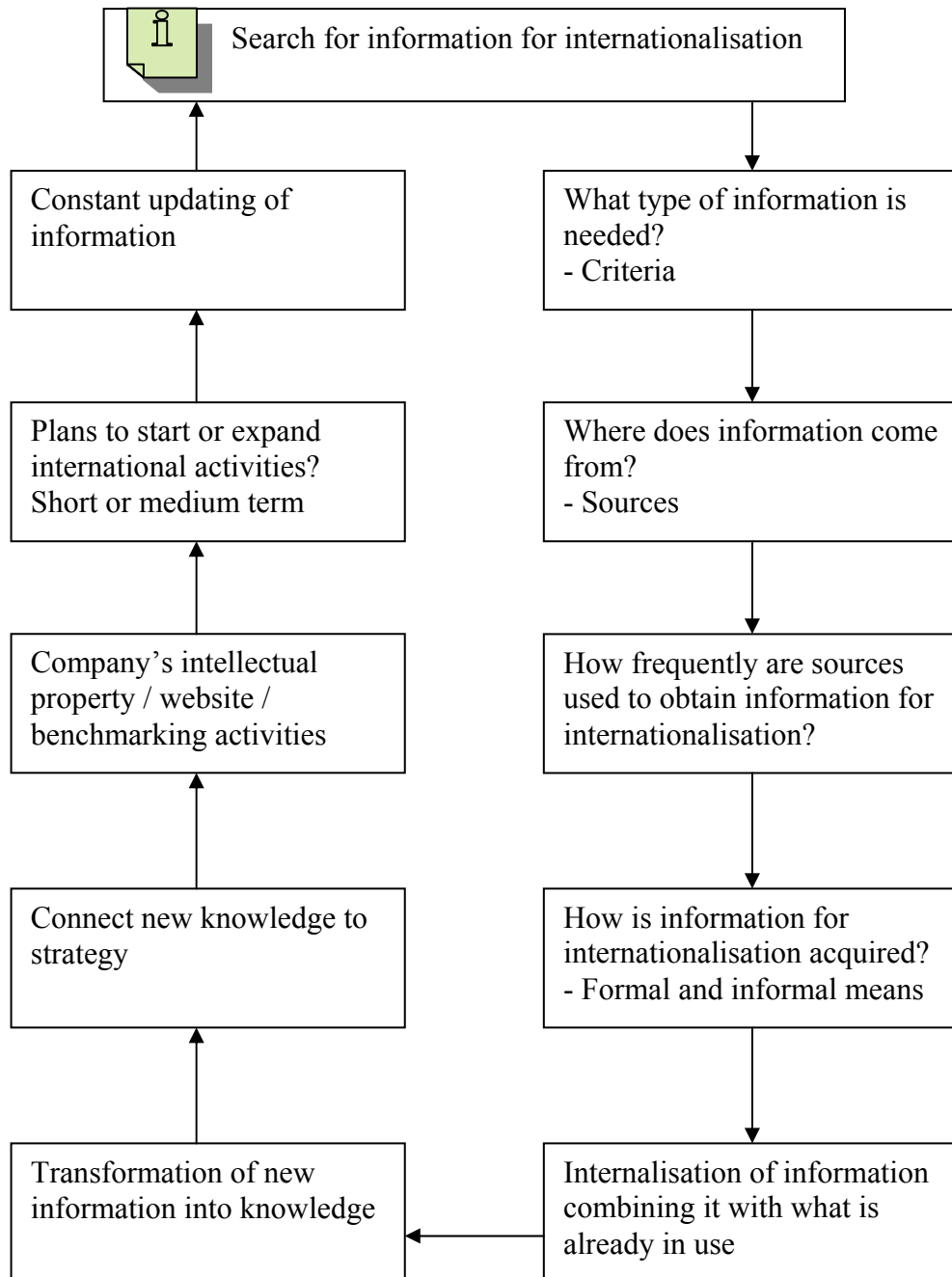
In a previous chapter, it was shown that more than half of the SMEs that participated in this survey have some sort of inward international activity, and nearly half of them have outward activities. In other words, the great majority of firms participate either directly or indirectly in the international economy. Information is a necessity for most companies; whether this information originates overseas or within the company's domestic market is less important.

The conceptual model (Figure 8.2) presents the gathering of relevant information as an on-going process. This chapter will be arranged following the indicated steps. However, the Figure should be regarded only as a theoretical framework to the argument presented. The problem with linear models is that they do not always capture what happens in real life; reality is not always neat and clear-cut. The sequence followed by companies may vary and some steps may be skipped altogether. In this chapter, the survey findings will be presented, and some interesting points will be highlighted and related to the relevant literature.

The manager of a company focused mainly on its domestic market tends to be reactive when international competition moves onto its territory. When this happens, he must learn to face international competition and try to differentiate the product or services his company offers. The survey results show that inward international activities, such as import of products, services, or licensing, are more important than outward activities. Welch (1996) suggests that, in many cases, inward activities may have preceded outward activities, and may be considered the first part of the internationalisation learning curve. A sound business relationship established with a foreign partner through

inward international activities might be the springboard to initiate outward international activities in the future.

Figure 8.2 Conceptual model of the gathering and use of information for internationalisation in the SME



Source: Adapted from Knight and Liesch (1999), and Macdonald (2000).

Information acquisition of the SME manager

McAuley (1993) claims that, regardless of size, firms have the same information needs. The large, medium and small firm are all affected by exchange rates, tariffs, legislation, etc. While they all need the same information, they tend to utilise different sources, and there are major differences in the resources companies of different sizes have to find, acquire and use information.

Bradshaw and BurrIDGE (2001) suggest that a company's survival depends, in part, on the manager selecting information that is practical, available, understandable, and that can be actively used in decision-making. Liesch and Knight (1999) argue that this information needs to be internalised, transformed, added to and mixed with what is already in use for the creation of new knowledge. Success in international markets seems to be critically linked with the prior acquisition of information (Liesch and Knight 1999). The life of the SME manager is hectic and there is not a typical day as each one brings different problems and challenges to satisfy customer demands and fend off competition. The manager that merely acquires information may fall into the trap of information overload (Macdonald 2000). But with so much information to choose from, and so little free time and resources to spare, how does the SME manager select the information his company needs?

... information is almost always a positive good. [But] in a world where attention is a major scarce resource, information may be an expensive luxury, for it may turn our attention from what is important to what is unimportant. (Simon 1978:13)

What type of information is frequently used? European companies initiating internationalisation consider the analysis of market potential to be very important. They are especially concerned about the sales potential of overseas markets, followed by competitive and legal environments (European Commission 2004). These findings are in line with those of another study of a group of experienced SME managers and the importance they attach to various types of information when determining the possibility of success in international markets (Wood and Robertson 2000). Wood and Robertson (2000) identified six types of relevant information: information about market potential was ranked first by companies from different sectors, followed by information about the legal environment, politics, infrastructure, economics and culture. However, there are differences in the specific type of information needed by companies.

For the current study, SME managers from the five countries were asked what information they needed for the internationalisation of their companies. They were given the choice of some 31 different types of information that appear most frequently in the literature. For ease of understanding, the list was divided into 5 categories: market and commercial information; legislation and regulation; financial and economic information; technological and scientific; and political information (see Table 8.1). Of the 550 managers who responded to the survey, only 77 per cent answered this section. This may have been because of the length of the section, its location towards the end of the questionnaire, or because managers found these questions difficult.

Market and commercial information

Wood and Robertson (2000) indicate that when a SME manager is considering the feasibility of a domestic or international market, he asks two questions before initiating the information-seeking process: is the market really there for my products or services? and if viable, is it possible to get into it? If both answers are positive, the next step is to determine who the customer is. With the acquired information the manager will, probably, be able to make more sense of the information he already had. The most valuable type of information for the group of managers in the five-country survey is market and commercial information. This reflects one well-known characteristic of the SME – its ability to be close to its customers. This group of SME company managers practises a market-led approach.

The most valued type of information for managers, not only in this group but overall, relates to customer preferences and needs. This item was selected by 72% of these SME managers. Another commonly used type of information is comparable products or services; this activity is part of the benchmarking strategy of nearly two-thirds of the managers surveyed. Information about the actual conditions and future trends of international markets, market demand, the size and potential of the market, and possible competitors, was identified as important by 58% of respondents. These results are in line with the findings of Bradshaw and Burridge (2001). Other information valued by managers relates to the marketing, advertising and promotion of similar products or services.

Table 8.1 Type of information used by SME managers (n = 425)

Market and commercial information	SMEs	%	Rank
Customer preferences and needs	305	72%	1
Comparable products and services	277	65%	2
Market conditions and market demand	245	58%	5
Marketing / advertising / promotion	177	42%	13
Distribution and retailing	127	30%	= 18
Design and fashion trends	125	29%	19
Cultural and social information	114	27%	20
Other market and commercial information	87	20%	24
Legislation and regulation information	SMEs	%	Rank
Industry-specific standards	238	56%	6
Customs regulations	231	54%	7
ISO 9000 / ISO 14000	160	38%	15
Environmental and social responsibility laws	138	32%	16
Other legislation and regulation information	127	30%	= 18
Financial and economic information	SMEs	%	Rank
Exchange rates	265	62%	3
Taxes and tariffs	203	48%	8
Economic forecasts	193	45%	9
Prices of parts and materials	189	44%	11
Insurance	128	30%	17
Other financial and economic information	100	24%	21
Credit options	89	21%	22
Investment plans by competitors	69	16%	26
Technological and scientific information	SMEs	%	Rank
Technological details of competitors' products	191	45%	10
New manufacturing technologies	185	44%	12
New materials	168	40%	14
Information technologies	112	26%	21
Research and development	111	26%	22
Other technological and scientific information	50	12%	27
Political information	SMEs	%	Rank
Political stability of countries	250	59%	4
Political events overseas	92	22%	23
Terrorism	79	19%	25
Other political information	39	9%	28

Note: Percentages do not add up to 100 because of possible multiple answers.

SME managers in this survey rated cultural and social information relatively low in importance, with just over a quarter selecting this option (27%). This result is similar to what Wood and Robertson (2000) have found. Cultural information becomes relevant only once market information, which is much more important to managers, has been obtained and used. In the literature on internationalisation, a number of authors have given culture a very important role, which may be a mistake. Usunier (1998) insists that management practices are embedded in each manager's national context. Hofstede (1991) conducted a very large study with IBM employees in 50 different countries, and found the cultural dimension to be both prominent and permanent in internationalisation:

For the next few hundred years countries will remain culturally very diverse. Not only will cultural diversity among countries remain with us: it even looks as though differences within countries are increasing. (Hofstede 1991: 238)

Hoecklin (1995) provides a definition of national culture:

Culture is about the way people understand their world and make sense of it. It is only when these taken for granted assumptions are challenged that people realise that they even exist. (Hoecklin 1995: 21)

From the managerial perspective there are two main approaches to culture (Warner and Joynt 2002). The first is divergence theory, which argues that culture is important: global diversity is created as distinctive management cultures arise in countries with different values, behaviours and at different stages of economic development. The second, convergence theory, claims that culture is not so important, because of the spreading globalisation of the economy. The culture of many countries is becoming similar, bringing social, economic and even managerial change. One of the main driving forces has been new technology (Pugh and Hickson 2002). Several of the results of this survey seem to support convergence theory. They reveal SME managers and companies across the five countries to have similar characteristics. The managers are, in general, well educated, well travelled, well aware, and have extensive international experience.

According to a study of Austrian and Danish SMEs engaged in international activities in Eastern Europe, the three most important managerial resources are: experience of the target market; personal and professional experience; and command of the language of the target country (Meyer and Skak 2002). In a previous chapter, the linguistic abilities

of SME managers were discussed. Language “permeates every aspect of [international] business activities and has been an underrated factor in the internationalisation of the medium and small firm” (Marschan *et al.* 1997: 591). A manager who speaks several languages would seem to have an obvious communication advantage over his monolingual peers. Even so, the dominant language by far in international business is English. The use of the English language seems to be a unifying element for SME managers worldwide.

Legislation and regulation information

The SME manager needs to be well informed about industry-specific standards according to 56% of respondents. Even companies with no outward international activity, but that are suppliers to international multinational companies, need to comply with international regulations. Another sort of information that is commonly used relates to customs regulations, chosen by over half of the managers (54%). Three countries in the survey are members of the European Union, where there is free movement not only of goods but of labour as well. It might be argued that, had the countries not been members of the same union, this option would have ranked even higher in managers’ concerns. There are international management system standards that can be applied to any type of organisation regardless of size or activity. One of the best known is ISO 9000 (establishing quality requirements in business-to-business exchanges), and ISO 14000 (focusing on environmental management standards). An ISO certification is recognised worldwide (ISO website www.iso.org).

Financial and economic information

For these managers, the most valued financial and economic information by far is information about exchange rates for foreign currencies (62%). The fluctuation of exchange rates has a direct impact on the company’s sales volume, profit margins and input costs. Bradley and Moles (2001) found that managers respond to major changes in the appreciation or depreciation of a country’s currency by adjusting the profit margins or sales volume. Another sort of information frequently used by just under half of respondents (48%) relates to taxation and tariff systems. Also valued are economic forecasts and statistics predicting future market conditions (45%).

More than half of the surveyed companies import products or services. Therefore, the manager must keep track of any changes in the international price of parts and materials. The importance of such information was accepted by over two-fifths of managers (44%). Financial and economic information becomes relevant for the manager once he has determined whether the market is economically viable for the company. Of all the internal information generated by the firm, large, medium or small, financial information is valued the most and is taken indeed very seriously (Macdonald 2000). The company's survival may depend on it.

Technical and scientific information

The most valued information in this group is information relating to the technical details of competitors' products. This was selected by 45% of managers. This may rightly be classified as market and commercial information, but it may also affect the innovation activities of the company. Thus, the manager needs to be aware of new technologies (over two-fifths of respondents agreed) and new materials in order to compete with the most innovative companies. Jones and Crick (2004) claim that high technology firms not only internationalise faster than more traditional companies, but also tend to demand international information that is more specialised. This type of company exchanges technological information about processes and products with other companies (Jones and Crick 2004).

Political information

This is the fifth information group and apparently the least frequently used. However, almost at the top of the list of most valued information for SME managers is information about the political stability of countries (59%). It is an interesting finding that even SMEs need to be well informed about the politics of faraway regions. A major overseas political upheaval may disrupt the company's supply chain. Customers may be lost, or payments withheld. Two decades ago, the situation was rather different, but much has changed. Now even SMEs that have direct or indirect international activities need to know about the political situation in other countries. This is a reflection of how intertwined the world economy has become.

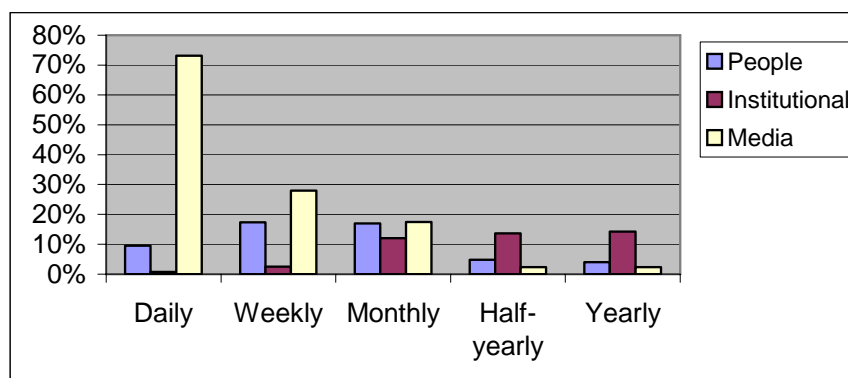
Information about international terrorism was selected as important by just under one-fifth (19%) of respondents. However, its importance depends on political events overseas, mainly in Asia and the Middle East. The terrorist attacks suffered by the US in September 2001 have affected the way many SMEs are run in different regions of the world. They have to meet greater insurance costs, especially when trading with the US (Engardio and Miller 2001). In these circumstances, the company needs to be well informed so that it can respond to evolving events.

Sources of information

Rothwell (1991) points out those small and medium-sized enterprises that may be considered innovative have efficient external communication; they are, in general, well ‘plugged in’ to the marketplace, and use external sources of expertise and advice. For the purposes of this study, 30 of the most important sources mentioned in the literature were selected and divided into three main groups: people, institutional and media sources (see Table 8.2). Of the 550 managers who participated in the survey, nearly nine-tenths (89%) responded to this section, a higher percentage than responded to the previous section addressing types of information. This may be an indication that it is easier for the SME manager to identify information sources than information that has been useful; Menou (1995) has highlighted this problem.

Managers use media sources, such as the Internet, newspapers and magazines, more often than other sources as they tend to be consulted daily (see Figure 8.3). Human sources, especially customers, suppliers and colleagues are used throughout the year. Institutional sources, such as trade exhibitions, conferences and trade associations, tend to be used only once or twice per year.

Figure 8.3 Sources of information and use frequency by SME managers (n=492)



People as sources of information

SME managers have a tendency to obtain external information from an extensive range of contacts, including customers, colleagues, suppliers and managers of other companies. There is regular and frequent contact with these key human sources of information (Watts and White 2000; Fuller-Love and Thomas 2004). The managers' sources in other institutions and SMEs are usually other managers rather than the institution or the company itself. The most frequently used source of information of all is the company's customers, with more than half of the respondents to the survey selecting this option (57%). This answer is consistent with the information acquisition of the manager that puts market and commercial information at the forefront, giving special attention to customers' preferences and needs. This group of companies seems to be very much customer-oriented and managers have weekly or monthly contact with their customers. Companies exist because there are customers who demand the company's products and services. The size of the small and medium-sized enterprise permits the manager to be in close proximity with its customers and to get to know them well. The flexibility of the SME allows quick response to customer needs and demands.

The second most commonly used source for just under half of managers is suppliers. Suppliers deal with a number of customers, bringing external information to the company, but also taking out inside information. Suppliers tend to be good sources and disseminators of information. Suppliers not only deliver the products, parts and services necessary for the normal operation of the SME, but are also important sources of information for innovation (von Hippel 1988). A company that has foreign suppliers may acquire information from them, so inward international activity may act as preparation for future outward international activity (Welch and Luostarinen 1993). The third preferred source, cited by over two-fifths of managers, is colleagues. In-house information is considered important, and is used frequently by managers who feel more comfortable dealing with *ad hoc* internal information than with external information (Macdonald 2000). It seems that the larger the company the more important in-house information becomes (Macdonald 2000). However, this situation is different for the manager of a small or medium-sized enterprise that has fewer employees.

Competitors are also valued as sources of information by over a quarter of managers (28%). There is collaboration in competition; companies may be fierce competitors, but

they also collaborate and exchange information. Competitors need each other (Hamel *et al.* 1989). If, for example, demand increases and the manager realises that his company will not be able to supply an order, he may well prefer to share the business – and the information – with local competitors (Bonaccorsi 1992). Information about competitors may be obtained directly, but also indirectly through benchmarking; that is, comparing in a systematic manner the products or services the company offers with those of its competitors (Kotler 2000). Some companies resort to using competitive intelligence processes, where they gather and analyse information from competitors (Gibbons and Prescott 1996).

Institutions as sources of information

The most valued institutional source of information for SME managers by far is trade exhibitions, with nearly half of respondents reporting visiting them for information acquisition (49%). Here the manager finds under one roof not only his competitors, allowing him to compare the products or services his company offers, but also potential clients and suppliers. Trade exhibitions, trade fairs and expositions may be held locally, nationally or overseas. The importance of the event will determine the type of companies that participate. However, nowadays it is common to find that even domestic fairs have several international companies as exhibitors, looking either for customers or suppliers. Managers of companies that do not exhibit, try to visit trade exhibitions at least annually as part of their efforts to maintain commercial awareness (Herbig *et al.* 1997).

The next group of institutional sources consulted by the manager are dissemination activities that supply up-to-date information and bring people with similar interests together. Conferences were selected by one-third of respondents, and seminars by over a quarter. Managers attend this type of event once or twice per year. Nearly one-third of SME managers reported being members of trade associations. These associations not only bring information benefits, but also the opportunity to take courses to update knowledge. Over one-quarter of managers reported attending seminars (27%). One-fifth of respondents are members of professional associations.

Table 8.2 Sources of information used by SME managers (n = 492)

People			Institutions			Media		
Sources	<i>SMEs</i>	%	Sources	SMEs	%	<i>Sources</i>	SMEs	%
Customers	282	57%	Trade exhibitions	241	49%	The Internet	355	72%
Suppliers	238	48%	Conferences	164	33%	Newspapers	321	65%
Colleagues	213	43%	Trade associations	159	32%	Magazines	243	49%
Competitors	137	28%	Seminars	135	27%	Television	215	44%
Friends and relatives	108	22%	Government agencies	124	25%	Business / trade directories	154	31%
Consultants	103	21%	Professional associations	99	20%	Newsletters	137	28%
Employees	91	18%	Banks	83	17%	Catalogues / brochures	127	26%
Other people	60	12%	Research centres	73	15%	Radio	104	21%
-----	-----	-----	Information centres	52	11%	Academic journals	93	19%
-----	-----	-----	Universities	33	7%	Books	58	12%
-----	-----	-----	Libraries	14	3%	Other mass media	1	0.2%

Note: Percentages do not add up to 100 because of possible multiple answers.

The next most frequently used institutional source is government agencies, with a quarter of respondents using them once or twice a year. Policy makers rarely let an opportunity pass at domestic or international forums to boast about the myriad of programmes that have been established to help SMEs either to become more competitive or to gain access to international markets. Managers, on the other hand, perceive the usefulness of government institutional support as secondary in their information gathering (Reid 1984). This situation should be a matter of concern for policy makers. Jones and Crick (2004) have devised a series of recommendations for government agencies to encourage SMEs to use government services. They argue that government agencies should market themselves more effectively, providing useful information at low cost, offering support tailored to specific needs, and producing information about market size and competition-related issues.

Most respondents to this survey are well educated. Nevertheless, only a little over one in fourteen reported using either their *alma mater* or other universities as sources of information. The low value of universities as sources of information has been noted in other research studies (McAuley 1993). In theory, universities and SMEs should be ideal partners, as universities have theoretical information, and are generally short of funds. Managers of small and medium-sized enterprises may have practical information, but lack theoretical information with which to blend it. There should be common ground. Chell and Allman (2003) argue that governments are interested in promoting entrepreneurial education programmes in universities, assuming that these will lead to the creation of new SMEs and to the expansion of existing SMEs. However, the limitations of government policy in this area are now evident; for example, in the creation of technology parks. These parks were built within university grounds in many countries during the 1990s on the assumption that proximity would facilitate information flow and give new firms ready access to equipment and services. However, the vital blending of theoretical and practical information rarely takes place (Macdonald 2000).

Another little used source of information is the library. Very few SME managers reported using this service. This is strange in that good public libraries offer a wealth of information in either hard copy or electronic format. Librarians are experts at finding information that can be relevant for managers. Many information services are free of

charge, or relatively inexpensive. McAuley (1993) suggests that public libraries should raise awareness of themselves as practical information sources among cost-conscious SME managers with little free time, searching for desperately needed information. A step in the right direction is a new centre created as part of the British Library that offers a one-stop research shop for SME managers looking for market research information or intellectual property rights information (Tyrrell 2005). However, the persistent problem is the lack of time of the manager. In an average working week, British managers spare only 4.5 hours on searching for information, reflecting upon, developing strategies and analysing results (Hankinson 2000).

The media as sources of information

For a fast, cost-effective tool that may be used to acquire basic information on a topic or competitor, the first choice for nearly three-quarters (72%) of these managers is the Internet. However, Jones and Crick (2004) suggest that the information retrieved from the Internet needs to be supplemented with information that has been generated internally. The World Wide Web has so much information, most of it unregulated and trivial, that the manager needs a search strategy for navigating its byways, using his judgement and experience to select information that is most likely to be useful. Without this, the activity will generate great amounts of useless information. The choice of the Internet as a convenient information source is a sign of the times. The use of this technology by the general public is barely more than a decade old, but is now so widespread that the Internet has become an indispensable tool for the SME manager, fulfilling not only his daily communication and information needs, but also allowing him to conduct business activities, such as buying supplies, or bidding for contracts.

A more traditional source of information is the newspaper. Nearly two-thirds of SME managers (65%) report reading newspapers daily, making them the second most used source. In this survey, managers were not asked specifically which kind of newspapers they read, as it would have been difficult to find comparable newspapers across five countries. Some authors refer specifically to the manager's exposure to business information from international sources in the English language, such as the *Financial Times* or *Wall Street Journal* (Reid 1984; Storey 1994). Managers consult other quality newspapers not specialising in business, which also carry international news. The next

most commonly used mass media-related sources of information are magazines, read weekly by just under half of managers (49%).

Television provides information daily or weekly for 44% of managers. This medium now offers a wide variety of channels catering for the information and leisure needs of a diverse audience. Business trade directories (31%) are very useful for specific information on competitors, suppliers and distributors. Newsletters, consulted by over a quarter of respondents, tend to be sector-specific, and are sent to trade and professional association members. Catalogues and brochures, consulted by just over a quarter of respondents (26%), are commercial literature written for the potential customer, but are also an important information tool, allowing the SME manager to become acquainted with products and services offered by international competitors.

Nearly one in five managers in this survey reported reading academic journals, many fewer than those reading magazines, which tend to be practitioner-oriented. There are problems for the SME manager in using academic journals as sources of information. A journal article may take more than two years to publish, journals can be difficult to access, and the academic style can make understanding difficult. For academics, journals are the preferred dissemination outlets to announce new developments in practice and theory, and to advance knowledge (Tahai and Meyer 1999). Publishing in journals is probably the most important criterion for promotion in academia, but such matters are of little interest to the SME manager.

Acquisition of information for internationalisation

Information used for internationalisation is, by its very nature, much more complex than the information the SME manager needs to compete with local companies in the home market. The typical local company has learned to get by with the information it needs to deal with its domestic environment. Managers tend to obtain information that is familiar from well-known and trusted sources. But when the company needs to acquire information for internationalisation, the rules of the game change. Seeking new information from unfamiliar sources is challenging. The SME manager needs to invest considerable time and resources to obtain the supply of information that will enable him to cope with new competitive environments.

The manager of the international SME is likely to have a high level of awareness and to follow the development of international market opportunities very closely (Tesar and Moini 1998). Such managers are anxious to learn about international marketing, and attach importance to market research. They are concerned about the selection of distribution channels, devising proper advertising, sales promotion and design of product packaging (Keng and Juan 1989). SME managers with outward international activities prefer human information sources to other sources (Cavusgil and Naor 1987).

In the survey, SME managers were asked whether formal or informal means were used to acquire information from customers, suppliers and competitors. In all three cases the answer was the same: informal means predominate, especially in the case of customers (Table 8.3). One possible reason for the prevalence of informal means has to do with size: there is a wealth of information available on large companies, especially public companies; for example, press articles and annual financial reports. This is not the case with SMEs; generally, the smaller the company, the greater the difficulty obtaining information about it. Thus, most SME managers resort to using informal means to get to know their SME customers, suppliers and competitors.

Table 8.3 Means by which SME managers acquire information (n = 406)

<i>Sources</i>	Informal		Formal	
	SMEs	%	SMEs	%
Customers	297	73%	139	34%
<i>Suppliers</i>	237	58%	163	39%
Competitors	224	54%	157	38%

Note: Percentages do not add up to 100 because of possible multiple answers.

Informal means of information acquisition

Informal means of information acquisition involve non-market, non-institutional information flow that is beyond the control of the organisation. Informal information acquisition takes two basic forms: it may be a one-sided process with one person giving

information and the other receiving; or it may be a two-sided process with the persons involved questioning, clarifying and correcting the information that is exchanged (Macdonald 1996). The latter allows the persons engaged to reciprocate with information. Informal means are particularly suited to information that is tacit. Because of their complexity, informal means are more difficult to classify than formal means, but they are usually characterised by the use of non-written forms. Informal means of acquiring information frequently involve personal, face-to-face contact. However, when doing international business, personal contact may come at a high price, as time, manpower and resources need to be invested in the process, and sources need to be maintained (Menou 1995; Welch 1996; Macdonald 2000).

It seems that personal and informal means of information transfer are more suited to the characteristics of information than institutional and market mechanisms. Yet, there are occasions, as when information is highly codified, when formal mechanisms are more appropriate to information transactions. (Macdonald 2000: 5)

The informal acquisition of information has long been considered by large firms to be the second-best option for fulfilling the company's information requirements (Macdonald 1996). Informal acquisition is mostly associated with SMEs and newly-created firms (Macdonald 2000). The complexity of information forces SME managers to use a variety of means of information acquisition. Information is not compartmentalised; information obtained at public events or in social circumstances may prove critical for professional purposes, and may help to determine the company's strategies (Menou 1995).

“...[I]n exporting, decision makers place far greater value on the information obtained through informal means than they do on formal modes of information collection and transfer. The reliance on informal modes is especially evident in situations involving high uncertainty and cultural difference.” (Welch 1996: 180)

Formal means of information acquisition

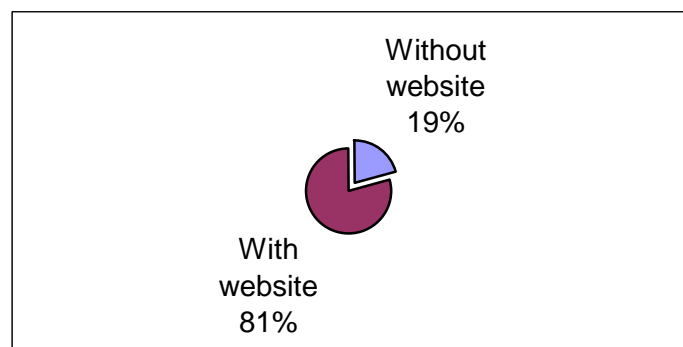
Formal means of information acquisition are ideally suited to one-way information flow where little interaction or exchange is required. Codified information is well structured, systematically collected, stored in large quantities, easy to retrieve, process and disseminate through designated channels (Macdonald 2000). The process is efficient,

fast and is frequently based on information technologies and telecommunications. Large companies tend to prefer to use their own formal information systems to fulfil most of their international information needs (Menou 1995; Welch 1996; Macdonald 2000).

Company Websites

The use of information and communication technology (ICT) is widespread even among SMEs. In the year 2000, there were over 24 million registered website domain names. By 2003, the number had more than doubled to over 56 million within the OECD countries (OECD 2004). More than four-fifths of the companies that participated in this survey have a website (Figure 8.4). This is a very high proportion indeed for a technology that was hardly used a decade ago, and then only by large companies that saw its potential as a promotional and selling tool. SMEs were late adopters of this technology, lacking resources and interest. But as more and more companies have set up their web pages, having a presence on the Internet has become part of their commercial strategy. The Internet is ideal to bridge the physical distance between companies and customers located in different countries and continents.

Figure 8.4 SMEs with and without websites (n = 541)



Managers whose companies have websites were asked what they use their website for. More than four-fifths of these managers (84%) use the site primarily as a marketing tool, either promoting the company's products and services (showing images and describing characteristics), or promoting the company itself (82%). In the latter case, an Internet address establishes credibility in the eyes of actual and potential customers. The company's web address may be printed on stationery and commercial literature, and may be displayed on employees' uniforms and company vehicles.

In most cases in this survey, the company's website is very basic, little more than the equivalent of an electronic brochure. A portal approach, similar to an electronic directory, allows even the smallest of companies to have a presence on the Internet, with very little investment and without the need for specialised software personnel. Several of the Mexican companies were listed in industry portals, with sites containing only a general description of the company's products and services, and contact details. Managers assigned lower priorities to other possible uses of the web, such as reaching new, distant markets (selected by less than a third of the companies). Even though a website may give a company an international image, many companies in the survey seem to target only their own domestic market.

About a quarter of respondents (26%) reported using the web for selling products or services (e-commerce). In spite of all the hype about the dot.com boom of the 1990s, companies are only gradually changing their way of doing business. The successful implementation of e-commerce demands not only ICT resources, but also a total reorganisation of the company's processes (Houghton and Winklhofer 2004). Website adoption within UK SMEs is widespread; nevertheless, the number offering e-commerce activities is static or declining (Houghton and Winklhofer 2004). Random visits to some of the websites of the companies surveyed revealed that most are not using the Internet for e-commerce. Rather they are just listing their contact details, and giving e-mail links.

A recent broad definition of e-commerce by the OECD (2002) takes into account Internet transactions that do not necessarily require electronic payment.

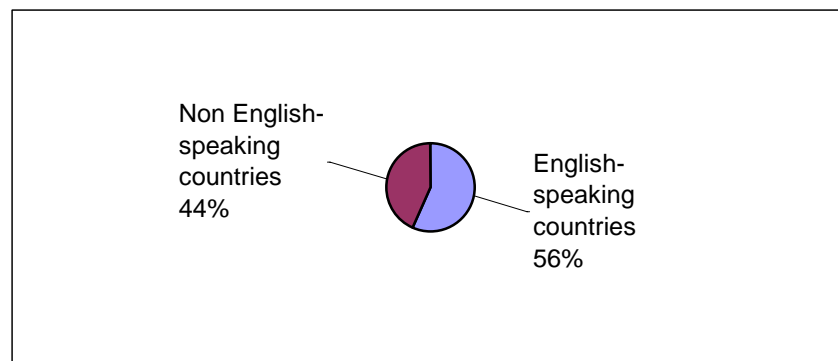
An Internet transaction is the sale or purchase of goods or services, whether between businesses, households, individuals, governments, other public or private organisations, conducted over the Internet. The goods and services are ordered over the Internet, but the payment and the ultimate delivery of the good or service may be conducted on or off line. (OECD 2002: 131)

There are still difficulties in marrying the old and the new economy; clicks and bricks need to be linked to exploit all the possibilities e-commerce offers. There are technological and human obstacles to overcome for SMEs. With resources scarce, many managers prefer to invest in other areas, such as the improvement of products and services (OECD 2001).

Website languages

One of the purposes of this survey was to analyse which languages are being used on company websites. Managers reported that 388 of the SMEs surveyed have websites (71%), using 12 different languages in total. The most important language by far is English, with 282 websites. It should be remembered, however, that two of the surveyed countries are English-speaking. Figure 8.5 shows that 123 (44%) out of those 282 English language websites originate in countries where English is not the native language. Whenever a company from a non-English speaking country offers two languages on its website, these are nearly always the local language and English. This finding confirms the importance of English as the undisputed language of international business.

Figure 8.5 English language websites of SMEs in English-speaking and non English-speaking countries (n=282)



Website domain names

Websites need to comply with technical regulations and these have an impact on how the company is perceived in the marketplace. The website has to comply with an Internet protocol address (IP address), and every electronic device connected to the Internet needs a unique IP address. This is composed of three elements: a label, which is generally the company's name, the dot, and the top-level suffix (OECD 2004). If a company is called 'metalbashers.com', the whole sequence of letters separated by the dot makes up the company's domain name. The company faces a challenge when selecting a domain name, as ideally it should be short, easy to remember, and should

differentiate the company from its competitors. Many companies are known by their Internet names.¹⁶

For the third element of the domain name, the letters after the dot, there are two possibilities. The manager might choose the code suffix for the country where the company is located, so that the name is associated with a geographical region; e.g., .uk for the United Kingdom, .fi for Finland, .fr for France, .au for Australia, and .mx for Mexico. The second option is the top-level suffix that is related to generic forms. The company's website could use the original .com suffix that was created in the 1980s for commercial registrants, or the .biz approved in 2000, also for commercial companies (OECD 2004). It might be argued that the .com or .biz suffixes, by being neutral, have a stronger international orientation, as they do not reveal in which part of the world the company is located. In this survey, though, most of the companies tended to use their country's denomination. A possible explanation is that most of the surveyed companies still perceive their domestic market as their first priority and see international markets as a second option.

Small Mexican consulting firm and the use of its website

The survey revealed an interesting example of how a company can use its website as part of its strategy. The case is of a small Mexican consulting firm that has developed its website over a period of two years. The site has undergone three phases: it started as a static web page, which was created to present an impressive image to current and potential clients. The web page established a presence on the Internet, but it was not updated. The second phase was initiated when the firm hired a full time computer expert, who made the website more visually attractive and included animation. Documents were regularly updated, and an electronic newsletter was added. The present phase began when the company won a tender from the Ministry of Tourism to provide instruction to tourism companies, such as hotels, restaurants and travel bureaux. The courses combine face-to-face sessions with distance learning, using free, open-source, Australian software (www.moodle.org). E-learning is only the first step in the

¹⁶ For example, Amazon.com, Ebay.com, and Easy.com.

company's internationalisation. The company's managers plan to use the experience they have acquired to target Latin American people living in the American state of Texas.

Intellectual property rights

The World Intellectual Property Organisation (WIPO) defines intellectual property as “the creations of the mind: inventions, literary and artistic works, symbols, names, and images used in commerce”. Kitching and Blackburn (2003) define intellectual property rights as “those legal rights, existing under national and international law, which can be asserted in respect of intellectual capital and its products and which entail legal sanctions for their infringement”. In this survey, SME managers were asked whether they register any of their company's intellectual property as patents¹⁷, trademarks¹⁸ or industrial designs.¹⁹ Fewer than two-thirds (336) of the SME managers completed this section; some skipped it because, it may be argued, it did not apply to their company's activities, while other managers may not have answered it because it was located in the last section of the questionnaire.

More than half of the responding managers in the survey reported registering trademarks in the SME's own country, and just over a quarter did the same overseas. Trademarks were by far the most common of the three IPR options that were offered. One manager in four uses patents in domestic markets, and one in seven in overseas markets. Macdonald and Lefang (2003) point out that patents are the best-known instrument of the IPR system, but are actually not the most commonly used of the three IPR options. Industrial designs, the third most common IPR, were registered by slightly fewer than one in five SME managers in their own country, and by one in thirteen overseas. Registration of the company's IPR in its own country is higher in all cases than registration in overseas countries, by a ratio of about two to one (Table 8.4). It is

¹⁷ A patent is an exclusive right granted in respect of an invention, which is a product or a process that provides a new way of doing something, or offers a new technical solution to a problem (WIPO).

¹⁸ A trademark is a distinctive sign, which serves in trade to differentiate the goods and services of one person or company from those of another (WIPO).

¹⁹ An industrial design is the ornamental or aesthetic aspect of an article. The design may consist of three-dimensional features, such as patterns, lines or colour (WIPO).

normal for the SME manager to register his company's IPR in the domestic market first, thus acquiring priority for later registration overseas²⁰.

Table 8.4 Intellectual property rights of surveyed SMEs in home and overseas markets (n= 239)

Intellectual property rights	Own country		Other countries	
	SMEs	%	SMEs	%
<i>Trademarks</i>	194	58%	86	26%
Patents	84	25%	50	15%
Industrial designs	65	19%	27	8%
Total	343	----	163	----

Note: Percentages do not add up to 100 because of possible multiple answers.

The frequency with which the IPR system is used depends on which sector the SME operates in; in the case of biotechnology and electronics companies, patenting may be crucial to survive and fend off competition (Adams 2003). But a sector analysis was never the purpose of this study; companies in all five countries were selected only as representative of two broad categories: services and manufacturing.

To compare the survey results with the literature is not easy. Blackburn (2003) claims that there have been few attempts to study the intellectual property activities of SMEs, and that there is a "dearth of evidence." Two studies that have been conducted may be considered biased towards British SMEs in sectors that are highly innovative. Kitching and Blackburn's (2003) study was based on four sectors likely to be engaged in IPR: computer software, design, electronics and mechanical engineering. Eighty-six per cent of their respondents used a combination of legal and informal methods to protect their innovations, and nearly all of them depended for their existence on the use of knowledge that could be considered specialist or confidential. In the second study, Macdonald and Lefang (2003) compared two groups of SMEs: firms which had received at least one patent in the previous years, and a number of non-patenting firms.

²⁰ The filing date of a UK national application can be used as a 'priority' date for the subject matter disclosed in the application when applying up to 12 months later for protection abroad.

In the patenting group, which was more knowledgeable about the IPR system, only a modest number of respondents (between 10 and 30 per cent) saw great benefit in protecting their IP with trademarks, design, trade secrets, etc. The results were even lower among the non-patenting SMEs, which were less familiar with the IPR system and showed little interest in using any formal means of protection for their innovations.

But a question arises: Why have so few of the SMEs in the survey applied for intellectual property rights if they are such important competitive tools? SMEs in general are renowned for not making extensive use of intellectual property rights to protect their inventions. The chief executive of the UK Patent Office is concerned that SMEs are not taking advantage of the opportunities provided by the system and are still failing to capitalise on IP protection (Sherwood 2004). WIPO advises that companies should protect their intellectual capital as this increases the market value of the company. According to WIPO (2002), IPR is an important marketing tool in domestic and overseas markets, as it helps companies to raise funds, acquire new technology and find new suppliers. IPR helps firms commercialise innovative products either directly or through licensing agreements with other companies.

It has been found that the adoption of IPR is directly related to the size of the company (Kitching and Blackburn 1999; Adams 2003). Large companies tend to use the IPR system more often than SMEs; they apply for more patents and other IPR. IPR has traditionally been used to measure innovation and research activity, but it hardly gives a clear reflection of the level of innovation and research activity in SMEs (Blackburn 2003). SMEs carry out more R&D and are more innovative than is suggested by official statistics. Most of this activity is informal and is related to improvement or adoption of products and processes (OECD 1997). Most SME managers prefer to use informal practices to protect the company's IPR in their own domestic market. They wish to maintain a market advantage over competitors by being quicker to market products or services. SMEs are nimble and flexible and tend to use know-how that is specialised and difficult to copy, and they prefer to operate in market niches. SMEs often rely on trade secrets to protect their IP and may use confidentiality clauses in employment contracts and in customer and supplier transactions to protect their trade secrets (Kitching and Blackburn 1999).

Small [and medium-sized] business owners placed most emphasis on informal methods to protect intellectual property. These methods were more familiar, cheaper, less time-consuming and frequently considered as effective as more formal rights. Under most circumstances, SME owners considered formal registrable rights such as patents less important. (Kitching and Blackburn 1999: 327)

The SME manager needs to evaluate very carefully the costs and benefits of following the IPR course. In spite of all the potential benefits associated with IPR, SME managers generally stay outside the IPR system. The cost of filing is prohibitive for most small and medium-sized enterprises (Dombey 2004), and it is bureaucratic and cumbersome to apply for patents. If another company is found to be infringing the company's IPR, legal action may be taken, but in practice most SME managers who have IPR stop short of litigation because of the high costs in terms of time and resources (Kitching and Blackburn 1999). To make matters worse, IPR is territorial; thus, a company needs to file for IPR in each country where it operates, making the services of local lawyers necessary. However, informal practices may not work so well in overseas markets and formal IPR may be a useful tool. The data presented in Table 8.4 seem to suggest that many of the surveyed firms are using this tool to internationalise.

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CHAPTER 9

THE NATIONAL CHARACTERISTICS OF THE MANAGER AND INTERNATIONALISATION

Introduction

In a previous chapter, the overall situation of the manager who participated in the five-country survey was assessed. It was found that the typical manager is a middle-aged, well-educated male with a graduate or post-graduate degree in engineering or business. He has gained work experience, most likely in large firms, with small firms being his eventual destination. Nearly all these SME managers have a working knowledge of at least one foreign language. One in four of these managers have lived abroad for at least a year, either in Western Europe or North America. This group of managers is well travelled, averaging more than four-and-a-half international trips per year; their main destinations being Western Europe, followed by North America, with Asia coming a distant third. The reasons for travelling are diverse: it may be for leisure, to take a break or visit friends; other reasons are more utilitarian, such as attending trade exhibitions and conferences, or visiting current or prospective customers.

The profile of SME managers

Gender

In this survey, slightly more than one in eight respondents is female. However, there are major differences among countries (Table 9.1). While in Mexico just under a quarter of respondents is female, in the UK the figure is about 8%. There may be several reasons why women manage so few SMEs. One may be family upbringing. But recent studies show that a growing proportion of well-educated women remain in the workforce throughout most of their careers, able to combine paid work with bringing up children (OECD 2002). An interesting fact is that married females with dependent children are more likely to start their own businesses than childless females (De Martino and Barbato 2003). Perhaps they are attracted to the flexibility that owning a business provides, while at the same time allowing them to advance their professional careers and maintain family commitments. Most SME managers have difficulty raising finance, but the hurdles are even higher for female managers (OECD 2002). Female managers

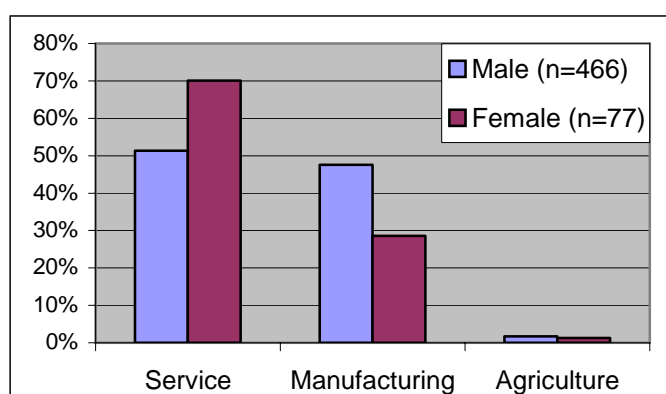
tend to rely more on personal financial sources and loans from family and friends than on formal sources, much like their male counterparts (Carter and Kolvereid 1998).

Table 9.1 Gender of surveyed SME managers

Country	Male 86% (n=466)		Female 14% (n=77)	
	Manager	%	Manager	%
Mexico (n = 106)	81	76%	25	24%
Finland (n=186)	158	85%	28	15%
France (n = 60)	53	88%	7	12%
Australia (n=99)	89	90%	10	10%
UK (n = 91)	84	92%	7	8%

In this survey, the overall response rate of SME managers in the service sector was higher than that in the manufacturing sector. A gender analysis shows that the proportion of female managers in the service sector is greater than that in the manufacturing sector (Figure 9.1). This finding is similar to that of a British study, where the proportion of female-managed businesses was greater in services (Mukhtar 1998).

Figure 9.1 Surveyed SME managers by gender and economic sector



However, this five-country survey revealed that women also have an important role to play in the manufacturing sector. Nearly three-tenths were found working there. In Britain, one fifth of female-owned or managed businesses are in manufacturing (Mukhtar 1998). Both findings are in conflict with previous research indicating that

women-owned companies in the manufacturing sector are rare (Weeks 2001). It seems that well-qualified women take on senior positions regardless of economic sector.

The top echelons of most large firms are still male-dominated. The traditional stereotype is that a 'glass ceiling,' either real or perceived, prevents females from reaching higher ranks (Powell *et al.* 2002). However, even when females are appointed to top jobs in large firms, they are paid less than men (*Economist* 2005). In Chapter 6, it was revealed that many surveyed managers acquired work experience at large firms before starting their careers in SMEs. Small and medium-sized enterprises may offer females more opportunities for professional development as managers, either as owner-managers or managing directors, than large firms.

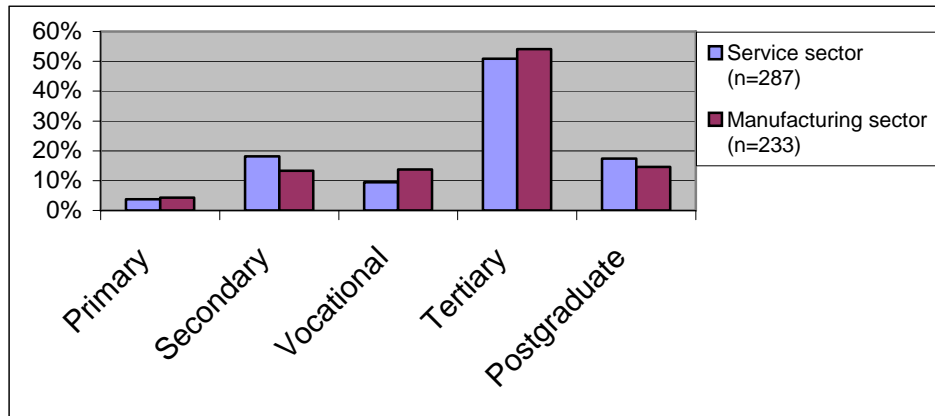
In the OECD area, about 28 per cent of owner-managers are female, and there has been a significant increase over the period 1970 to 1999 (OECD 2001). Worldwide data also show that female-owned firms comprise between a quarter and a third of all businesses (Weeks 2001). It is estimated that nearly half of all private businesses in the US are female-owned (www.nfwbo.org),²¹ and are growing at nearly twice the rate of male-owned SME businesses (Chambers 2004). However, this has not been translated into significant international activity. It may be that the business of SMEs managed by women is not suitable for overseas markets, or that such SMEs are not big enough (Lever 1998; OECD 2001). Unfortunately, there are few reliable statistics on the international activity of SMEs broken down by gender (OECD 1998; 2001).

Education

It has generally been believed that SME managers in the service sector are better educated than those in the manufacturing or construction sectors (European Commission 2002). However, this survey contradicts this assumption. Managers in both sectors are well educated and the differences are insignificant (Figure 9.2). The SME manager faces an increasing level of inward and outward internationalisation of his company's business activities. Higher education may help the manager to respond to these challenges by providing him with a wide perspective of the environment in which the SME functions and of the threats and opportunities the company is facing.

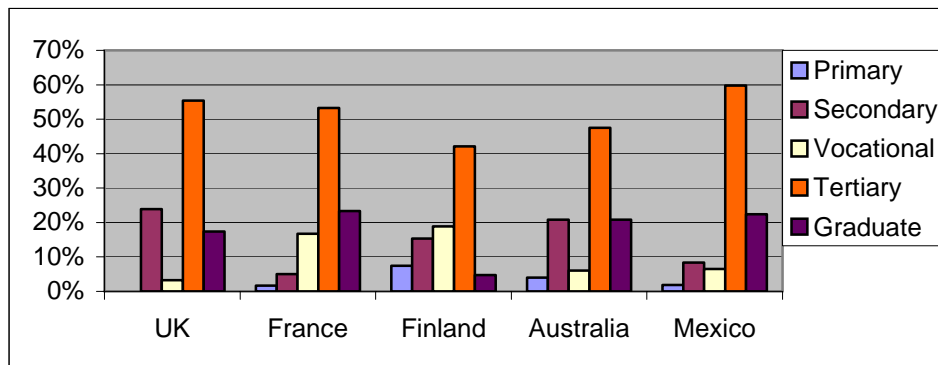
²¹ The Centre for Women's Business Research.

Figure 9.2 Surveved SME managers by level of education and economic sector



These SME managers are anxious to obtain higher education. The knowledge and skills the manager acquires seem to be considered necessary in an increasingly complex business world. Nowadays it seems that even an undergraduate is not enough. In this survey, fifteen per cent of all managers have obtained postgraduate education. SME managers with non-tertiary education (including primary, secondary and vocational) form a minority that most likely will decrease in the future. In this survey, Mexican SME managers, perhaps surprisingly, turn out to be the most educated group, while the Finnish managers are the least educated (Figure 9.3).

Figure 9.3 Surveved SME managers by highest level of education and country (n=527)



Education helps the SME manager to be selective with the information that is needed, identifying and selecting only the information that appears to be most relevant to the

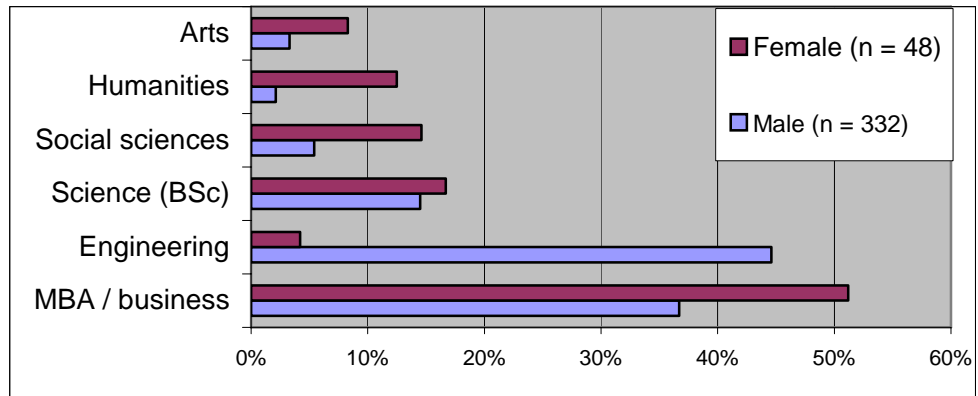
company. Macdonald (2000: 14) refers to this situation: “The more an individual knows, the more aware he can be about the [new] information he wants to acquire”.

No major differences in the levels of formal education by gender were found in the survey. Just over half of men have higher education compared with slightly less than half of women. However, this situation may change in the next decades, as there is now a preponderance of women in higher education. The OECD (2000) reports that women represent 59% of the enrolment in its members’ higher education systems. The shift from a male to a female-dominated professional world may bring changes in the way whole societies and economies work; and the impact will, very likely, be felt in how SMEs are run and engage in international activities.

Research on Finnish SME managers from metal-based industries shows that managing directors tend to be better educated than owner-managers, often having a degree (Littunen and Hyrsky 2000). However, owner-managers tend to be more knowledgeable about their business and have more skills in general. Yet, unexpectedly, education does not seem to have any influence on the level of international activities of Dutch SMEs (Prince and Dijken 1998).

Male managers are most likely to have degrees in engineering; while women have degrees in other subjects, particularly business studies, but very few in engineering (Figure 9.4). The disproportionate high number of female SME managers in their thirties and forties with business or management degrees – as opposed to engineering, which is male-dominated – may indicate that business education is the new entrée for women to the ranks of SME management. Before 1978, there were very few women graduating from undergraduate or graduate business programmes (DeMartino and Barbato 2003). But now a large proportion of higher education students, of both sexes, is enrolled in these schools. For example, in 2001, one-eighth of British students in higher education were in business and management schools, according to the UK’s Higher Education Statistics Agency (www.hesa.ac.uk). To fulfil the demand for business studies, the great majority of American and British universities, and those of other countries as well, have business and management schools (Larsen 2000).

Figure 9.4 Degree subject by managers' gender



At the undergraduate level there are now more female than male students pursuing business studies. However, at the postgraduate level there are fewer female students; in the UK barely one in four graduate students is female. One possible explanation is the different economic benefits obtained by gender. The main gain that a female manager attains from postgraduate education is greater confidence and job satisfaction; male managers on the other hand are more likely than their female counterparts to gain higher pay and be promoted (Green 2004).

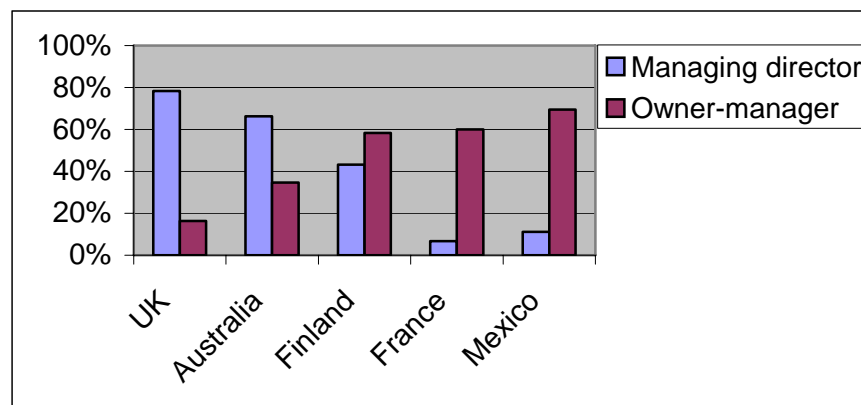
The typical student taking a full time MBA is in his late twenties or early thirties, with several years of professional work experience (DeMartino and Barbato 2003). A SME manager who goes back to study has concrete objectives and the education he demands is specialised and practical. MBA graduates may gain a deeper understanding of how the domestic and overseas markets behave. In a study conducted in the US, it was found that a person studying for an MBA might be interested in being a better manager and as an initial step to becoming independent. One-eighth of women and one-sixth of men completing postgraduate business education start their own businesses (DeMatino and Barbato 2003). However, the motivation for initiating a business differ by gender, with female managers more interested in a career that will offer them flexibility and the opportunity to balance work and family obligations; while male managers are driven more by wealth creation and the desire for career advancement (DeMartino and Barbato 2003). The same authors claim that these gender differences are narrowed when the owner-manager is married and has dependent children.

The clear choice of study for most female managers in the sample from Australia, Finland, France and Mexico, was either an MBA or business studies. The exception was the UK. However, the female sample is too small for solid conclusions.

Position in the company

Most survey respondents were either owner-managers or managing directors. However, there are differences among countries. A closer look shows that in the UK and Australia, there are a large number of managing directors and very few owner-managers; while in France and Mexico, there are many owner-managers and fewer managing directors (Figure 9.5). Finland has a more equal distribution, though owner-managers also dominate. The managing director tends to be an appointed professional manager who administers a business, while the owner-manager not only owns but also administers the business. The owner-manager tends to have a long-term view of the business, his priority being family well-being rather than short-term profitability (Littunen and Hyrsky 2000). Thus, a family business has a higher probability of surviving the crucial first three years after the company’s start-up, as the family may decide to forego profit, reinvesting everything in the business. If the family members are assigned a regular wage for working, this can be reduced to make ends meet during the initial period.

Figure 9.5 Managers’ position in the company by country (n=546)



Why are there many more managing directors in the UK and Australia than in the other three countries? There could be cultural, legal, and even tax reasons. For example, in the UK, most companies have limited liability. If the company’s creditors foreclose, the manager will not necessarily lose his house or other property. A study conducted by the

European Commission (2002) shows that new business owners in France and Portugal, two Latin countries, frequently come from an environment of family businesses. In the case of Mexico, which in the past has had recurrent economic crises, having a family business as opposed to having a paid job, gives economic stability to the family. The family is an important factor in Mexican society, and it may be argued that this promotes the creation of the family business, which will provide jobs for members of the nuclear family, and in many cases for other relatives as well.

Most female SME managers, by far, are owner-managers. Within the OECD countries, female owner-managers represent between one-quarter and one-third of the self-employed people (Weeks 20001). Why would women prefer to be owner-managers? The reasons for starting a business include the wish for economic and personal independence (European Commission 2002). The time a female owner-manager spends on her business depends on her life stage, that is one reason why some of them do not want their business to grow (DeMartino and Barbato 2003).

Age

In this survey, male managers are older than female. Most male managers are between 51 and 60 years of age while most female managers are in the 41 to 50 year old group (Figure 9.6). Women are scarcely present at the age extremes; only one woman in the whole survey is over 61 years old. This may be an indication that females were rarely SME managers only a few decades ago. This information may be linked to the fact that females have been increasing their presence over the last decades in higher education, most notably in the business and management fields.

Figure 9.6 Managers' gender and age

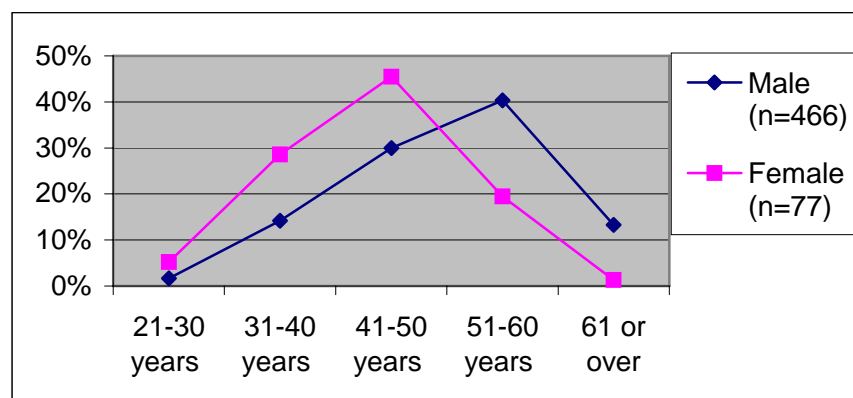


Figure 9.6 reveals a steep curve in the progressing age of the manager up to the 51-60 year category; after that there is a sharp decline in the number of managers aged 61 or over. Age is generally associated with experience, but managers over 61 tend to be replaced either by professional managers or, in the case of family businesses, by a family member that has been groomed over the years by the founder of the company. Succession in family businesses is part of a two-stage process; usually management delegation comes first, followed by ownership rights (*Economist* 2004). However, even if the founder of the company steps aside, he will probably remain in the position of adviser, especially when strategic decisions need to be taken. The ownership of the business is usually passed on from the owner manager to his children, but with each generation the ownership is dispersed to include cousins and other relatives (Lubatkin *et al.* 2005).

International experience of SME managers

In a previous chapter, it was revealed that over one-quarter of the SME managers who took part in the survey have lived overseas. This experience cannot be overstated, as it may have a profound impact on the manager's awareness of international markets. But travelling to attain new skills and encounter a new culture is hardly a recent practice. Even in eighteenth century Britain, farmers used to travel long distances to spend time on progressive farms to learn about the latest agricultural innovations (Macdonald 2000).

There was no real alternative to travel for acquiring information about practices elsewhere. As it happens, this may have been no disadvantage: personal experience allows the acquisition of tacit information, particularly necessary for the application of agricultural innovation... (Macdonald 2000: 219)

The country with the highest proportion of managers who have lived overseas is Australia (Table 9.2). Most of them have lived in Western Europe, probably in the United Kingdom since there are strong cultural and language links between the two countries. Australia is geographically isolated and managers who want to experience other cultures have to travel great distances. It is a regular custom among Australian young people, before entering university, to take a 'gap year' overseas.

Table 9.2 SME managers living abroad for over a year (n=548)

Country	Number	%
Australia (n=101)	48	48%
France (n = 60)	18	30%
Mexico (n = 105)	23	22%
Finland (n=190)	39	21%
UK (n=92)	18	20%

Even though nearly half of Australian managers have lived abroad, they are not frequent travellers. The British are the most travelled group of managers²² (Table 9.3). It may be argued that the geographical location of the UK is important here. It is easy and relatively inexpensive to travel within Western Europe. Managers travel more than ever before, thus bringing international awareness to their SMEs. Yet, the UK records the lowest percentage of managers having lived overseas. It may be that it is so easy and inexpensive for British people to travel internationally that there is little reason to relocate to another country.

Table 9.3 International trips per year by SME managers (n=540)

Country	<i>International trips</i>
UK (n=91)	8.6 trips
Finland (n=188)	5.3 trips
France (n = 60)	3.2 trips
Australia (n=100)	2.8 trips
Mexico (n = 101)	2.1 trips

The international direction and degree of openness of the manager have a direct impact on whether his company will engage in overseas activities (Lloyd-Reason and Mughan 2002).

²² One British manager answered that he had taken 1000 trips in the previous 5 years, other manager said 400 trips; it is not clear whether the figure is accurate or is one way to indicate countless trips.

The orientation would depend upon such characteristics as whether the decision-maker had lived abroad, was able to speak a foreign language, had received educational training in international business activities or had previously worked in export trading businesses. (Lloyd-Reason and Mughan 2002: 123)

SME managers who have lived overseas tend to be more aware of international trends than those who have not had the experience. They have encountered new cultures, new ways of thinking, are comfortable dealing with people from different backgrounds, and have possibly mastered a new language. The fact that a manager has lived overseas seems to contribute to his level of awareness and to decision-making for internationalisation (William and Chaston 2004).

Competence in foreign languages

Most SME managers in this survey have a working knowledge of at least one foreign language. The English language was spoken by more than 8 in 10 managers, making it by far the most important language. Managers from English-speaking countries tend to speak far fewer foreign languages than their counterparts from non-English-speaking countries. UK managers speak the fewest languages of all (Table 9.4). In a study of Irish exporters, most respondents indicated that language skills are important for success in outward international activities. Nevertheless, in their day-to-day activities, few of them actually had to use foreign languages, as English, their native language, was enough to make deals (Clarke 2000).

If a manager does not know the native language of an actual, or potential, overseas customer or supplier, he might be missing out on important information (Williams and Chaston 2004). The SME manager may be limiting himself to personal contact with people from overseas companies who are English-speakers (Williams and Chaston 2004). Alternatively, the English language may act as a useful filter of information: if something important needs to be said, it will be said in English.

Finnish managers speak the most languages. This may be a necessity as Finnish is a language not spoken outside the country. An interesting finding was the diversity of languages spoken by Australian managers. From the 12 language options given in this survey, only Australian managers could boast at least one speaker of each. They also had the highest percentage (about 8%) of people speaking non-listed languages.

Table 9.4 Surveyed SME managers' competence in foreign languages (n=550)

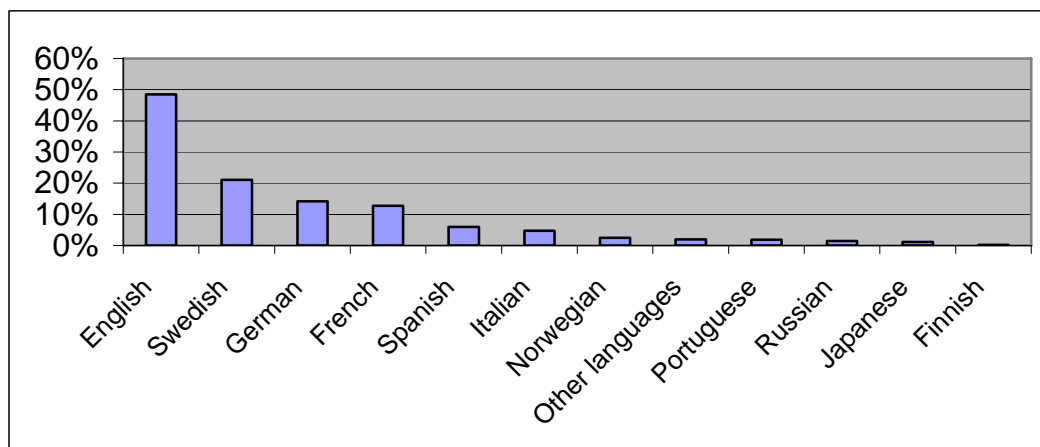
Country	1 st foreign language	%	2 nd foreign language	%	3 rd foreign language	%	Average spoken languages
Finland (n=190)	English	75%	Swedish	59%	German	20%	2.64
France (n=60)	English	70%	Spanish	32%	German	20%	2.47
Mexico (n=107)	English	77%	French	9%	Italian	9%	2.03
Australia (n=101)	French	21%	German	15%	Other	8%	1.68
UK (n=92)	French	39%	German	13%	Spanish	9%	1.66

Notes: Percentages do not add up to 100 because of multiple possible answers. The average spoken languages include the managers' native language.

The Australian government has a programme called 'Invest Australia,' which has been designed to attract foreign direct investment. Much is made of "the country's highly skilled and multilingual force." The Australian government also claims "with nearly one-quarter of its population born overseas, Australia is the most multicultural country in the Asia Pacific region." The programme's website (www.investaustralia.com) boasts that Australians are fluent in major European and Asian languages, and Chinese dialects. The cultural diversity of its population is reflected in the number of languages Australian SME managers can speak. Nevertheless, English, Australia's national language and the world's business language, is the language that really matters when it comes to international activities.

Most SME managers (84%) speak English. However, two countries in the survey are English-speaking. If the native language is not considered, it is easier to see what new languages are learnt by SME managers. The most widely learnt foreign language by far is English, with nearly half of managers reporting having mastered it (Figure 9.7). Usually, managers have learnt their country's neighbouring languages to conduct international business. This is the case with Finnish managers speaking Swedish, and French managers speaking German or Spanish. However, with more and more non-native English speakers learning English, SME managers may resort to English even for carrying out businesses with neighbouring countries, and perhaps even within their own countries.

Figure 9.7 Foreign languages spoken by SME managers (n=550)



The importance of having a single international language is that managers from different countries can conduct business with each other (*Economist* 2001). Some 380 million people speak English as their first language, but perhaps twice as many use it as their second language (*Economist* 2001). The latest expansion of the European Union, bringing 10 new members, has confirmed English as the *lingua franca* of the EU (*Economist* 2004).

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CHAPTER 10

NATIONAL CHARACTERISTICS OF THE SME AND INTERNATIONALISATION

Introduction

In a previous chapter, the overall profile of the small and medium-sized enterprise that participated in the five-country survey was presented. It was found that more than half of the companies have between 10 and 50 employees. The most common type of ownership was non-family businesses. The average age of surveyed companies was nearly three decades old. They have intense international activity: the most important reasons for engaging in international activity are 'pull' factors. Most companies start their international activity by exporting indirectly through other companies. Companies earn income from overseas mainly from exporting manufactured products. The region where most overseas customers are located is Western Europe. The most important inward international activity for most companies is importing manufactured products. Companies without any type of international activity form a minority in the survey.

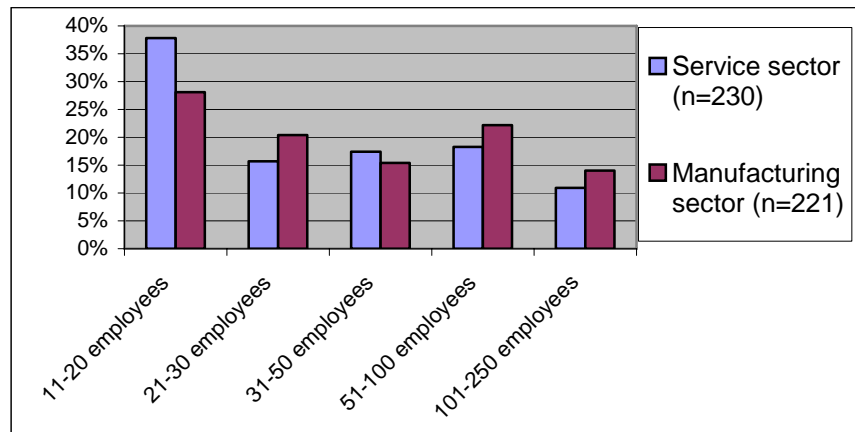
In this chapter, some of the most important similarities, differences and exceptions among the five-countries will be discussed. In each of the five countries, 500 companies were selected, 250 from the manufacturing sector and 250 from the service sector. This chapter will present the demographic characteristics and some comparisons between the economic sector, company size, type of ownership and age of the company. This will be followed by a discussion of the internationalisation strategies, such as the reasons and the approach used to initiate outward and inward internationalisation.

Demographic Characteristics

Company size

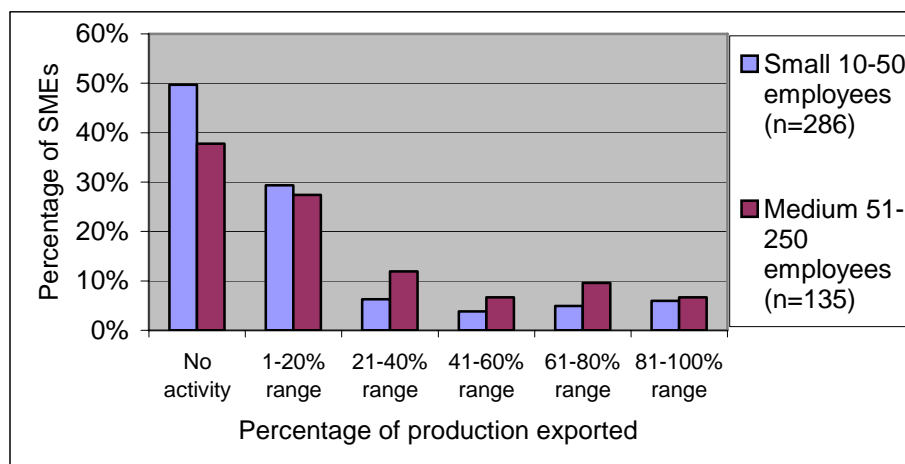
Manufacturing companies usually have more employees than service companies as they are in general, more labour and less capital intensive (OECD 1997). However, the survey results do not show clear variations between sectors (Figure 10.1).

Figure 10.1 Surveved SMEs by size and economic sector



According to the literature, size matters when it comes to internationalisation. Larger companies have traditionally been more internationalised than their smaller counterparts (OECD 1997; European Commission 2004). Internationally-oriented companies tend to have larger annual sales volume and employ more people than other companies (Tesar and Moini 1998). Figure 10.2 shows no significant differences between small and medium-sized firms in the proportion of production by size. It shows that internationalisation is no longer limited to larger firms. However, there are other authors who claim that firm size and international activity are not always positively correlated (OECD 1997; Ahokangas 1998; Wolff and Pett 2000).

Figure 10.2 Proportion of production exported by surveyed SMEs by size



The proportion of production that a company exports may be measured by quantity or value. If a company competes on quantity, it is probably using a strategy based on low

prices and high volumes, appropriate for large companies that have economies of scale. But if the company competes on value, it is relying on high prices and low volumes; this approach suits SMEs better. Figure 10.2 shows the relationship between the international activity of the firm, in this case percentage of production exported by quantity, and the company size. Production exported by value is not included as the differences from export by quantity are small. Few companies export a high proportion of production.

Economic sector and international activities

Manufacturing companies tend to have a more active international activity than their service sector counterparts (OECD 1997; European Commission 2004). Here, too, manufacturing companies have a higher proportion of production exported by value and by quantity than service companies; the ratio is more than two-to-one (Table 10.1). Manufacturing companies also have a higher proportion (about two-thirds) of their important customers located overseas when compared with only half for service companies. Other studies present similar results (European Commission 2004).

Table 10.1 Export of surveyed SMEs by economic sector

<i>Economic sector</i>	Production exported by quantity	Production exported by value
Service sector (n=262)	11.4%	12.3%
Manufacturing (n=232)	25.0%	26.7%

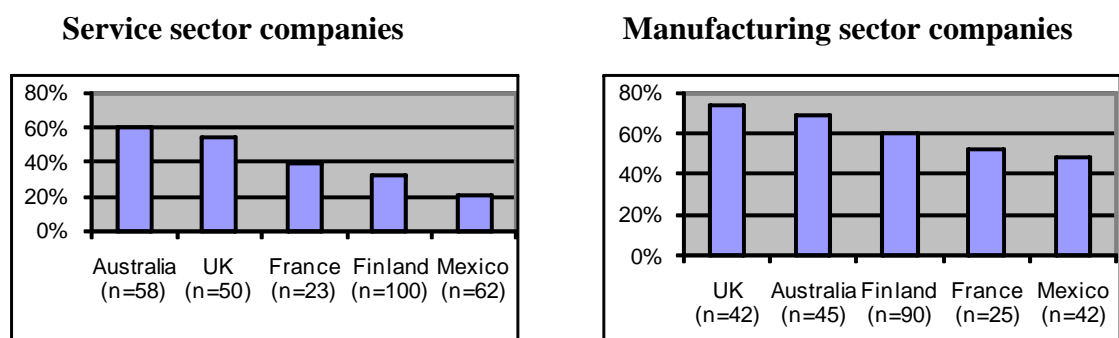
In all major economies, service sector companies outnumber manufacturing companies by a large margin. Nevertheless, manufacturing companies are most likely to internationalise. However, the export of physical products demands complementary activities, such as customer service, marketing, distribution and design (OECD 1997). It may be said that the differences between manufacturing and the service sectors have been blurred.

A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or not may be tied to a physical product. (Kotler 2000: 428)

Most services are intangible, cannot be stored, and are typically produced and consumed simultaneously. Therefore, both the provider of the service and the customer must be present (Kotler 2000). But thanks to the widespread use of information and communication technologies, it is now possible to have a geographical separation of the supplier and the consumer. This is a critical factor in the internationalisation of services (Edwards 2004). It may be that the differences in the internationalisation of the service and manufacturing sectors will eventually be eliminated. For example, there are many companies from developed countries which have moved in-house services overseas in order to reduce costs (Edwards 2004). Companies are outsourcing simple back-office operations, such as call centres and processing of credit cards and insurance claims, as well as more complex activities, such as software engineering and research and development (Engardio *et al.* 2003). In the UK there is a growing market for outsourced public services which is estimated to have grown by more than 50 per cent in the last three years (Timmins 2004). The main driver is the UK's government goal to increase efficiency savings

Figure 10.3 shows that in all five countries, a higher percentage of manufacturing companies than service companies receive income from overseas, the lowest difference is in the two English-speaking countries, while the biggest contrast is with Mexican manufacturing and service SMEs by a ratio of more than two to one. The British and Australian companies, in both economic sectors, are the most internationalised of the group of five countries. In spite of all the talk of the so-called knowledge economy, most international activity is still dominated by export and import of physical products (European Commission 2004). However, international trade in services is more diverse and difficult to quantify than trade in manufactures, and it tends to be underrepresented (OECD 1997).

Figure 10.3 Surveved SMEs receiving income from overseas by economic sectors

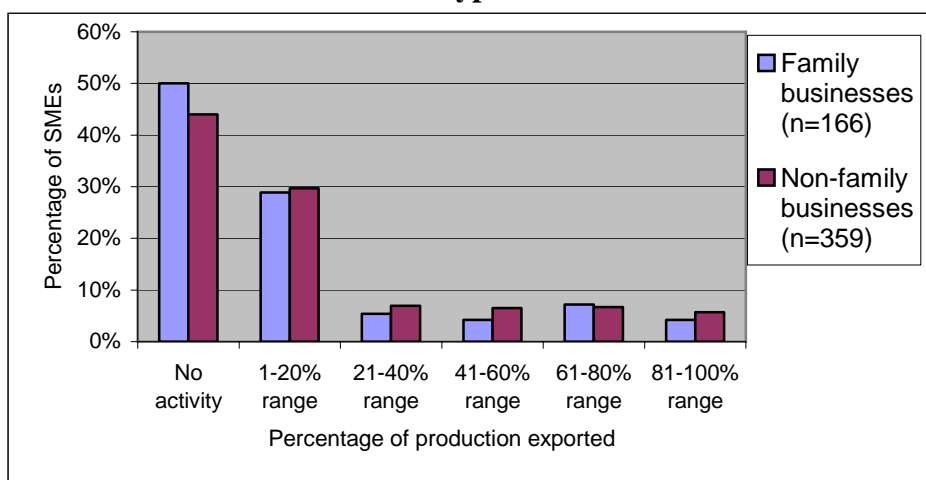


The literature indicates that SMEs from smaller countries are, in general, more internationalised than those of larger countries. One important factor is a small domestic market that forces them to look overseas for customers and suppliers (OECD 1997; European Commission 2004). The two smallest countries in this survey, in terms of population, are Australia and Finland. However, Australian companies are among the most internationalised in this survey, but the level of internationalisation of Finnish SMEs is comparable with other countries. The geographical location of the country also plays a role in the internationalisation of companies. Countries surrounded by other countries are supposed to be most likely to have international activity (European Commission 2004). This would mean that Australia, being the most isolated country of the five in the survey, should be the least international. This is not the case.

Type of ownership

The literature says that family businesses are less internationally active than non-family businesses (Gallo and Sveen 1991; Donckels and Aerts 1998; Haahti *et al.* 1998). Some of the stated reasons are that family businesses are more oriented to their domestic markets and that their owner-managers are more risk averse and less educated than the managing directors of non-family businesses (Gallo and Sveen 1991; Donckels and Aerts). However, Figure 10.4 shows that the intensity of the international activities of family and non-family businesses is very similar.

Figure 10.4 Proportion of production exported by surveyed SMEs by ownership type

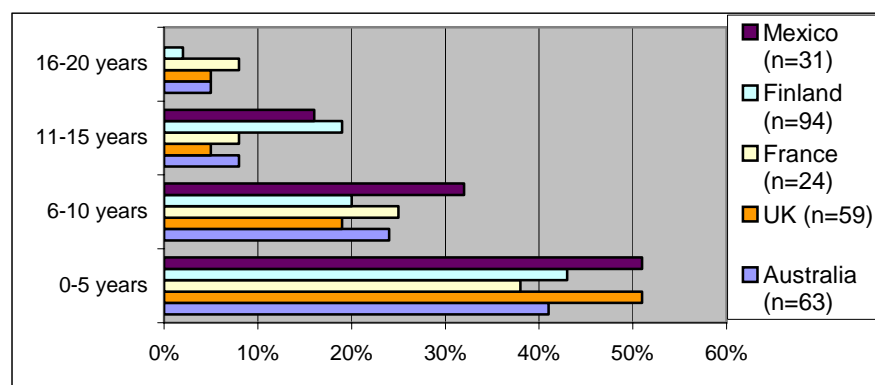


One exception may be family businesses created by owner-managers who have born overseas. This type of business may aim to exploit the potential market and the social contacts in the former home country. A report by the Australian Trade Commission (Austrade 1994) shows that over half of business migrants to Australia start companies within two years of arriving, half of them in the service sector, and one-third of them initiate international activities during the same period.

Age and international activity

There is evidence that for many companies the time from start up to initiation of internationalisation has been reduced (OECD 1997). In a previous chapter, it was revealed that nearly half of the surveyed companies engage in international activities within five years of being created. Figure 10.5 shows similar results for all five countries. More than half of British and Mexican companies became involved in overseas activities within five years of their creation. A third of Mexican companies became involved in international activities within the second five-year period of existence. These results challenge the traditional theory of the lengthy step-by-step internationalisation process.

Figure 10.5 Age of surveyed SMEs when income from overseas first received (n=271)



International strategies of the companies

Main reasons for internationalisation

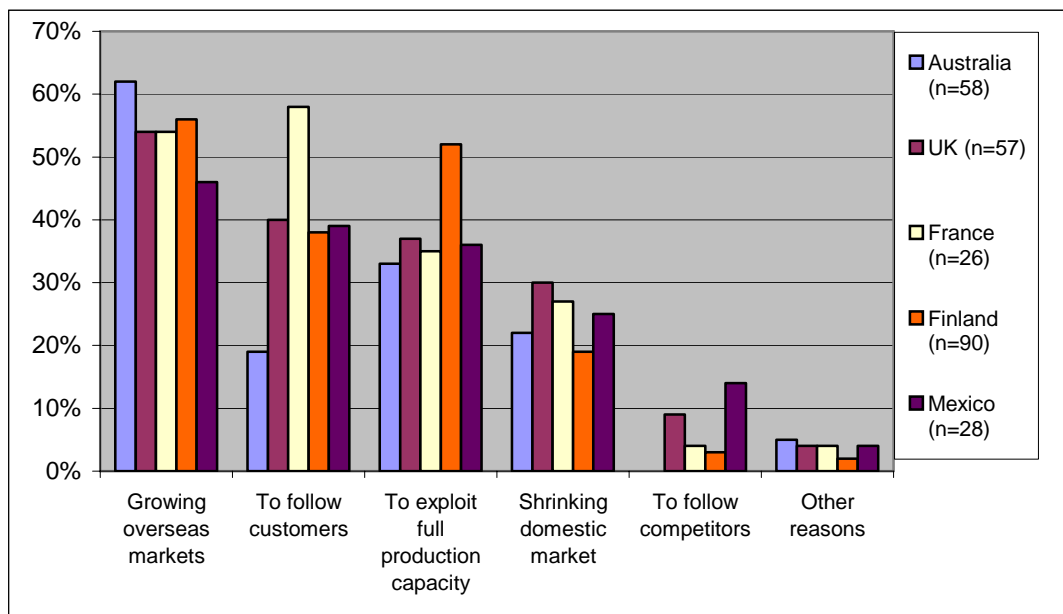
The manager is the key decision maker in the internationalisation of the SME. Managers engage in overseas activities for different reasons. There are push drivers, internal stimuli, at either the company or home country level. And there are also pull

drivers, external stimuli coming from the target country. The two most common reasons for starting international activity in all five countries are of the pull type. The most frequent is the attraction of growing overseas markets (Figure 10.6). For some SMEs, having overseas customers gives credibility, not only at the international but at the domestic level as well (European Commission 2004). Following customers that go overseas is the second reason. The customer may demand that the SME go international. However, there are differences: while nearly three-fifths of French managers pursued this strategy, only about one-fifth of Australian managers used it. French SMEs trade with neighbouring Western European countries, while Australian SMEs trade with Asia. As distances from Australia to Asia are great, it is likely that following customers overseas is not generally part of SME strategy.

The most common push driver is to exploit full production capacity. Finnish managers referred to this reason most frequently, probably because of their small domestic market. The second most frequent push driver is a shrinking domestic market. SME managers probably want to escape from mature markets and increasing competition at home.

For our products in engineering higher prices can be obtained in the US than in Western Europe, but there is still a market in both places. [However] the UK market is shrinking very fast! (UK manager of a company making machine devices)

Figure 10.6 Main reasons for starting international activities (n=259)



The manager, who is interested in the internationalisation of the products and services his company offer, needs to devise an overall plan to follow. Some SMEs adopt a niche strategy to compete against larger companies that offer mass produced products. But even these companies are under assault, as they have to compete against the products coming from developing countries. Perhaps the best example is China. Large companies and SMEs alike are threatened by what has been called “the China price.” Chinese companies are offering low prices that most domestic companies cannot afford to match.

The world market is extraordinarily competitive, specially the advent of the (commercially very aggressive / suicidal) Chinese. So we distinguish ourselves by performance (real or perceived), style, support and branding. It is impossible to compete with Asia on price and make a profit! So we price higher but aim to produce special quality products. (UK manager of a manufacturing company)

SME managers that lead innovative companies may have an international orientation from the beginning. They may decide to go overseas to exploit an idea that is based on technology or a new concept, a pull driver. On the other hand, SME managers heading traditional companies are reactive and tend to prefer their domestic markets. However, when circumstances change, forcing them to go overseas, they may prefer dealing with countries with similar culture (Boter and Holmquist 1998). SME managers that initiate activities because of pull factors have a proactive attitude compared with those who are pushed into action. This is the case with some Mexican shoe producers who were forced to look for new markets overseas when their domestic market collapsed. The experiences of these managers were diverse.

Three Mexican manufacturing companies from the shoe district in Leon and the ‘push’ factors to internationalise

Mexican shoe industry manufacturers enjoyed for many years a large protected domestic market. But internationalisation brought about changes during the 1990s. Some SME managers from companies along the shoe value chain were interviewed. They are located in the shoe district in the city of Leon. They all indicated that the two most significant events that affected their industry and businesses occurred in 1994-1995: an economic crisis and the creation of the North American Free Trade Agreement. To survive, companies that had never considered exporting were forced to look for new overseas markets. They derived advantage from the devaluation of the currency, making the exchange rate favourable for exporters, a push factor. However, SME managers had to prepare themselves for international activities, producing promotional materials,

making samples of their products, and attending the national and international shoe fairs that take place in Leon. Most potential international customers who attend these fairs come from Latin American countries or from the US.

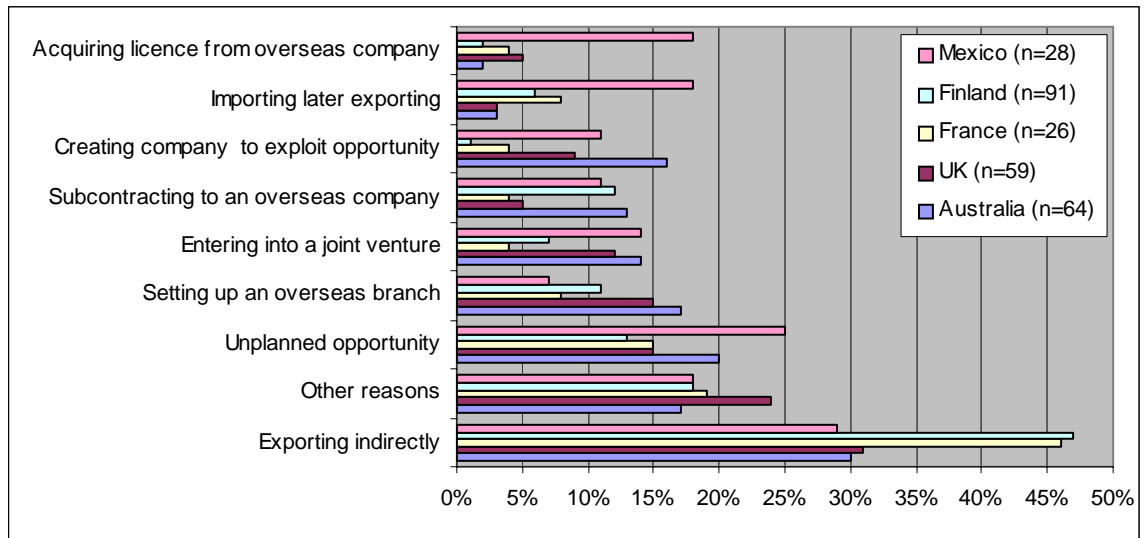
The manager of a SME making Mexican western boots identified the main hurdle for the small producer that wants to initiate international activities as lack of resources. He decided to overcome this problem by teaming up with some other manufacturers, with mixed success. “A company that only delivers overseas a couple of shipments cannot be considered an exporter.” However, now that he knows how to export to the US, he lacks the necessary capital. In another case, the manager of a children’s shoe company described how the company started exporting to Costa Rica by chance, and later entered the American market. With the reactivation of the Mexican domestic market in the late 1990s, the company lost interest in exporting. At present, the company exports only about 5 per cent of its production, all to the US. It sends the traditional model of school shoe demanded by people of Mexican origin.

The manager of a company producing adhesives provides a third case. After the economic and market turmoil, he decided not to depend on a declining industry such as shoes. The firm diversified instead into other more promising sectors, such as the automotive, furniture and publishing industries. It now exports over 10 per cent of its production to Central America and has a partner in Colombia from where it exports to other South American countries. Their products comply with tough technical standards and the company’s engineers add further value by providing technical advice to customers. Of the three cases, only the last company has made the internationalisation process part of its long-term strategy.

How companies started their international strategy

For SME managers, there are a wide variety of options for engaging in international activities. The preferred overall option in this survey is exporting indirectly through a third company. Many companies initiate indirect international activities by becoming suppliers to larger companies that export. Finnish and French managers tend to use this indirect exporting strategy most frequently (Figure 10.7). SMEs face a number of barriers to overseas markets, but many of these problems can be circumvented by becoming part of a large company’s supply chain (Dana 2001). Acs *et al.* (1997) state that SMEs using large or multinational companies as conduits may initiate international activities, taking advantage of the existing networks and marketing skills of these companies.

Figure 10.7 Means by which surveyed companies started outward international activities



Note: Percentages do not add up to 100 because of possible multiple answers.

Chance is an important reason for starting international activities. This is the case when an unplanned opportunity appears to an SME manager and he rises to the challenge (OECD 1997). Mexican managers tend to rely on chance opportunities. Setting up an overseas branch is an option taken mostly by Australian and British managers. An overseas branch demands high commitment of resources by the SME manager and company. Opening overseas branches has usually been associated with large companies, but SMEs have been opening overseas branches of their own since the 1980s (UNCTAD 1993). Such SMEs may be innovative companies in emerging industries, niche-oriented and wanting to obtain first-mover advantages in other countries (Kohn 1997). An overseas branch may be part of a strategy based on forming relations with suppliers, customers and even competitors (Welch and Welch 1996). However, internationalisation is not limited to trade; “as internationalisation consists of a palette of activities” including entering into a joint venture, subcontracting to an overseas company, acquiring a licence from an overseas company and buying an overseas company (European Commission 2004).

Born global companies

Born global companies have attracted a lot of attention in the literature on the internationalisation of SMEs (Rennie 1993; Bell *et al.* 2001). This type of company contradicts the theory of the gradual incremental internationalisation of the company.

Born global companies were created specifically with the purpose of seizing an international opportunity.

Born global is a business organisation that, from or near its founding, seeks superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries. (Knight and Cavusgil 2004: 124)

Only about 4 per cent of the companies in this survey may be characterised as born global companies. The number is too small to try to generalise any of the findings; nevertheless, some of the main characteristics are worth noting. Most born global companies are in the service sector. More than half of these companies have fewer than 50 employees. Global companies have a much more intensive international activity than the average surveyed company. All the born global companies receive income from overseas, compared with just under half of the surveyed companies (Table 10.2). Their proportion of production exported by quantity and value is more than two-and-a-half times higher than the average for the other surveyed companies.

Table 10.2 Exports of Born global and other surveyed SMEs

<i>SMEs</i>	Production exported by quantity	Production exported by value
Born global SMEs (n=20)	48.5%	51.9%
Other surveyed SMEs (n= 494)	17.7%	19.1%

Managers from born global companies are driven by pull factors, mainly exporting services to growing overseas markets. The born global managers are more educated than the average manager, as half of them have university education and over one third postgraduate qualifications. They speak, on average, two languages, and English is spoken by all. Nearly half of them have lived overseas. This group of managers travels constantly, averaging over 10 international trips per year to visit current or prospective customers and to attend trade exhibitions.

A Mexican born global company (see Rodriguez 2003)

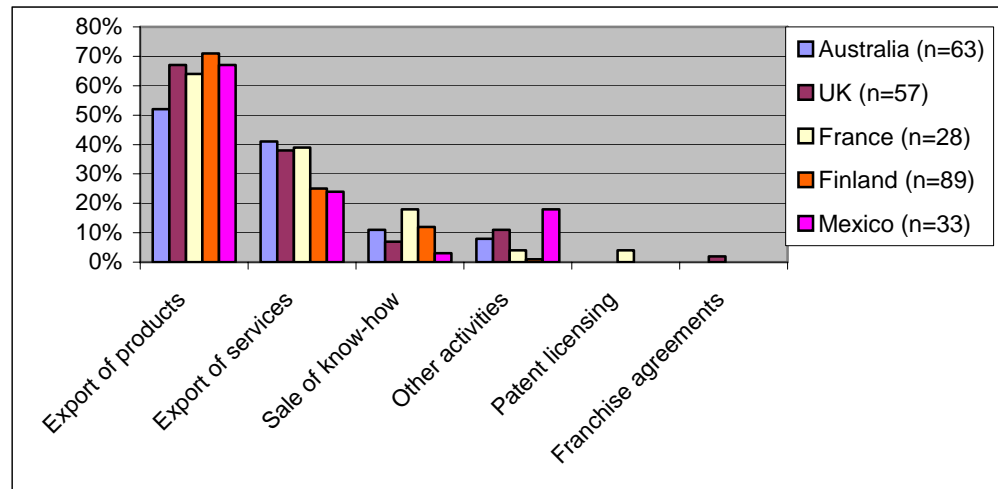
The SME manager of this born global company is a mechanical engineer who undertook postgraduate studies in Japan. After returning to Mexico, he worked in a company owned by a relative, a company supplying electronic parts to the Mexican telecommunications industry. The first international opportunity came when the director of a customer company was transferred to the Brazilian subsidiary of Alcatel, thus offering the SME manager the opportunity to become familiar with international trade. After five years of working for his relative, he decided to become independent, taking advantage of the large network of contacts he had developed among customers and suppliers. The new company was created specifically to exploit an international opportunity to become supplier to a large American company.

The company manufactures harnesses (cable assemblies), which are a key element in the good working performance of large electronic devices. The harness market is very competitive. However, the manager focused on a niche that demands great variety, low volumes and great technological content. Special harnesses are used in industrial computers and automatic teller machines (ATMs) among other products. The harnesses are tailor-made to the customer's requirements, with the volumes varying from 5 to 1000 pieces. The large American company is the only customer in the US, but it allows the Mexican company exports to reach indirectly more than 50 large customers in the American automotive and telecommunications industries. All the company's products are exported through Federal Express, the delivery company, practical because their products are light and occupy low volume. The company has had explosive growth; it started with 8 initial employees and has grown to 40 in only 18 months.

Outward international activities

Most literature on the international activity of SMEs has focused on their outward activities. The most common of these by far is export of products (Figure 10.8). Export of services is the second outward activity most frequently used. The proportion of Australian, British and French companies engaged in export of services is about 40 per cent, whilst Mexican SMEs have a much lower percentage. This may be attributable due to a lower level of economic and technological development. Export of services together with export of products may be considered the two most basic international activities. However, there are other more complex activities that are knowledge-based and thus more advanced. Few SMEs engage in these, although knowledge is increasingly becoming an important source of comparative advantage among SMEs with overseas activities (OECD 2001; European Commission 2004).

Figure 10.8 Surveved SMEs engaged in direct international activities by country

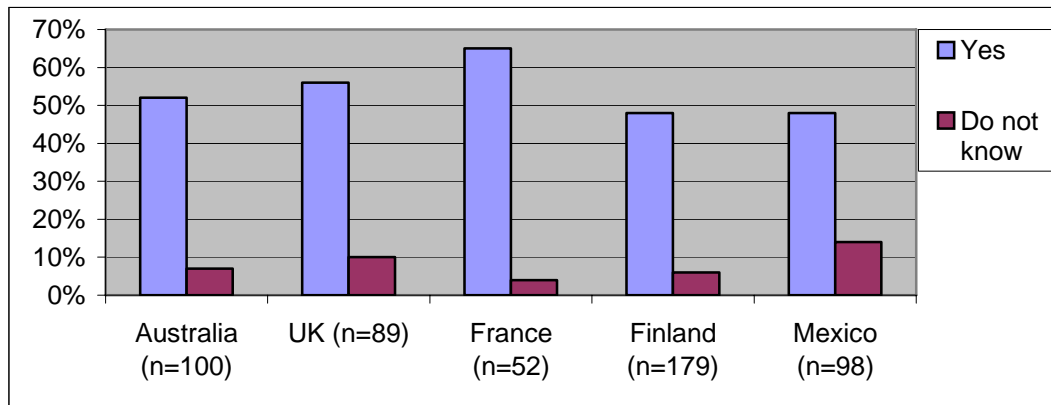


One example of advanced overseas activities is the sale of know-how. There are large differences amongst the five countries, with French companies being the most active and Mexican companies the least active. SMEs may also receive income from overseas customers from a variety of other services. One British manufacturing manager obtains consultancy fees, an Australian manufacturing manager receives income from a manufacturing licence, and a Mexican manager receives sales commissions from representing foreign products. One Finnish SME offers local warranty service to purchasers of well-known household products. A few French SMEs were licensing patents and a few British companies obtained income from franchise agreements.

Indirect outward international activities

A large number of companies initiate internationalisation activities indirectly. In the general survey, this was the most common export strategy for just under two-thirds. Figure 10.9 presents the results for the five countries and there are no significant differences among them. To become international through another, probably larger, company has several advantages. The SME manager may use this approach as a learning experience that would help the company to develop skills, knowledge of overseas markets, and improve its organisational capabilities (Burpitt and Rondinelli 2000). Some SME managers exploit indirect activities as part of a long-term strategy. About one-in-ten of managers do not know if their customers use their products or services internationally

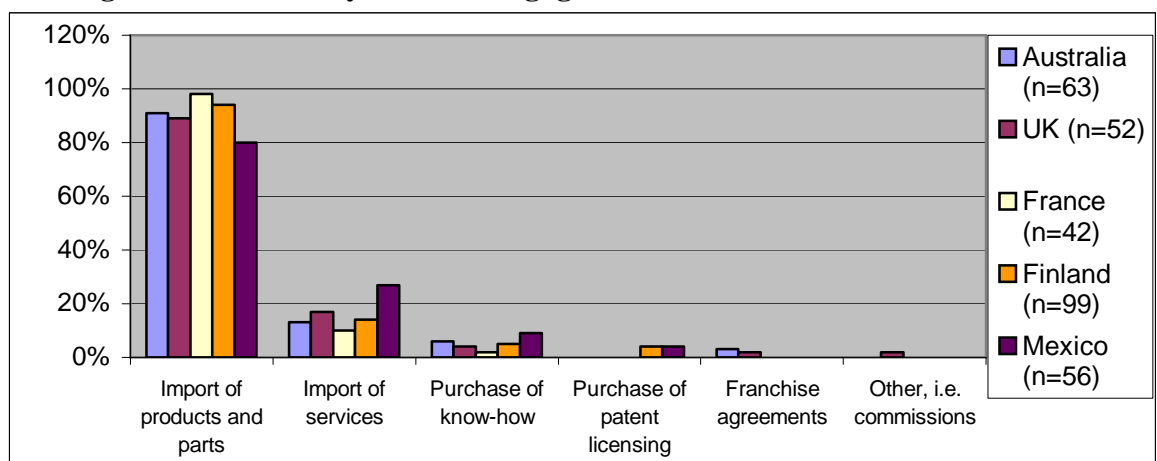
Figure 10.9 Surveved SMEs engaged in indirect outward international activities



Inward internationalisation

A large number of SMEs initiate activities first in their domestic markets, followed by importing before they decide to export (OECD 1997). Most literature on the internationalisation of the SME has focused on outward activities. Nevertheless, more companies in this survey are involved in inward activities than in outward. For most SMEs, inward activities are an introduction to internationalisation (Jones 2001). Not surprisingly the great majority of SMEs in the five-country survey, about 90 per cent, import products or parts (Figure 10.10). The strategy followed by the SME managers from the five countries is very similar. There are barely any significant discrepancies. The import of services comes a long way behind import of products. The four other inward international activities, all knowledge-based, are not used very frequently, with the possible exception of purchase of know-how.

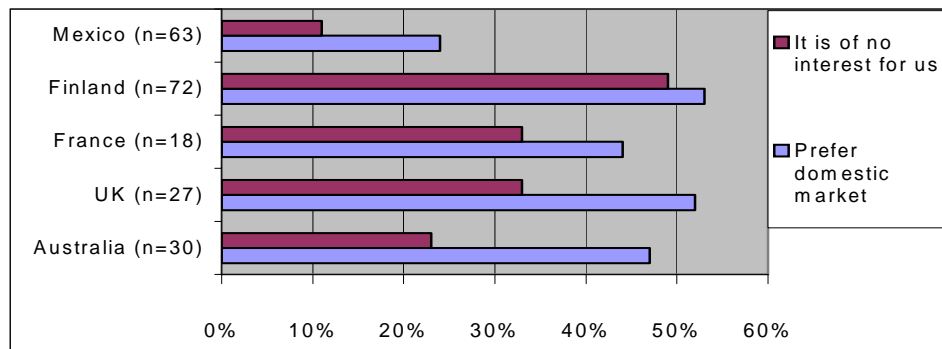
Figure 10.10 Surveved SMEs engaged in inward international activities



Companies without international activity

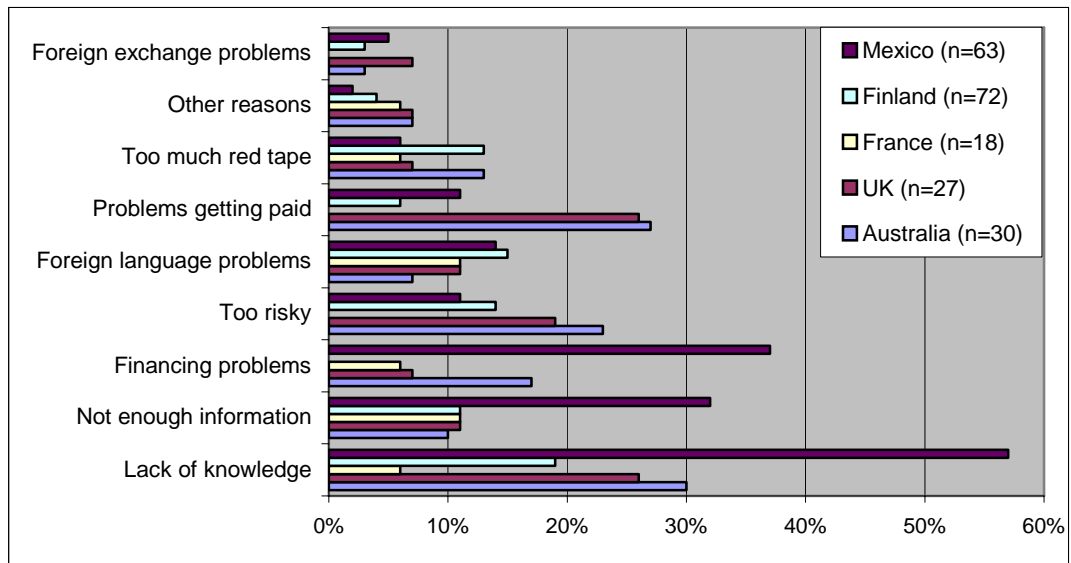
The companies that do not have any type of international activity form a minority. They may be divided into two groups: companies that would not even consider going international, and companies that find barriers, either at the domestic or international level, too high (European Commission 2004). The first group of companies prefers to concentrate on the domestic market considering this enough to cover present and future needs of the company (European Commission 2004). About half of Finnish, French, British and Australian firms fall into this category, but fewer than a quarter of Mexican firms (Figure 10.11). The second reason, that it is of no interest for them, is conformed by those managers that would not even consider going international. It may be because they do not have the ambition, or do not want to grow or are risk-averse (European Commission 2004). However some other reasons may be due to the nature of the business. It might be that the product is unsuitable for overseas markets or perhaps the company has a privileged situation in the domestic market. In any case there are wide variations among countries, ranging from nearly half of Finnish managers to just over one-tenth of Mexican managers.

Figure 10.11 Surveyed SMEs with no interest in international activity



SME managers in the second group, the one that finds barriers too high, argue that what is holding them back from going to overseas markets is lack of knowledge (Figure 10.12). Mexican managers seem to face higher obstacles than other managers in the lack of knowledge and the dearth of information for the internationalisation of their SMEs. Financing problems is another of the hurdles faced by Mexican managers, but not a single Finnish manager selected this option.

Figure 10.12 Barriers to international activity perceived by managers of surveyed SMEs without international activities



It is interesting that foreign language problems are of only secondary importance as barriers to internationalisation. Nor are the differences great between Finnish managers who cited this cause most often and Australian managers, the group that spoke the most different languages in this survey. The great majority of managers speak English, the language of business. This may be the explanation why language is not a problem that ranks high in the concerns of SME managers for not exporting.

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CHAPTER 11

NATIONAL CHARACTERISTICS OF THE SME MANAGER'S INFORMATION ACQUISITION

Introduction

In a previous chapter, the gathering and use of information for the internationalisation of the SME was presented. The information-seeking behaviour of the SME manager was analysed. There are five types of information that the SME manager usually needs in the internationalisation of his company: market and commercial information; legislation and regulation; financial and economic information; technological and scientific information; and political information. The manager obtains the information he needs from three main sources: human, institutional, and media sources. The use of information and communication technology is widespread among SMEs; more than four-fifths of the companies that participated in the five-country survey have a website. The language that is most frequently used in websites is English; even when the company is not from an English-speaking country.

Information acquisition of the SME manager

The SME manager tends to gather international information, either for work or social reasons, not as a separate activity, but as part of his normal working day. He is constantly dealing with international information (Reid 1984). But with so much information available, it is difficult even for the experienced manager to distinguish what is important and what is not. The manager who finds information that is useful for the company may achieve a competitive advantage (Porter and Millar 1985). But to be of any use, information needs to be internalised and mixed with information the SME manager and other key people in the company already possess and use (Macdonald 2000; Knight and Liesch 2002). The new information needs to be transformed to obtain new international knowledge as 'knowledge is created from information' (Knight and Liesch 2002).

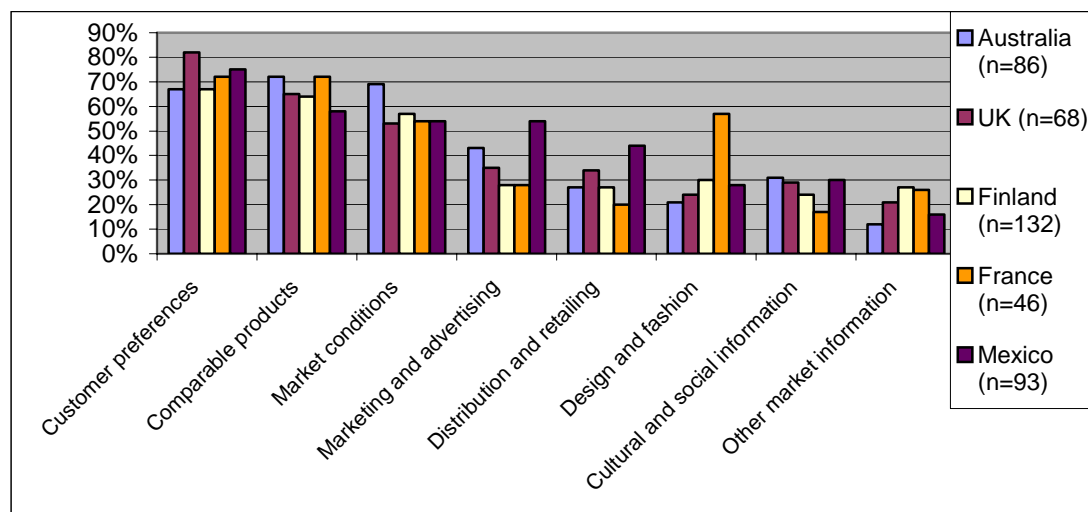
Information internalisation is the process of absorbing both tacit and explicit information into the organisation and translating it into knowledge ... Internalised information and knowledge are critical antecedent assets in the internationalisation process. Knowledge, which is inferred or acquired implicitly over time, so called 'tacit knowledge,' is particularly important in the internationalisation of numerous firms. (Knight and Liesch 2002: 4-5)

There are indirect benefits in the tacit knowledge and experience that the manager and his company acquire when the company engages in international activities (Toften and Olsen 2003). The accumulated experience may prove useful in the information-seeking activities of the SME manager. Managers interested in engaging in international activities are aware that failure may threaten the company's viability. This situation necessarily focuses the manager's efforts in acquiring information that is frequently needed (Liesch and Knight 1999; Knight and Liesch 2002).

Market and commercial information

SME managers in this study seem to be market-led. The type of information most valued by managers, not only in this group but overall, relates to customer preferences and needs (see Figure 11.1). Managers need to be well informed of comparable products and services offered by their international and domestic competitors (Richey and Myers 2001). Managers in all five countries assign relatively similar level of importance to this type of information and there are few national differences. Managers monitor market conditions regularly (Richey and Myers 2001). Marketing, advertising and promotion information, as well as distribution and retailing information have particular importance for Mexican managers. One possible explanation is that some of the data came from an advertising society.

Figure 11.1 Type of market and commercial information valued by SME managers



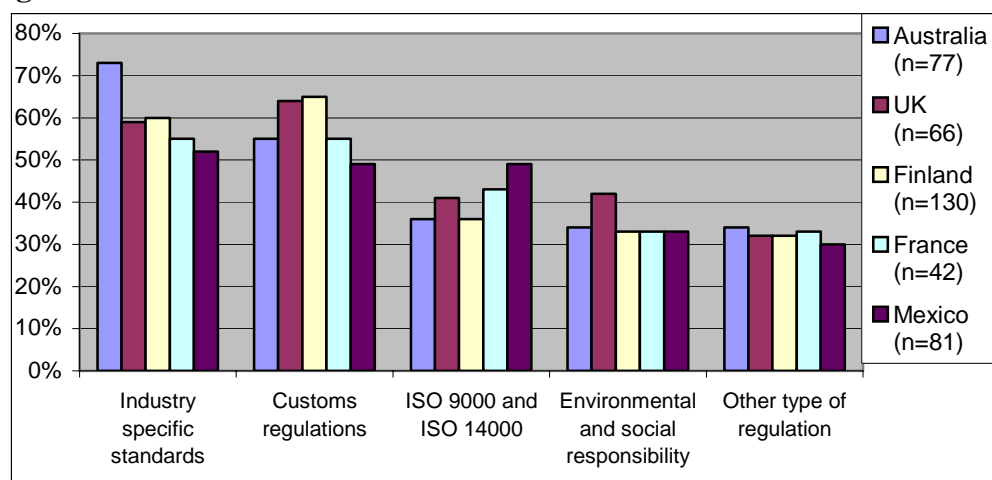
Note: Percentages do not add up to 100 because of possible multiple answers.

An interesting point is that French managers pay significantly more attention than managers from the other four countries to design and fashion information. The French have traditionally excelled in these two areas and their products are considered elegant and well designed. Design is a tool that SME managers may use to differentiate their products from those of their competitors by making them attractive while at the same time attempting to reduce costs (Thackara 1997). Cultural and social information is of little importance for these managers, which is consistent with Wood and Robertson (2000). This finding adds weight to the argument that the information-seeking behaviour of managers worldwide is becoming more alike.

Legislation and regulation information

Managers have similar choices in the type of legislation and regulation information they demand (Figure 11.2). The lack of major variations is an example of how SME managers worldwide are affected in a similar way in their need to conform to regulation. Most economic sectors are becoming more specialised and there are industry specific standards that the company needs to comply with at the local, national and international level. Custom regulations occupy an important place in the information valued by this group of managers. ISO 9000 quality and ISO 14000 environmental certifications are recognised worldwide and are needed by a growing number of companies with direct and even indirect international activities, as this certification is also necessary for many suppliers.

Figure 11.2 Type of legislation and regulation information valued by SME managers

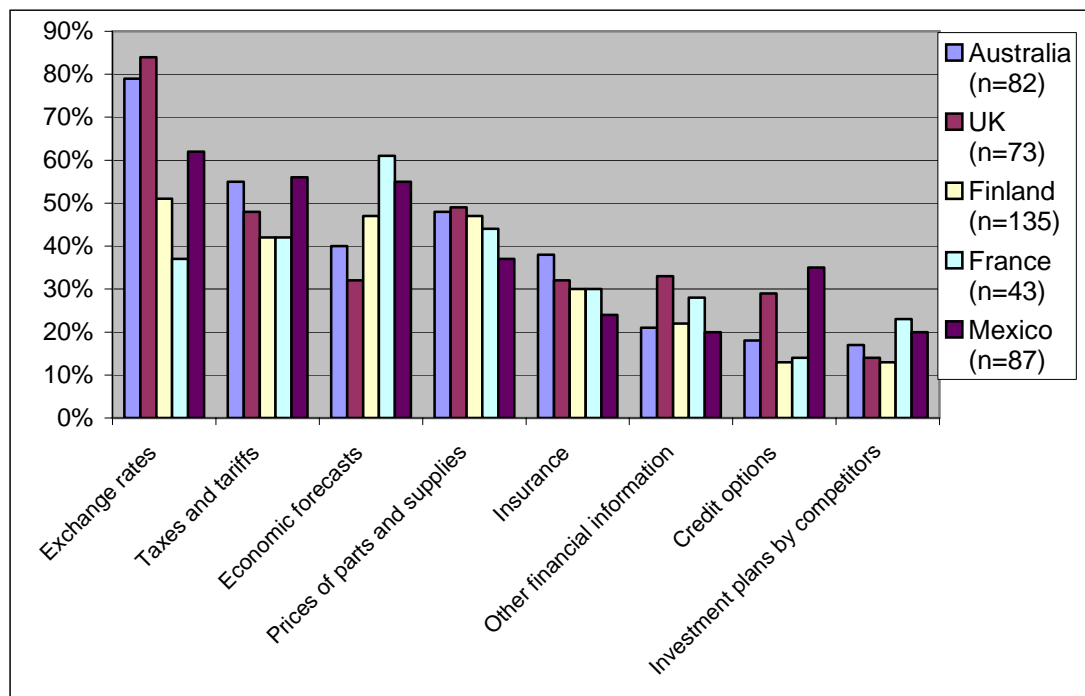


Note: Percentages do not add up to 100 because of possible multiple answers.

Financial and economic information

In the use of financial and economic information by managers, there are, again, only minor differences (Figure 11.3). Managers need information on exchange rates if they are trading in other currencies. Finnish and French managers dealing principally in the euro, their own currency, are much less interested. However, British, Australian and Mexican managers need this information as they have active trade with countries with other currencies. Tax and tariff information have an important place in the interests of Australian and Mexican managers. This may be related to the complexity of the taxation system in their own countries or in the countries they are trading with.

Figure 11.3 Type of financial and economic information valued by SME managers



Note: Percentages do not add up to 100 because of possible multiple answers.

For Mexican managers, access to credit is an important priority. Dussel-Peters (2001) describes the case of a Mexican owner-manager with two companies on the US-Mexico border, one located in Ciudad Juarez, the second in El Paso, Texas. He asked for credit for both companies. On the Mexican side, he faced high interest and a bureaucratic process and his credit application was denied. It was much easier to obtain credit for his company on the American side through the Small Business Administration Agency. Such experiences were also evident in the survey:

Compare the interest payable when acquiring a loan in Mexico with other countries, especially the type used to support small enterprises in the US, and the way the [Mexican] company is affected by having to pay [high] interest. (Mexican manager).

Sources of information

The sources that provide SME managers with the information they use may be divided into three groups: people, institution and the media.

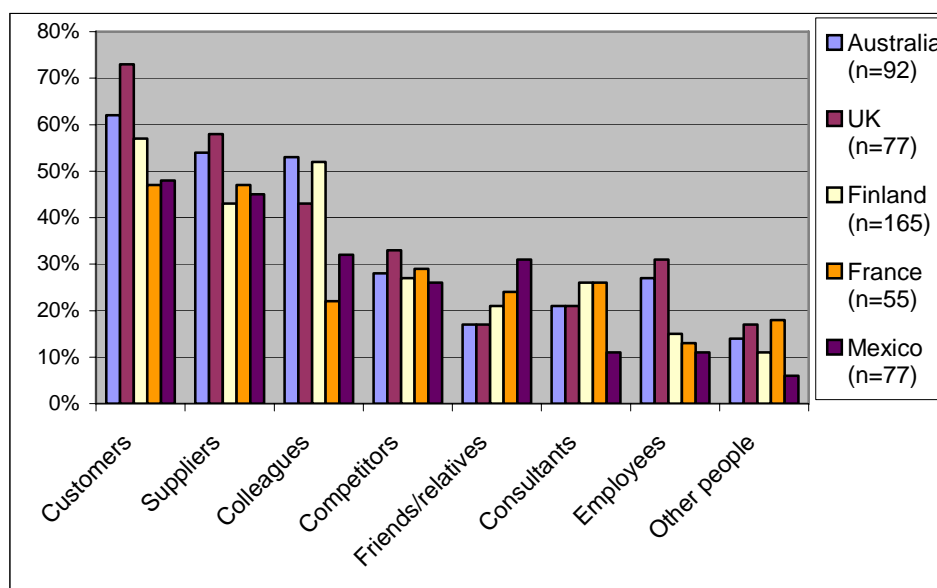
People

The three key human sources are customers, suppliers and competitors (Fuller-Love and Thomas 2004). However, in this study, colleagues also play an important role. Most SME managers prefer to obtain information from human sources as they may interact, to clarify and interpret (Davenport 1994). There is evidence that Finnish managers usually find the stimulus to initiate international activities either by chance or most likely through a personal source outside the company (Lautanen 2000).

The most valued source of information overall for the manager are customers, specially for the British and Australian managers (Figure 11.4). Australian and British SME managers are also the ones that consult suppliers and colleagues most often. Australian managers often become involved in international activities as a result of close relationships with suppliers (Welch and Luostarinen 1993). Australian, British and Finnish managers consult work-related colleagues more often than do managers from France and Mexico. Competitors are similarly used as sources of information for managers from the five countries. There is evidence in the literature of Finnish companies initiating international activities as a result of following pioneering domestic competitors, who may have acted as the trigger (Holmlund and Kock 1998).

Friends and relatives play a more important role as sources of information in Mexico and France than in the other countries, especially the UK and Australia. Mexican managers tend to rely less on the use of consultants as sources of specialised information, and more on the advice of friends and relatives. This is, perhaps, an indication of strong family ties. Employees are, reputedly, always the most important company asset; however, Australian and British managers actually seem to consult them more often as sources of information than their counterparts.

Figure 11.4 Human sources of information for SME managers



Note: Percentages do not add up to 100 because of possible multiple answers.

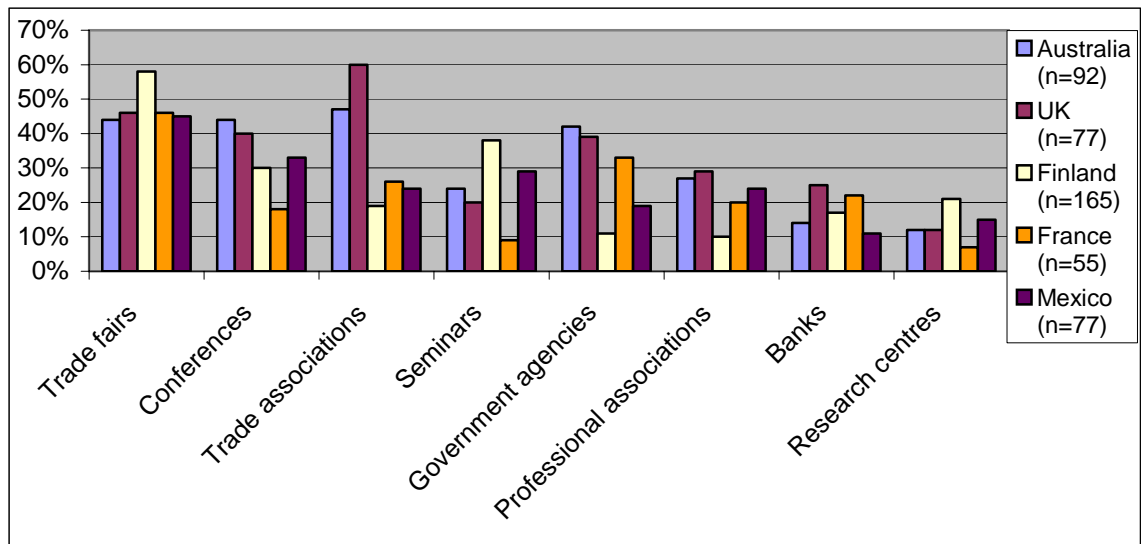
SMEs usually have the first contact with international activities through inward activities; this is a reflection of the continuing internationalisation of the world economy. A company may start by importing supplies, machinery and technology (Welch and Luostarinen 1993). Inward internationalisation may also be the result of the SME manager having formed partnerships with foreign distributors, trading companies and specialist companies (Liesch and Knight 1999). Managers who gain international business experience through inward activities may later move on to outward activities. There are examples in the literature of Australian companies that started as franchisees or licensees of overseas companies entering Australia; these companies later became Australian franchisors or licensors to other countries in the Pacific region (Welch and Luostarinen 1993).

Institutional sources of information

The most important institutional source for most managers is trade fairs, especially for Finnish managers (Figure 11.5). Trade fairs attract SME managers because they may find in one place, not only possible customers, but also competitors and suppliers. In trade fairs, there is a high level of interaction between the supply and the demand, namely the producer and customer (McAuley 1993). British and Australian managers attend conferences more often than their other counterparts; Finnish managers attend

seminars more frequently. British and Australian managers rely more on trade associations than managers from the other three countries, as they are perceived as an important source of reliable information. Many SMEs belong to two associations, one specific to the sector (e.g. manufacturing), the second is more specialised and related to the type of product or service the company offers (e.g. furniture) (Reid 1984).

Figure 11.5 Institutional sources of information for SME managers

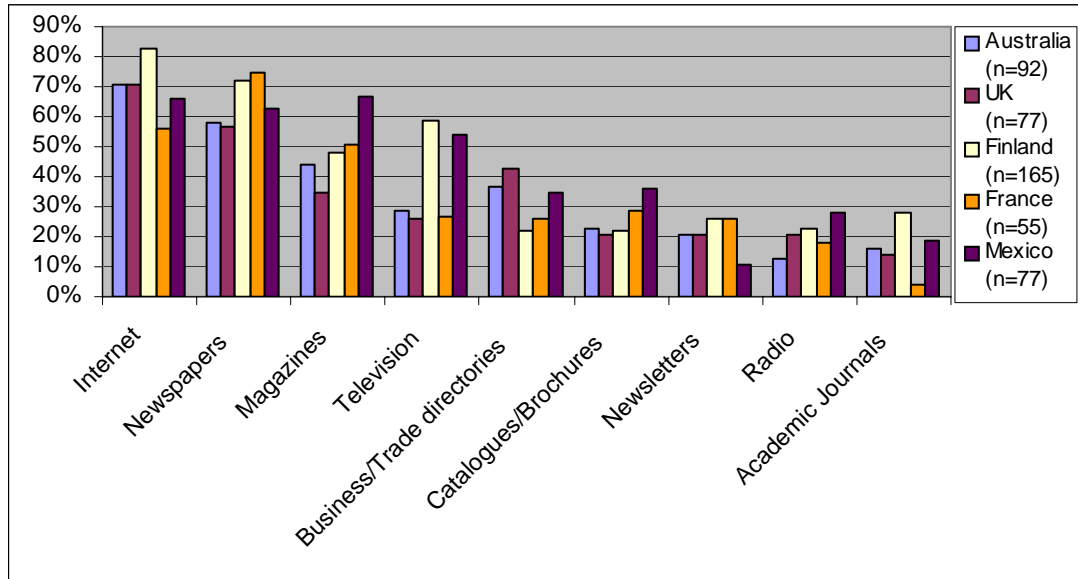


Note: Percentages do not add up to 100 because of possible multiple answers.

Media sources of information

The most consulted media source is the Internet (Figure 11.6). The attractiveness of the World Wide Web lies in instant access to millions of websites and up-to-date news information. However, SME managers need a search strategy as much of the Internet information is trivial, and the manager’s time is scarce. Managers surfing the Internet may visit actual and potential competitors’ websites to benchmark the products and services offered. However, Northern Irish SME managers do not seem to use the Internet to learn from competitors (Webb and Sayer 1998). The importance of the Internet for managers varies: Finnish managers use the Internet most, and French managers least. These findings are a reflection of Finland being ahead of most countries in Internet use, in penetration rates and in having many secure Internet servers (OECD 2000; 2002). The low usage of the Internet by French managers calls for an explanation. France was a world pioneer in electronic technologies with Minitel. However, managers familiar with Minitel were late adopters of the Internet (OECD 2000; 2002).

Figure 11.6 Media sources of information for SME managers



Note: Percentages do not add up to 100 because of possible multiple answers.

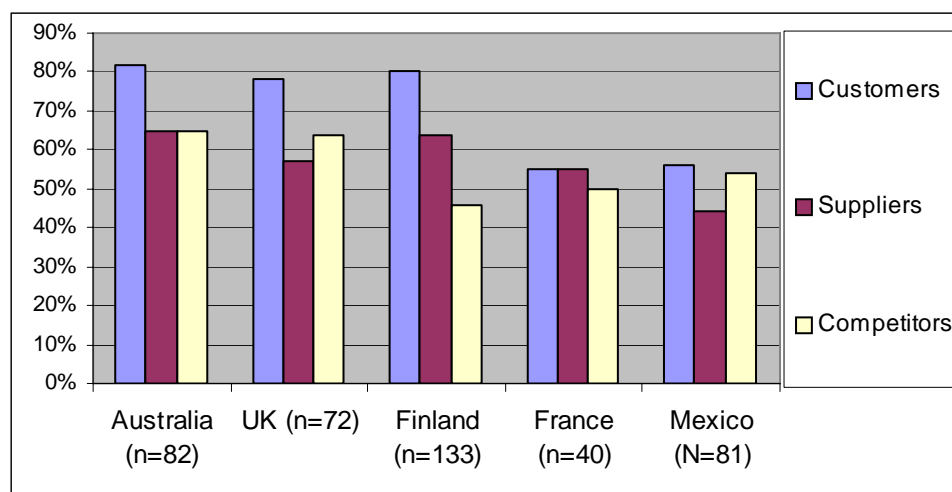
Newspapers are still a traditional source of information for SME managers from all countries. Managers chose newspapers as their second most used source of information, with the sole exception of French managers who preferred consulting newspapers to using the Internet. Magazines cater to specific information needs; Mexican managers regularly use magazines for information, but British managers do not as much. The level of importance of television as a source of information varies a lot, with more than half of Finnish and Mexican managers using it, as opposed to about a quarter of Australian, British and French managers, who prefer other information sources. It may be that television is a convenient option that allows combining the acquisition of information with leisure. Australian, British and Mexican managers rely more on business and trade directories than French and Finnish managers. SME managers acquire and consult catalogues and brochures, soliciting them by mail, visiting stores, collecting them during their trips, or by attending international trade fairs. Managers use this commercial literature as part of their information-seeking behaviour and benchmarking activities. Mexican managers use this source of information most, but make little use of newsletters. This possibly reflects low levels of association membership in Mexico or poor dissemination activities. Academic journals are not an important source of information for managers as the information they contain is not sufficiently current for the manager's needs. Besides, outside academia they are difficult to obtain and are written in a style that is not easy for the practitioner to understand.

Means of acquiring information by SME managers

Most SME managers that participated in this survey acquire information from the three key human sources of information: customers, suppliers and suppliers (Fuller-Love and Thomas 2004). Surveyed managers were asked how they obtain information about conditions overseas, and whether they prefer using informal means, or formal means, which are more of the institutional form. The most common practice across the five countries is to obtain the information that is needed by informal means. The typical SME manager in this survey is middle-aged, well educated and experienced. He is able to capitalise on the apparently unrelated information he acquires through informal means and make connections that may become relevant for his company. Managers with extensive international experience prefer using personal visits and face-to-face contact with actual and potential customers and representatives to obtain the information they need (McAuley 1993).

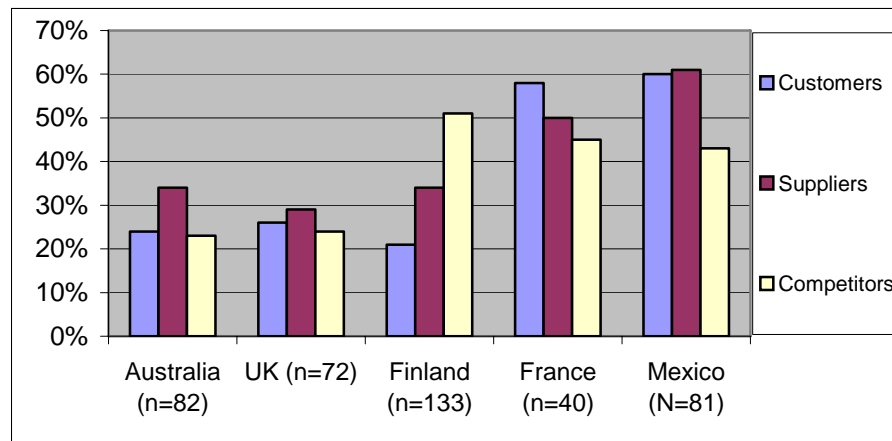
About 8 in 10 of Australian, British and Finnish managers use informal means for acquiring information from their customers (Figure 11.7). Surprisingly, this practice is less common among the French and Mexican managers. Frequent use of informal means reflects, perhaps, closeness and trust among the different members of the value chain. In the case of competitors, British and Australian managers use informal means more often than their counterparts.

Figure 11.7 Informal means of acquiring information by SME managers (n=408)



Most surveyed managers recognise that informal means are important, but need to be complemented with formal means for the good functioning of the information needs (Macdonald 1996). French and Mexican managers use formal means to acquire information from customers, suppliers and competitors more frequently than their counterparts (Figure 11.8). The sole exception is the high number of Finnish managers that prefer dealing with their competitors formally. Mexican SME managers prefer using formal means when dealing with customers and suppliers, but less so with competitors. An interesting point is that even though the types of information and consulted sources are relatively similar for the managers of the five countries, this is not the case with the means of acquiring information. There were well-defined differences across countries.

Figure 11.8 Formal means of acquiring information by SME managers (n=408)



Websites

Most of the surveyed companies have websites. In Australia, the UK and Finland, the overwhelming majority of companies have a website (Table 11.1). Even in Mexico, the country with fewest websites, over half of companies have websites. One Mexican manager claimed that customers perceive a company with a website as “serious and modern.” Australian managers make the greatest use of the World Wide Web as part of their strategy to break what has been called “the tyranny of distance” (OECD 2002).

Table 11.1 Websites in five countries

Country	Number of SMEs	Percentage with websites
Australia (n=100)	92	92%
UK (n=89)	81	91%
Finland (n=190)	164	87%
France (n=59)	46	78%
Mexico (n=104)	53	51%

Finland SMEs offer websites written in all but one of the 12 languages offered as options in the survey (Table 11.2). Finnish SME managers resort to a variety of languages in their websites to communicate with actual or potential overseas customers, as their language is not spoken outside their own country. Nevertheless, the most important language in Finnish websites, by far, is English; over half of all websites use it. The situation is similar in other two non-English speaking countries, France and Mexico, where the first choice of foreign language is clearly English. The SME managers from the two English-speaking countries in the survey, Australia and the UK, use English almost exclusively in their websites; other languages are only used occasionally. There are several cases in which companies from non-English speaking countries do not use the national language at all; their websites are written entirely in English.

Table 11.2 Foreign languages used in websites (n=388)

<i>Countries</i>	1st foreign language	%	2nd foreign language	%	3rd foreign language	%	Number of different languages
UK (n=92)	French	5%	German	4%	Spanish/ Italian/Other	1%	6 each
Australia (n=101)	Other	4%	Japanese	2%	-----	-----	3
Finland (n=149)	English	52%	Swedish	19%	German	9%	11
France (n=35)	English	80%	German	26%	Spanish	17%	7
Mexico (n=107)	English	39%	French	2%	-----	-----	3

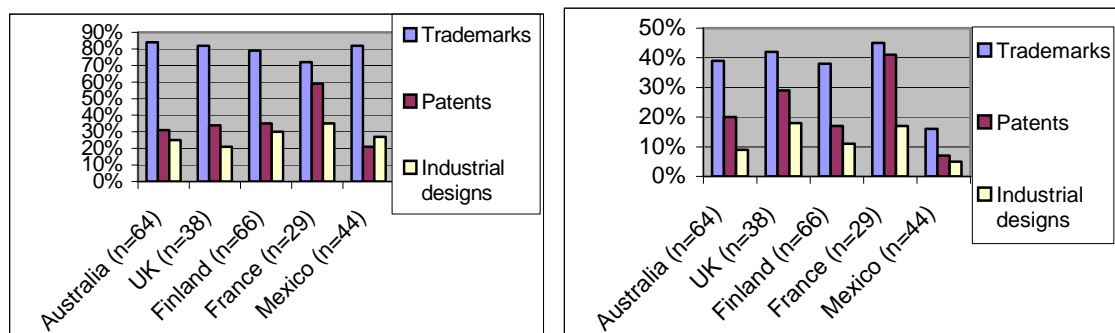
Note: Percentages do not add up to 100 because of multiple possible answers.

The language skills of Australian managers, the most polyglot group by far, are not reflected in their choice of website languages. Interestingly, the country with the highest use of a second language is France. French people are very proud of their language and the government goes to great lengths to defend it (*Economist* 2001; 2002; 2004). However, when French managers are faced with the commercial reality of having to communicate with overseas customers, they are the non-English speaking country with the highest use of English in their websites.

Intellectual property rights (IPR)

Few SME managers apply for intellectual property rights (IPR). Reasons for the low usage include the high cost of filing, the slow and bureaucratic process, and the territorial nature of the system (Blackburn 2003). This is why a large number of SME managers resort to using informal practices to protect their company's IPR (Blackburn 2003). When SME managers do register their IPR, they have to register first in their own country, which is why registration is less common overseas (Figure 11.9). The most common IPR is trademarks, followed by patents and industrial designs. French managers seem to have a greater propensity to patent, both at home and abroad, than other managers.

Figure 11.9 Intellectual property rights used by SME managers
In own country **In other countries**



The use of IPR in other countries is much lower than at home. Mexican managers have the lowest IPR overseas of all, indicating internationalisation based on indirect exports and the sale of physical products. It may also reflect the level of economic development.

Mexican company using its trademarks in Japan

A Mexican family business produces and commercialises agricultural products, such as fresh avocado and fresh mango. The company exports 100% of its production. When the company was created, the owner-manager attended several international trade fairs and studied various overseas markets. The American market is huge, but is driven by volume considerations. The Japanese market, though smaller, is driven by quality criteria and it pays much more than the American market. This is why the owner-manager decided to target the Japanese market. He selected the niche market of restaurants in Japan, using specialised importers, as opposed to wholesalers. To attack the very demanding Japanese market and position its products, the company registered several trademarks. The company also developed innovative packaging that aids the transportation of the product. Thus, the avocado and mango arrive in pristine condition, fresh and ripe. Attention has been given to the way each product is displayed and labelled. Each product comes with a leaflet, with recipes and serving suggestions. The company only has nine full-time employees, but it indirectly employs hundreds of people in packing houses.

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CHAPTER 12

OBSERVATIONS

This chapter provides the opportunity, with hindsight, to highlight some of the research findings of this project. In the first chapters, the evolution of the international economy from the 1870s to the 21st century was discussed. During most of this period, large firms dominated international trade. But from the 1980s onwards, a wave of internationalisation offered SMEs the opportunity to participate in international activities. This was the result of a combination of technological, social, cultural and economic forces that had a profound impact on international trade. The WTO (2001) reported an expansion of about 7% per annum in volume terms in world trade during the 1990s. A growing number of SMEs emerged during this period which seem to have derived advantages from the increasing international trade in products and services, better transportation systems, the expansion of financial services, the trend of large companies to downsize and outsource activities to low-cost countries, inexpensive international flights, the wide-ranging use of ICT, and the use of English as the international language of business (UNCTAD 1993; Edwards 2004; Power 2005).

Traditionally, SMEs restricted their activities to their local economies. But over the last two decades, there has been increasing participation of SMEs in direct and indirect international activities. The number of SMEs without any sort of international activity or without overseas clients or suppliers keeps decreasing. Internationalisation has usually been portrayed as an outward, gradual export-led process that works in a sequential manner. However, for most SMEs, the first contact with overseas products and services is usually through importing. In the European Union (2004) about 30% of all SMEs import from foreign suppliers, while about 18% conduct outward international activities (European Commission 2004). The percentage of exports is higher when countries from other regions are included. In the OECD and APEC economies, SMEs contribute between 25% and 35% of the world's manufactured exports (OECD 1997; Hall 2002).

This study is presented from the perspective of the SME manager. The manager is the central figure, driving force, main decision-maker, and information gatekeeper of the firm (Macdonald and Williams 1993; Menou 1995; Holmlund and Kock 1998). One of

the main purposes of this research has been to discover the role of awareness in the survival and internationalisation of the SME. The manager needs to be alert and well informed about market factors, but the problem is that he does not always know what he needs to know.

An internationalisation awareness model is proposed that attempts to explain how managers perceive international threats and opportunities, regardless of whether they are generated in their own domestic market or come from overseas. The decision to internationalise is made as a result of a driver. The driver may be a push driver, internal to the company; or it may be a pull driver that is generated overseas. This driver sets in motion a search for information. Managers who are engaged in international activities try to keep abreast of different types of information. This is the case with financial and economic information, political information and with information about legislation and regulation. Managers also need to acquire market and commercial information, and technological and scientific information. In this study sources of information were divided into three groups: media, institutional and human sources. The manager acquires information by informal means or by formal means (Macdonald 2000). However, the complexity of information forces SME managers to use a variety of means of information acquisition.

The survey results came from a group of companies with between 10 and 250 employees, located in five countries, of different sizes and stages of development, on three different continents. Caution is advised when deriving generalisations and conclusions from the findings. Nevertheless, this research has provided evidence of the myriad ways by which companies can become international. Because the SME manager is the driving force behind the internationalisation of the SME, it is important to consider the manager's personal motivation and the awareness that comes from education, previous work experience, command of foreign languages, experience of living overseas, overseas trips, and push and pull factors.

The SME manager

The demographic characteristics and the international experience of managers were analysed. The similarities among managers in the five surveyed countries easily outweigh the differences. Most of the literature has focused on the managers'

differences, perhaps missing the many similarities they share. They have the same needs and the same problems. Most of the surveyed SME managers were owner-managers, indicating the prominence of family businesses. The great majority of managers were male and middle-aged. Female managers were younger (only one was over 60). Most managers gained work experience from large firms. In a large company, the manager receives training, makes contacts, gains professional experience, and becomes acquainted with international markets; all of which may be useful when leading a SME.

A quarter of surveyed managers had lived abroad, usually in Western Europe or North America. Living abroad increased managers' awareness of overseas markets and exposed them to new ways of thinking. These managers were well-travelled: ease of travel means that the SME manager does not distinguish between holiday and business trips in spotting emerging business trends, obtaining new ideas, visiting customers and suppliers, and checking on competitors. Information and communication technologies (ICT) allow SME managers to keep in touch with the office, customers and suppliers. In the past, SME managers may have been reluctant to be out of contact with their businesses for long. But now SME managers may travel overseas, acquiring important information and ideas that may be brought back to their companies, while at the same time being reachable just about anywhere in the world.

The SME and internationalisation

The average company in this survey was nearly three decades old, which suggests that these companies have accumulated vast experience and are well established. Nearly half of these managers reported that their companies started international activities within five years of their creation. This challenges the notion of incremental internationalisation. Most surveyed managers responded to external stimuli coming from the target country. Some of the most common of these external stimuli were growing overseas markets and the need to follow customers going overseas. The managers at the head of this type of company were proactive and tended to have a high level of awareness. However, other managers responded to internal stimuli coming from the company or home country. Some examples are their companies' surplus production capacity, or a shrinking domestic market. These managers were reactive to internal stimuli at either the company or home country level.

Inward activities tend to be the first type of international contact for many companies and may lead to outward activities as the manager and company gain experience and get to know more people (Welch and Luostarinen 1993). The surveyed companies had intense inward international activity, nearly two-thirds of them importing products and parts from overseas suppliers. These companies were not very active in more complex forms of inward internationalisation, such as buying know-how and franchising. By far the most common type of outward activity was indirect export of products and parts. This seems to indicate that the company is supplier to another, possibly larger, company. Less important were direct export of products and services. These companies were much less active in such knowledge-based activities as selling know-how or licensing.

Policy makers

Most countries have recognised the economic and social importance of SMEs by establishing government departments or agencies with specific responsibility for SMEs, and SME-dedicated websites that provide information thought to be relevant to them. A major concern is the high level of mortality among SMEs. Policy makers often pay only lip service to SMEs, their support being mostly moral with few resources to back it up. To make matters worse, they are often ignorant of the real needs and characteristics of the SME sector and have a patronising attitude. Many policy makers are themselves a product of business schools and were taught to manage from the perspective of the large firms and their export-led activities.

Policy makers have often created programmes to promote the internationalisation of the SME. These programmes are usually established to assist potential exporters to enter overseas markets. In many countries, governments provide trade representatives in overseas markets, international marketing intelligence, and grants for companies to participate in international trade fairs (Welch and Luostarinen 1993).

There is much less support from governments for SMEs to engage in inward activities, even though inward contact encourages SME managers to initiate outward international activity. Perhaps, one of the first studies to point out that the best practice policy has to be based on the holistic concept of internationalisation, was a Finnish country report, part of a larger study conducted by the OECD on the globalisation of SMEs; it pointed

out that the two-way nature of the internationalisation process needed to be taken into account in government promotion (Luostarinen *et al.* 1994). A rare exception is the Japan External Trade Organisation, which in the 1990s extended its traditional role from export trade promotion to include import promotion as well (www.jetro.go.jp). Few government programmes are tailored to the firm's degree of internationalisation; they generally have one-size fits all approach that pay little attention to the specific needs and challenges facing each firm.

Education

SME managers in this survey were highly educated. Over half had undergraduate degrees and over one-sixth postgraduate degrees. The complexity of the business world demands that SME managers should be highly educated to be able to understand and respond to the challenge of increasing levels of internationalisation. Most economies, societies and companies nowadays are increasingly based on knowledge (OECD 2004). That is why there is so much emphasis everywhere on people obtaining higher education qualifications. Younger people are, in general, more educated than their parents. Many gender inequalities have disappeared; for example, surveyed female managers were more qualified than male managers in all subjects, except engineering. It may be that educated female managers will bring new talents to the world of business – regardless of economic sector – to the way SMEs are administered, and to the company's international activities.

Higher education broadens the perspective and enables managers to be more receptive to new ideas. It should promote independent thinking. In general, the more educated the manager, the more aware he is likely to be of the world around him. He should be able to access and interpret a wider variety of information and make useful connections beyond the abilities of less educated and less aware managers. The more knowledge the manager has, the more likely it is that he will be able to use the information he acquires (Macdonald 2000).

Most SME managers obtained their educational qualifications in engineering and business; science came a distant third. SME managers did not often have qualifications in the social sciences, arts, humanities or other subjects. The traditional path for SME managers led through engineering. Engineers are people who know their trade, know

how to make products and are knowledgeable about engineering processes, but are not necessarily good managers. This problem has concerned science policy for decades. Policy makers have traditionally believed the solution consisted on training engineers on how to manage. However, this decision has affected other disciplines.

Many SME managers are taking postgraduate degrees in the form of MBAs to help supplement their engineering degrees hoping to become better managers. However, many more undergraduates are taking business degrees instead of engineering degrees. With a business degree, managers may acquire a better understanding of the business world. The growing number of SME managers with business degrees may bring benefits in terms of the way SMEs are run. However, there may be implications as well if managers sever their engineering roots altogether. A business degree may advance the career of female managers in particular; it may be their entrée to the business world, or perhaps the stimulus to their creation of SMEs. Surveyed female managers had a much higher proportion of business degrees than their male counterparts. Women seem to be using business qualifications to enter the ranks of SME managers in a way they could not through engineering.

International business culture

It is important to highlight that most of the existing studies on the internationalisation of SMEs have been focused on developed countries, that is, mostly, European and American firms. This study includes three European countries and Australia, but also a developing country: Mexico. Mexican SMEs are usually not part of international studies. Therefore, this study brings in a new, possibly fresher, wider and more inclusive perspective on the internationalisation of SMEs. It was found that Mexican managers had a similar information seeking behaviour than their counterparts in the other four countries. This group of managers, surprisingly, turned out to be the most educated one in the survey. Nevertheless, there are still some differences in the international activity of the companies depending on the country of origin. For example, Mexican SMEs were less internationally active than their counterparts, especially regarding import and export of services and know-how activities, considered a more advanced form of internationalisation than exporting manufactured products.

At the international level, the national cultures of many countries are converging (Ghemawat 2003). A process of international ‘McDonaldization’ is bringing widespread commonality of cultural, economic and behavioural influences to a large number of people in many different countries (Ritzer 2000). Even city centres are becoming alike in Britain (www.neweconomics.org) and across the world. Business schools everywhere offer similar curricula, built on the same management theories, Porter is taught everywhere. The same business bestsellers are sold in bookshops everywhere, some of which have become management fads affecting the way thousands of companies are run,²³ even when the theory is based on false data²⁴ (Byrne 2001).

SME managers gain access to information from similar sources. They travel often and they nearly all speak English. For most surveyed managers, market considerations are far more important than cultural considerations. When SME managers go overseas, there are few differences in business culture. This important point is often overlooked in the literature. It is perhaps time to revise theories that see culture as a key element in the internationalisation of the SME (e.g., Hofstede 1991). International opportunities are no longer limited to countries culturally close to the company’s home country (Nordström 1991; Liesch and Knight 1999). The fact that managers share so many characteristics makes culture a hurdle that is relatively easy to overcome.

Business schools attract a large number of students. In the UK, they account for one student in eight, and in the US one in five of the total undergraduate population (*Economist* 2004). One in four postgraduate students in the US are taking an MBA (Caulkin 2002; *Economist* 2004). Universities are happy to provide business degrees and courses to cater for a growing demand of students, allowing them to charge high fees. Many business schools have become cash cows for their universities. Many managers from large firms are attracted to these schools knowing that the qualifications will enhance both career and salary (Pfeffer and Fong 2004). It may be that SME managers studying in business schools have a different motivation; they are hoping to acquire practical knowledge. But some critics have claimed that most of what schools teach, and the way they do it, is irrelevant: “Running a business is studied to death in the UK; trouble is, we are learning the wrong things” (Caulkin 2002). A lot of what is

²³ For example: just in time, quality circles, benchmarking, re-engineering, management excellence and empowerment.

²⁴ This is the case of *In Search of Excellence* a book that has sold more than 3 million copies and is still one of the most popular business books.

taught in business schools is prescriptive and uniform, and there is little debate or critical thinking. International business is often still presented from the perspective of large firms, mostly modelled as a step-by-step process. But this has little to do with the irregularity and variety of the internationalisation of the SME. This is why the notion of awareness is important: the SME manager cannot rely only on what he learned at school to understand the complexities and opportunities of internationalisation.

English language in the SME

Language plays a central role in the internationalisation activities of companies, though its importance has been underrated (Marschan *et al.* 1997). The English language turned out to be by far the most important for conducting international business. In this survey, 84 per cent of managers were competent in English. This situation is probably to the advantage of SMEs in that, if a variety of languages were necessary to engage in international business, only large firms would have the required resources.

English has become the world's *lingua franca*, not only in business, but also in finance, trade, culture and technology. In the European Union, which comprises 25 countries with nearly as many different languages, English is the common language (Baker and Resch 2001). In the past, managers who engaged in international business with neighbouring countries had to learn the languages of these countries. It is estimated that non-native speakers of English now outnumber native speakers three to one (Power 2005). SME managers can resort to using English with their customers even when English is the first language of neither. They may use English as a filter: if something is important, it will be discussed in English. The use of English is spreading beyond SME managers; even rank and file employees of SMEs need to have at least a basic grasp of the language to communicate with overseas customers and suppliers (Baker and Resch 2001).

Companies from English-speaking countries obviously had their websites written in English, but rarely in other languages. Interestingly, although Australian managers were the most polyglot group by far, this was not reflected in their websites. Had language diversity been an advantage, it would have shown in the offerings of website languages. Yet, Australian websites had the least language variety. For companies from non-English speaking countries, English was clearly the first choice of foreign language. Some 44 per cent of English language websites in this study originated from countries

where English is not the native language. There were a number of companies from non-English speaking countries that had websites written only in English.

Over 70 per cent of surveyed firms had websites. The Internet has helped SMEs to bridge the physical distance between the company and customers and suppliers, regardless of location. Nearly all these SMEs used their site primarily to promote the company's products and services, and the company itself. Some SMEs claimed to be using the web to sell products and services when in reality what most of them are doing is just giving contact details and e-mail links. E-commerce demands a radical change in the company's strategy and logistics. It requires time and resources, which are precious and scarce in SMEs. In theory, the Internet should be an ideal tool for international activities. However, business-to-consumer Internet sales are of little importance, being targeted to domestic or regional markets (OECD 2002).

Information

Information is a prerequisite for performing any activity. With so much information available, the SME manager must distinguish between what is important and what is not. But information *per se* has no value until it is acquired, internalised and mixed with what is already in use. The first thing a manager wants to know is whether there is market potential for his company's products and services and, if there is, whether it is possible to gain access. The next step will be to determine who the customer is. The SME manager, the key decision maker in the company, tends to gather international information not as a separate activity, but as part of life as a whole (Reid 1984; McAuley 1993).

Managers were asked what information they need for the internationalisation of the company. Most valued of all was information about customer preferences and requirements, followed by comparable products and services, exchange rates, and political stability. Even SME managers need to be well informed about the political situation in distant countries. This says much about how interconnected the world economy has become. Of the three sources available to the manager, human sources are the most valued: customers, suppliers, competitors and colleagues not only provide information, but also give advice and offer background information (Davenport 1994).

Managers prefer informal means to acquire the information they need from customers, suppliers and competitors. The information acquisition activities of the manager may be broadly defined into specialist and non-specialist information. The manager, always

short of time and resources, tends to gather information not only at work, but in professional events and social gatherings as well. This type of information is personal and difficult to label and categorise because it is diverse and eclectic. On the other hand, the manager's information needs are complemented through specialist information for which the manager is willing to pay. This is the case of information that can be obtained through lawyers, patent attorneys, accountants and consultants.

Intellectual property rights

The patent system was devised to reward invention and promote innovation; it was originally designed to protect tangible products, but it has become increasingly used to patent the intangible, such as business methods, software and even the human genome (Jaffe and Lerner 2004). The economies of the most advanced countries and the products of the most important companies are based on knowledge, which IPR aims to protect. IPR was originally created as means to the ends of innovation, but the system has changed and it seems to have lost the reason for its existence in order to serve a number of interest groups (Macdonald and Lefang 2003). The exclusive nature of IPR might well have become the new trade barrier that affects developing countries and SMEs that do not feel included or benefited.

IPR gives the company a monopoly to exploit its intellectual capital. Blackburn (2003) explains that the IPR system was created with large firms in mind; it is complex, expensive and territorial. Blackburn (2003) argues that SME managers tend not to use IPR to protect their intellectual capital. If another company is found infringing the SME's IPR, legal action can be taken, but in practice most SME managers avoid this because it is costly and time consuming (Kitching and Blackburn 1999). SME managers prefer to rely instead on trade secrets and confidentiality clauses in employment contracts and in customer and supplier transactions.

However, this study revealed an interesting finding: many of the surveyed SME managers do use IPR, not only in their own domestic markets, but overseas as well. But even though they register IPR, they fail to use IPR as a competitive tool. It seems that this group of managers has responded to the advice of policy makers and other interest groups to capitalise on protecting their IPR and use it as a marketing tool (WIPO 2002; Sherwood 2004). But in reality they have derived very little overseas economic benefit from their intellectual capital. The international activities of SMEs are based on products and, to a lesser extent, services. There is little trade in knowledge.

Concluding thoughts

In the past, SMEs focused their activities on their own domestic markets. But internationalisation has changed many things; it is an irresistible force that affects, positively and negatively, the great majority of SMEs. The internationalisation options of the SME are numerous and diverse. They are not restricted to overseas activities with countries that have similar culture. They cannot be captured with models derived from the study of large multinational companies. SME managers in surveyed countries value similar information, use similar sources and conduct their business in English.

Evidence has been given in this research that SMEs do not necessarily follow a pattern of incremental internationalisation. However, even though for many companies the time from start up to initiation of internationalisation has been reduced, there is still some incrementalism. For example, the born global companies²⁵, that is, those companies that were created specifically with the purpose of seizing an international opportunity, are still the exception rather than the rule. In this survey, only about 4 per cent of the companies may be characterised as born global. Further work will be necessary to detect how significant it has been for SME managers to have had previous inward international experience before initiating outward activities. Inward internationalisation might have a more important role on international business than what has been acknowledged in the literature. This topic has been under explored in the past and it is just beginning to emerge.

The analogy of the SME and the large firm may be used in information terms. The large firm is a complex information organism (Macdonald 2000). It consists of departments with layers of people and with a specific function. In-house specialists provide most of the information that is necessary for the internationalisation of the large firm's activities. But its decision-making process is slow and cumbersome, and change is difficult. On the other hand, SMEs are nimble and opportunistic and use a variety of options to internationalise. They are flexible, inventive and niche oriented. The aware manager is the person who does most of the information gathering activity externally. The decision process is fast and responds to changing market conditions and customer demands. This is 'information nimbleness,' allowing the SME to occupy market niches with a first mover advantage to exploit its intellectual capital, before they attract large

²⁵ The term 'born global' was first coined in a study by the consulting firm McKinsey to the Australian Manufacturing Council in 1993. Born global companies started exporting only 2 years after their establishment more than three quarter of their total sales.

firms. A large number of these SMEs initiated international activities within the first few years of their creation.

The purpose of any doctoral research is the creation of new knowledge, but dissemination activities should also rank high in importance. Future work will include participation in international conferences and seminars, as well as the publication in international management journals that cover some of the following topics: international business, SME companies, SME managers, the role of information, family businesses, among others. There are other journals that cover some of the mentioned topics, but have a regional focus, that is European, Scandinavian or Mexican. Further work is necessary, to explore with more detail the reasons behind some of the differences between countries that were found in the survey. A possibility will be to team up with experts from each country to exchange points of view and come up with better explanations for the information-seeking behaviour of SME managers and the internationalisation strategies that were followed.

This research has managed to contribute something to the growing body of knowledge on the internationalisation of the SME by putting awareness of the SME manager pre-eminent. Indeed, awareness would appear almost a pre-condition for internationalisation. Information – not employees – appears to be the most important resource of the company (Liesch and Knight 1999). Information is created only with difficulty. However, most information is already in existence but elsewhere, it is the task of the aware manager to find and acquire this information. The aware manager is constantly scanning the domestic and overseas markets for information, acquiring, internalising and mixing it with existing knowledge to respond to new and evolving challenges (Liesch and Knight 1999; Macdonald 2000). The SME manager cannot rely on old knowledge and previous ways of doing things to compete in a demanding international market. That is why internationalisation is best approached from the perspective of the aware manager.

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APPENDICES

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Dear

The enclosed questionnaire forms part of a research study that analyses the internationalisation of small and medium-sized enterprises (SMEs). The research is particularly concerned with how the managers of SMEs become aware of circumstances and forces that influence their internationalisation. This may entail international activities beyond their domestic market, or international competition in their own national market.

SMEs represent in most countries nearly 99 per cent of all firms. Nevertheless, despite their economic importance, and the fact they provide over half of the total employment in most economies, there are few studies on their internationalisation. This study will be applied in five different countries during 2003.

I would be very grateful if you would contribute to this important study of internationalisation by answering the enclosed questionnaire. This is research that I am undertaking as part of my PhD studies. As a token of my appreciation, three respondents will be selected randomly to receive annual subscriptions to either *The Economist* or *Business Week* magazines.

The person who responds should be the owner and/or managing director (MD) of the company as some of the questions are addressed directly to him or her. This study will be used entirely for academic research purposes. Your answers will be kept confidential, and neither your name, nor the name of your company will be used. If your company is part of a group of companies, you should answer in respect of only your company, and not the group as a whole. This study is conducted at the University of Sheffield in the UK, for logistics reasons and to reduce costs, I would ask you to please send the questionnaire to the following address: Jorge Rodriguez c/o Prof. Peter W. Liesch, UQ Business School, The University of Queensland, Brisbane Qld 4072, Australia.

If you would like more information about the study, please do not hesitate to contact: Jorge Rodriguez, telephone +44 (0) 114 222-3386, fax +44 (0) 114 222- 3348, via e-mail: Jorge.Rodriguez@sheffield.ac.uk. My web page contains some articles on internationalisation: www.sums.ac.uk/phd/rodriguez.

Yours sincerely,

Jorge Rodriguez
PhD Researcher

General Company Data

Survey on the internationalisation of the small firm by Jorge Rodriguez, Sheffield U. Management School UK '03

If your company is a branch or subsidiary, answers to all questions should relate to your company and NOT the whole group.

1. In which economic category would you classify the main activity of your company?
 services manufacturing agriculture
2. Type of ownership of your company? (Please tick all that apply)
 family business part of a group of national companies
 sole proprietor part of a group of multinational companies
 limited or joint-stock company public limited company (plc)
3. In which year was the company founded?

4. Number of full-time employees (or full-time equivalent) of the company now?
 0-10 11 - 20 21- 30 31- 50 51 - 100 101- 250 +250
5. Number of full-time employees (or full-time equivalent) three years ago?
 0-10 11 - 20 21- 30 31- 50 51 - 100 101- 250 +250

International Activity of the Company

6. Roughly what proportion of your total production of goods or services is exported either directly or indirectly?
by quantity _____ % by value _____ %

7. Does your company receive any income from overseas?

Yes No

If 'Yes' from which activities? (Please tick all that apply)

- export of products or parts exports of services
 franchise agreements patent licensing
 sale of know-how other (please specify)

If your company receives no income from overseas, please proceed to question 13

8. Are any of your most important customers located overseas?

Yes No

If 'Yes', where?

- North America Western Europe Latin America Asia
 Australasia Eastern Europe other (please specify)

9. What are the company's main reasons for engaging in international activity?

(Please tick all that apply)

- growing overseas markets shrinking domestic market to follow customers overseas
 to follow competitors overseas to exploit full production capacity

10. How did your company begin its international activity?
(Please tick all that apply)
- exporting to a country with similar culture/language importing and later exporting
- exporting indirectly through your customers buying a company overseas
- setting up a branch or subsidiary overseas unplanned opportunity
- subcontracting to a company overseas
- entering into a joint venture with a company overseas
- acquiring a licence from an overseas company to make goods or services
- creating the company especially to exploit an international opportunity
- other (please specify) _____

11. How old was your company before it first received income from overseas?
- 0 to 5 years 6 to 10 years 11 to 15 years
- 16 to 20 years 21 to 40 years over 40 years do not know

12. How important to your company is your international activity?
- not at all important** ←————→ **very important**
- 1 2 3 4 5
-

13. Does your company buy from overseas?
- Yes No
- If 'Yes' what does it buy? (Please tick all that apply)
- products or parts services franchise agreements
- patent licenses know-how

14. Does your product or service reach consumers overseas indirectly through other companies?
- Yes No I do not know

15. If you have never had any international activity, which are the main reasons?
(Please tick all that apply)
- lack of knowledge / experience too risky
- prefer to concentrate on domestic market it is of no interest for us
- there is too much red tape foreign language problems
- problems getting paid not enough information
- foreign exchange problems financing problems

Personal Data

16. What is your position in the company?
- owner manager managing director manager other position

17. Please indicate whether you are: male female

18. What is your age?

under 21 21-30 31-40 41-50 51-60 61 or over

19. What is your highest level of formal education?

primary (up to 11 or 12 years of age)
 secondary (up to about 18 years of age)
 vocational
 tertiary (university/college)*
 postgraduate studies*

*Please indicate subject area:

Science (BSc) Engineering
 Arts Humanities
 MBA / business studies Social sciences (excluding business studies)

20. What jobs did you have before your current employment? (Please tick all that apply)

salaried employee in a large company government service
 salaried employee in a small company consultant
 worked in your family business academic
 worked in other companies you have founded this is my first job

21. Of which languages do you have at least a working knowledge? (Please tick all that apply)

English French German Spanish Portuguese
 Italian Finnish Russian Swedish Norwegian
 Japanese other (please indicate) _____

22. Have you ever lived overseas for any single period longer than a year?

Yes No

If 'Yes', where? (Please tick all that apply)

North America Latin America Western Europe
 Asia Australasia Eastern Europe
 other (please specify) _____

23. How many international trips have you taken (for business or for pleasure) in the last 5 years? _____

Where did you go? (Please tick all that apply)

North America Latin America Western Europe
 Asia Australasia Eastern Europe
 other (Please specify) _____

24. What were your reasons for travelling overseas? (Please tick all that apply)

visit friends or relatives attend conferences
 buy equipment or machinery take a break / holiday
 attend trade exhibitions check on international competitors
 study visit current or prospective customers
 other (please specify) _____

Type of International Information

25. What sort of information does your company need about conditions overseas to carry out its activities? (Please tick all that apply)

Financial and economic information:

- | | |
|--|---|
| <input type="checkbox"/> exchange rates | <input type="checkbox"/> investment plans by competitors |
| <input type="checkbox"/> economic forecasts and statistics | <input type="checkbox"/> prices of parts / materials / supplies |
| <input type="checkbox"/> insurance | <input type="checkbox"/> credit options |
| <input type="checkbox"/> taxes and tariffs | <input type="checkbox"/> other financial and economic information |

Political information:

- | | |
|---|--|
| <input type="checkbox"/> terrorism | <input type="checkbox"/> political events overseas |
| <input type="checkbox"/> political stability of countries | <input type="checkbox"/> other political information |

Legislation and regulation information:

- | | |
|---|---|
| <input type="checkbox"/> ISO 9000 / 14000 | <input type="checkbox"/> industry-specific standards |
| <input type="checkbox"/> customs regulations | <input type="checkbox"/> environmental and social responsibility laws |
| <input type="checkbox"/> other legislation and regulation information | |

Technological and scientific information:

- | | |
|--|---|
| <input type="checkbox"/> new manufacturing technologies | <input type="checkbox"/> information technologies |
| <input type="checkbox"/> new materials | <input type="checkbox"/> research and development |
| <input type="checkbox"/> technical details of competitor's products or services <input type="checkbox"/> other technological inform. | |

Market and commercial information:

- | | |
|---|--|
| <input type="checkbox"/> customer preferences / needs | <input type="checkbox"/> comparable products and services |
| <input type="checkbox"/> design and fashion trends | <input type="checkbox"/> cultural and social information |
| <input type="checkbox"/> distribution and retailing | <input type="checkbox"/> marketing / advertising / promotion |
| <input type="checkbox"/> market conditions and market demand <input type="checkbox"/> other market and commercial information | |

Sources of International Information

26. Which sources provide the information you need about what is happening overseas? (Please tick all that apply)

- | | | | |
|--|---|---|---------------------------------------|
| <input type="checkbox"/> friends / relatives | <input type="checkbox"/> colleagues | <input type="checkbox"/> employees | <input type="checkbox"/> custo |
| <input type="checkbox"/> suppliers | <input type="checkbox"/> competitors | <input type="checkbox"/> consultants | <input type="checkbox"/> other people |
| <input type="checkbox"/> research centres | <input type="checkbox"/> trade associations | <input type="checkbox"/> government agencies | <input type="checkbox"/> conferences |
| <input type="checkbox"/> banks | <input type="checkbox"/> universities | <input type="checkbox"/> information centres | <input type="checkbox"/> seminars |
| <input type="checkbox"/> libraries | <input type="checkbox"/> trade exhibitions | <input type="checkbox"/> professional associations | |
| <input type="checkbox"/> newspapers | <input type="checkbox"/> magazines | <input type="checkbox"/> academic journals | <input type="checkbox"/> the internet |
| <input type="checkbox"/> newsletters | <input type="checkbox"/> books | <input type="checkbox"/> business/trade directories | |
| <input type="checkbox"/> television | <input type="checkbox"/> radio | <input type="checkbox"/> catalogues/brochures | |

Please identify from the above the THREE SOURCES that have provided you with the most important information about conditions overseas and indicate how frequently you use them

	daily	weekly	monthly	per semester	annually
1-					
2-					
3-					

Means of Acquiring International Information

27. Managers of small and medium sized enterprises use both FORMAL (organisational / institutional) and INFORMAL (personal / friendly) means to acquire information about conditions overseas. Please tick which means you find MORE IMPORTANT for acquiring the information you need from your customers, suppliers and competitors

	Informal means	Formal means
Your customers		
Your suppliers		
Your competitors		

Strategies Used by Your Company

28. Does your company have its own web page?
 Yes No if 'Yes', please write your web address (optional)

What do you use your web page for? (Please tick all that apply)

- to promote products or services to promote the company
 for selling products and services (e-commerce) to reach new distant markets

In what languages is your website written? _____

29. Do you have any plans to initiate or expand your activities overseas within the next three years? (Please tick your preferred approach)
 no possibly probably definitely

30. Has your company registered any of its own intellectual property?
 (Please tick all that apply)

	registered in your own country?	registered in other countries?
trademarks		
industrial designs / patterns		
patents		

31. How do you rate your products or services compared with those of your international competitors? (Please tick one option only)

	worse	same	better
quality of products / services			
cost			
design / user-friendliness / attractiveness			
innovativeness of products or processes			
delivery times			
after sales service			

THANKS FOR YOUR TIME AND EFFORT. THEY ARE VERY MUCH APPRECIATED. PLEASE RETURN THE COMPLETED QUESTIONNAIRE IN THE ENVELOPE PROVIDED. THE INFORMATION YOU HAVE GIVEN WILL BE USED ONLY FOR ACADEMIC RESEARCH. IF YOU WOULD LIKE TO RECEIVE A SUMMARY OF THE RESEARCH FINDINGS, PLEASE WRITE YOUR NAME AND ELECTRONIC OR POSTAL ADDRESS OVERLEAF. ANY COMMENTS YOU MIGHT HAVE CAN ALSO BE WRITTEN OVERLEAF WILL BE GRATEFULLY RECEIVED.

Arvoisa vastaanottaja

Oheinen kyselylomake on osa laajempaa tutkimusprojektia, joka tarkastelee PK-yritysten kansainvälistymistä. Tutkimuksessa pyritään erityisesti selvittämään, miten PK-yritysten johtajat tiedostavat yritystensä kansainvälistymiseen vaikuttavat tekijät ja olosuhteet. Nämä voivat juontaa juurensa kansainvälisestä toiminnasta kotimarkkinoiden ulkopuolella tai kansainvälisestä kilpailusta yrityksen omilla kotimarkkinoilla.

Useissa eri maissa PK-yritykset edustavat lähes 99% kaikista yrityksistä. Huolimatta niiden merkittävästä taloudellisesta ja työllistävästä vaikutuksesta (yli puolet kokonaistyövoimasta monissa kansantalouksista) PK-yritysten kansainvälistymistä on tutkittu hyvin vähän. Tämä kansainvälinen tutkimus toteutetaan viidessä eri maassa vuoden 2003 aikana.

Olisin erittäin kiitollinen, jos voisitte osallistua tähän tärkeään kansainvälistymistutkimukseen vastaamalla oheiseen kyselyyn. Tutkimus on osa tohtorinopintojani Sheffieldin yliopistossa Englannissa. Kiitokseksi arvon vastaajien kesken The Economist tai Business Week –lehden vuosikerran.

Toivoisin, että kyselyyn vastaisi PK-yrityksen omistaja tai toimitusjohtaja, koska osa kysymyksistä on osoitettu suoraan heille. Tutkimus tehdään yksinomaan akateemista tarkoitusta varten. Käsittelen vastauksenne täysin luottamuksellisesti enkä mainitse teidän tai yrityksenne nimeä missään vaiheessa tutkimustulosteni raportointia. Jos yrityksenne on osa useamman yrityksen muodostamaa konsernia, toivon teidän vastaavan yksinomaan oman yrityksenne osalta, ei konsernin kannalta. Huolimatta siitä, että tämä tutkimus tehdään Sheffieldin yliopistossa Englannissa, pyytäisin teitä kustannus- ja käytännönsyistä palauttamaan täytetyn kyselylomakkeen seuraavaan osoitteeseen: Jorge Rodriguez, c/o Jouko Lantto, Suomen Yrittäjät, Kaisaniemenkatu 13 A, PL 999, 00101 Helsinki.

Mikäli haluatte lisätietoja tutkimuksesta, voitte mielellään ottaa minun yhteyttä seuraavasti: Jorge Rodriguez, puhelimitse +44 (0) 114 222-3386, faksilla +44 (0) 114 222-3348, sähköpostitse: Jorge.Rodriguez@sheffield.ac.uk. Kotisivultani löydätte muutamia kansainvälistymistä käsitteleviä artikkeleita: www.sums.ac.uk/phd/rodriguez.

Kunnioittavasti,

Jorge Rodriguez
Tohtoriopiskelija

Yrityksen taustatiedot

Mikäli yrityksenne on sivukonttori tai tytäryhtiö, teidän tulisi vastata ao. kysymyksiin nimenomaan oman yrityksenne kannalta, EI konsernin näkökulmasta.

1. Mikä on yrityksenne päätoiminta?
 palvelut tuotanto maatalous
2. Mikä on yrityksenne omistusmuoto? (Valitkaa kaikki sopivat vaihtoehdot)
 perheyritys osa kotimaista konsernia
 yksityisyritys osa kansainvälistä konsernia
 osakeyhtiö pörssiyritys
3. Milloin yrityksenne on perustettu?

4. Montako kokopäivätoimista työntekijää (tai vastaavaa) yrityksenne työllistää tällä hetkellä?
 0-10 11 - 20 21- 30 31- 50 51 - 100 101- 250 +250
5. Montako kokopäivätoimista työntekijää (tai vastaavaa) yrityksenne työllisti kolme vuotta sitten?
 0-10 11 - 20 21- 30 31- 50 51 - 100 101- 250 +250

Yrityksenne toiminta ulkomailla

6. Kuinka suuri osa tuotannosta tai palveluista menee vientiin, joko suoraan tai epäsuorasti?
määrällisesti _____ % arvona _____ %
7. Saako yrityksenne tuloja ulkomailta?
 Kyllä Ei

Jos 'kyllä' niin mistä toiminnoista? (Valitkaa kaikki sopivat vaihtoehdot)
 tuotteiden tai osien vienti palveluiden vienti
 franchise-sopimukset patenttilisensointi
 tietotaidon myynti muu, mikä?

Mikäli yrityksenne ei saa tuloja ulkomailta, siirrykää seuraavaksi kohtaan 13.

8. Onko yksikään merkittävistä asiakkaistanne ulkomaalainen?
 Kyllä Ei

Jos 'kyllä', mistä maasta? (Valitkaa kaikki sopivat vaihtoehdot)
 Pohjois-Amerikka Länsi-Eurooppa Latinalainen Amerikka
 Aasia Australia, Uusi-Seelanti ja/tai Oseania
 Itä-Eurooppa muualla,
missä? _____
9. Mitkä ovat yrityksenne ulkomaantoiminnan tärkeimmät syyt? (Valitkaa kaikki sopivat vaihtoehdot)
 kasvavat kv. markkinat supistuvat kotim. markkinat asiakkaiden seuraaminen
ulkomailla

kilpailijoiden seuraaminen ulkomaille täyden tuotantokapasiteetin hyödyntäminen

10. Miten yrityksenne aloitti ulkomaantoimintansa?(Valitkaa kaikki sopivat vaihtoehdot)

- viennillä maahan, jossa samanlainen kulttuuri/kieli tuomalla ja myöh. viemällä
 epäsuoralla viennillä asiakkaiden kautta ostamalla ulkomainen yritys
 perustamalla sivukonttori tai tytäryhtiö ennalta suunnittele mattoman
 alihankinnalla ulkomaiselle yritykselle mahdollisuuden kautta
 perustamalla yhteisyritys ulkomaisen yrityksen kanssa
 hankkimalla tuotanto- tai palvelulisenssi ulkomaiselta yhtiöltä
 perustamalla yritys nimenomaan kv. mahdollisuuksien hyödyntämiseksi
 muu tapa, mikä?

11. Minkä ikäinen yrityksenne oli saadessaan ensimmäiset tulonsa ulkomailta?

- 0 -5 vuotta 6-10 vuotta 11-15 vuotta
 16-20 vuotta 21-40 vuotta yli 40 vuotta en tiedä

12. Kuinka tärkeää ulkomaantoiminta on yrityksellenne?

- ei ollenkaan tärkeää** ←————→ **hyvin tärkeää**
- 1 2 3 4 5
-

13. Ostaako yrityksenne ulkomailta?

- Kyllä Ei

Jos 'kyllä', niin mitä ostatte? (Valitkaa kaikki sopivat vaihtoehdot)

- tuotteita tai osia palveluita franchise-sopimuksia
 patenttilisenssejä tietotaitoa (know-howta)

14. Päätyvätkö tuotteenne tai palvelunne ulkomaisille kuluttajille epäsuorasti jonkin toisen yrityksen kautta?

- Kyllä Ei En tiedä

15. Mikäli teillä ei koskaan ole ollut mitään ulkomaantoimintaa, mitkä olivat sen taustalla olevat pääsyyt?(Valitkaa kaikki sopivat vaihtoehdot)

- tiedon/kokemuksen puute liian suuret riskit
 halu keskittyä kotimaan markkinoille ei ole meille kiinnostava vaihtoehto
 liika byrokratia ja paperityö kielivaikeudet
 ulkomaanmaksujen perintäongelmat tiedon puute
 valuuttakurssiongelmat rahoitusvaikeudet

Vastaajan henkilötiedot

16. Mikä on asemanne yrityksessä?

omistajajohtaja toimitusjohtaja johtaja muu asema

17. Sukupuoli: mies nainen

18. Minkä ikäinen olette?

alle 21 21-30 31-40 41-50 51-60 61 tai enemmän

19. Mikä on koulutustasonne?

kansakoulu (peruskoulu tai vastaava)

ylioppilas

ammattikoulu

akateeminen loppututkinto*

jatko-opinnot (lisensiaatti tai tohtori)*

*Minkä alan opinnot olette suorittaneet?

Luonnontieteet

Taidealan tutkinto

MBA / liiketaloustieteet

Insinööritutkinto

Humanistiset tieteet

Yhteiskuntatieteet

(lukuunottamatta
liiketaloustieteitä)

20. Missä tehtävissä olitte ennen nykyistä työsuhdettanne? (Valitkaa kaikki sopivat vaihtoehdot)

palkkatyössä suuryrityksessä

valtion virkamies

palkkatyössä PK-yrityksessä

konsultti

työssä perheyrityksessä

yliopiston palveluksessa

työssä muissa itse perustetuissa yrityksissä

tämä on 1. työni

21. Millä kielillä tulette vähintäänkin hyvin toimeen? (Valitkaa kaikki sopivat vaihtoehdot)

englantia

ranska

saksa

espanja

portugali

italia

suomi

venäjä

ruotsi

norja

japani

muu,

mikä? _____

22. Oletteko koskaan asunut ulkomailla yhtäjaksoisesti yli vuoden ajan?

Kyllä

Ei

Jos 'kyllä', missä? (Valitkaa kaikki sopivat vaihtoehdot)

Pohjois-Amerikka

Latinalainen Amerikka

Länsi-Eurooppa

Aasia

Australia, Uusi-Seelanti ja/tai Oseania

Itä-Eurooppa

muualla, missä?

23. Montako ulkomaanmatkaa (työ- ja/tai lomamatkaa) olette tehneet viimeisten 5 vuoden aikana? _____

Missä kävitte? (Valitkaa kaikki sopivat vaihtoehdot)

Pohjois-Amerikka

Latinalainen Amerikka

Länsi Eurooppa

Aasia

Australia, Uusi-Seelanti ja/tai Oseania

Itä-Eurooppa

muualla, missä?

24. Mikä oli matkojenne tarkoitus? (Valitkaa kaikki sopivat vaihtoehdot)

vierailu ystävien tai sukulaisten luona

osallistuminen konferenssiin

laitteiden tai koneiden hankinta

pitää vapaata/loma

osallistuminen messuille

ulkomaisten kilpailijoiden tarkkailu

- opiskelu nykyisten tai potentiaalisten asiakkaiden tapaaminen
 muu, mikä?

Kansainvälisen informaation eri muodot

25. Mitä informaatiota yrityksenne tarvitsee ulkomaisista olosuhteista toimintaansa varten? (Valitkaa kaikki sopivat vaihtoehdot)

Rahoituksellinen ja taloudellinen informaatio:

- valuuttakurssit kilpailijoiden investointisuunnitelmat
 taloudelliset ennusteet ja tilastot osien, materiaalien ja toimitusten hintatiedot
 vakuutukset luottovaihtoehdot
 verotus ja maksut muu rahoituksellinen ja taloudellinen tieto

Poliittinen informaatio:

- terrorismi poliittiset tapahtumat ulkomailla
 maan poliittinen vakaus muu poliittinen informaatio

Lainsäädännöllinen ja säännöksiä koskeva informaatio:

- ISO 9000 / 14000 toimialakohtaiset standardit
 tullimääräykset ympäristö- ja yhteiskuntavastuulait
 muu lainsäädännöllinen ja säännöksiä koskeva informaatio

Teknologinen ja tieteellinen informaatio:

- uudet tuotantoteknologiat informaatioteknologia
 uudet materiaalit tutkimus ja kehitys
 kilpailevien tuotteiden ja palveluiden tekniset yksityiskohdat
 muu teknologinen informaatio

Kaupallinen ja markkinatieto:

- asiakkaiden mieltymykset/tarpeet vastaavat tuotteet ja palvelut
 design ja muotivirtaukset yhteiskunnallinen ja kulttuuritieto
 jakelu ja vähittäiskauppa markkinointi/mainonta/myynninedistäminen
 olosuhteet ja kysyntätilanne markkinoilla
 muu kaupallinen ja markkinatieto

Kansainvälisen informaation lähteet

26. Mistä informaatiolähteistä saatte tarvitsemanne tiedon siitä, mitä ulkomailla tapahtuu? (Valitkaa kaikki sopivat vaihtoehdot)

- ystävät/ sukulaiset kollegat työntekijät asia
 toimittajat kilpailijat konsultit muut ihmiset
- tutkimuslaitokset kaupall. yhdistykset valtion laitokset konferenssit
 pankit yliopistot informaatiokeskukset seminaarit
 kirjastot messut ammatilliset yhdistykset
- sanomalehdet aikakauslehdet tieteelliset julkaisut internet
 uutistiedotteet kirjat kaupalliset hakemistot
 televisio radio katalogit/julkaisut

Mainitkaa KOLME TÄRKEINTÄ TIEDONLÄHDETTÄ yo. listasta, joista olette saanut kaikkein merkittävintä tietoa ulkomaisista toimintaolosuhteista, ja kertokaa, kuinka usein käytätte näitä lähteitä.

	päivittäin	viikottain	kuukausittain	puolivuositain	vuositain
--	------------	------------	---------------	----------------	-----------

1-					
2-					
3-					

Kansainvälisen informaation hankintatavat

27. PK-yritysten johtajat käyttävät sekä FORMAALIA (organisatorisia/institutionaalisia) että INFORMAALIA (henkilökohtaisia/ystävyyssuhteisiin perustuvia) tapoja hankkia tietoa ulkomaisista toimintaolosuhteista. Merkitkää kumpi on tärkeämpi tapa hankkia tarvittavaa tietoa (informaali vs formaali) asiakkailtanne, toimittajiltanne ja kilpailijoiltanne.

	informaalit tavat	formaalit tavat
yrityksenne asiakkaat		
yrityksenne toimittajat		
yrityksenne kilpailijat		

Yrityksenne strategiat

28. Onko yrityksellänne omaa kotisivua?
 Kyllä Ei jos 'kyllä', kirjoittakaa tähän sen osoite (vapaaehtoinen)

Mihin käytätte kotisivuanne? (Valitkaa kaikki sopivat vaihtoehdot)

- tuotteiden/palveluiden myynninedistämiseen yrityksen markkinoimiseen
 tuotteiden/palveluiden myymiseen (e-business) kaukaisten markkinoiden saavuttamiseen

Millä kielillä kommunikoitte kotisivullanne? _____

29. Onko suunnitelmassanne ulkomaantoimintojen aloittaminen tai laajentaminen seuraavan 3 vuoden aikana? (Valitkaa kaikki sopivat vaihtoehdot)

- ei mahdollisesti todennäköisesti varmasti

30. Onko yrityksenne rekisteröinyt immateriaalioikeuksia?
 (Valitkaa kaikki sopivat vaihtoehdot)

	rekisteröity yrityksen kotimaassa?	rekisteröity muissa maissa?
tuotemerkki		
teollinen muotoilu/mallit		
patentit		

31. Miten arvioisitte tuotteitanne ja palveluitanne suhteessa kansainvälisten kilpailijoiden vastaaviin? (Valitkaa kaikki sopivat vaihtoehdot)

	huonompi	sama	parempi
tuotteiden/palveluiden laatu			
kustannukset			
design / käyttäjystävällisyys/kiinnostavuus			
tuotteiden tai prosessien innovatiivisuus			

toimitusajat			
after sales -palvelu			

KIITOS AJASTANNE JA VAIVANNÄÖSTÄNNE. ANNAN KOVASTI ARVOA VASTAUKSILLENNE. OLKAA HYVÄ JA PALAUTTAKAA TÄYTTÄMÄNNE KYSELYLOMAKE OHEISESSA KIRJEKUORESSA. ANTAMANNE TIEDOT KÄYTETÄÄN VAIN JA AINOASTAAN TIETEELLISEEN TUTKIMUKSEEN. JOS HALUATTE SAADA YHTEENVEDON TUTKIMUSTULOKSISTA, KIRJOITAKAA NIMENNE JA SÄHKÖPOSTI- TAI JAKELUOSOITTEENNE LOMAKKEEN KANTEEN. OLISIN MYÖSKIN KIITOLLINEN MAHDOLLISISTA KOMMENTEISTANNE.

Madame, Monsieur,

Le questionnaire que vous trouverez ci-joint fait partie d'une étude qui a pour objet d'analyser la mondialisation des petites et moyennes entreprises (PME). Cette recherche s'intéresse particulièrement à la manière dont laquelle les directeurs des PME prennent conscience des circonstances et des forces qui influencent leur mondialisation. Il peut s'agir d'activités internationales ou de concurrents étrangers dans leur propre marché intérieur.

Les PME représentent environ 99% de l'ensemble des entreprises dans la plupart des pays. Néanmoins, malgré leur importance économique et le fait qu'elles génèrent plus de la moitié des emplois dans la plupart des secteurs, il y a peu d'études sur leur mondialisation. Cette étude sera réalisée dans cinq pays différents en 2003.

Je vous serais très reconnaissant si vous pouviez contribuer à cette importante étude sur la mondialisation en répondant au questionnaire ci-joint. Je réalise cette étude dans le cadre de mon doctorat. Pour vous montrer ma reconnaissance, trois personnes ayant répondu à ce questionnaire seront choisies au hasard et recevront un abonnement d'un an à « The Economist » ou à « Business Week ».

La personne répondant à ce questionnaire doit être le propriétaire et / ou l'administrateur délégué (AD) de l'entreprise car certaines questions lui sont directement adressées. Cette étude sera utilisée à des fins purement académiques. Vos réponses resteront confidentielles et ni votre nom ni celui de votre entreprise seront utilisés. Si votre entreprise fait partie d'un groupe, vous devez répondre en tant qu'entreprise et non en tant que groupe dans son ensemble. Cette étude est réalisée à l'Université de Sheffield (Grande-Bretagne) pour des raisons logistiques mais aussi pour réduire les coûts. Merci de bien vouloir renvoyer ce questionnaire à l'adresse suivante :
Jorge Rodriguez c/o Prof. Dimitris Assimakopoulos, Grenoble Ecole de Management, 12 rue Pierre Semard, BP 127, 38003 Grenoble, Cedex 01.

Si vous souhaitez de plus amples informations, n'hésitez pas à me contacter par téléphone au +44 (0) 114 222 3386, par fax au +44 (0) 114 222 3348 ou par email : Jorge.Rodriguez@sheffield.ac.uk. Vous trouverez des articles sur la mondialisation sur mon site internet : www.sums.ac.uk/phd/rodriguez.

Je vous prie d'agréer, Madame, Monsieur, l'expression de mes salutations distinguées.

Jorge Rodriguez
Etudiant-chercheur au doctorat

Informations générales sur l'entreprise

Si votre entreprise est une succursale ou une filiale, vous devez répondre en tant que telle et NON en tant que groupe dans son ensemble.

1. Dans quel secteur d'activités situez-vous votre entreprise ?
 tertiaire secondaire primaire
2. Type de propriété de votre entreprise ? (Cochez une ou plusieurs cases)
 entreprise familiale entreprise dans un groupe d'entreprises nationales
 entreprise individuelle entreprise dans un groupe d'entreprises multinationales
 société par actions ou à responsabilité limitée société anonyme (SA)
3. En quelle année votre entreprise a-t-elle été fondée ? _____
4. Quel est le nombre d'employés à temps complet dans votre entreprise ?
 0-10 11-20 21-30 31-50 51-100 101-250 +250
5. Quel était le nombre d'employés à temps complet dans votre entreprise **il y a trois ans** ?
 0-10 11-20 21-30 31-50 51-100 101-250 +250

Activités internationales de l'entreprise

6. Quelle proportion du total de votre production de biens ou de services est exportée directement ou indirectement ?
par quantité _____ % par valeur _____ %
7. Votre entreprise reçoit-elle un revenu de l'étranger ?
 Oui Non
Si vous avez coché « Oui », de quel domaine d'activités ? (Cochez une ou plusieurs cases)
 exportation de produits exportation de services
 contrats de franchisage licences de brevet
 vente de savoir-faire autre (précisez) _____

Si votre entreprise ne reçoit aucun revenu de l'étranger, veuillez passer à la question 13

8. Avez-vous des clients très importants à l'étranger ?
 Oui Non
Si vous avez coché « Oui », où ?
 Amérique du Nord Europe Occidentale Amérique Latine Asie
 Australasie Europe Orientale autre (précisez) _____
9. Quelles sont les raisons principales de votre entreprise pour commencer une activité internationale ?
(Cochez une ou plusieurs cases)
 croissance des marchés à l'étranger décroissance du marché intérieur suivre les clients à l'étranger
 suivre les concurrents à l'étranger exploiter au maximum la capacité de production

18. Quel âge avez-vous ?
 moins de 21 ans 21-30 ans 31-40 ans 41-50 ans 51-60 ans plus de 60ans

19. Quel est votre niveau d'études ?
 enseignement primaire (jusqu'à 11 ou 12 ans)
 enseignement secondaire (jusqu'à environ 18 ans)
 enseignement professionnel
 enseignement du troisième degré (universités / grandes écoles)*
 études universitaires supérieures*

*Veuillez indiquer votre domaine :

<input type="checkbox"/> Sciences	<input type="checkbox"/> Ingénierie
<input type="checkbox"/> Arts	<input type="checkbox"/> Lettres
<input type="checkbox"/> MBA / études commerciales	<input type="checkbox"/> Sciences humaines (sauf études commerciales)

20. Quel emploi aviez-vous avant celui-ci ? (Cochez une ou plusieurs cases)

<input type="checkbox"/> salarié(e) dans une grande entreprise	<input type="checkbox"/> fonction publique
<input type="checkbox"/> salarié(e) dans une petite entreprise	<input type="checkbox"/> consultant
<input type="checkbox"/> travail dans l'entreprise familiale	<input type="checkbox"/> universitaire
<input type="checkbox"/> travail dans mes propres entreprises	<input type="checkbox"/> c'est mon premier emploi

21. Avec quelle(s) langue(s) avez-vous déjà travaillé ? (Cochez une ou plusieurs cases)

<input type="checkbox"/> Anglais	<input type="checkbox"/> Français	<input type="checkbox"/> Allemand	<input type="checkbox"/> Espagnol	<input type="checkbox"/> Portugais
<input type="checkbox"/> Italien	<input type="checkbox"/> Finnois	<input type="checkbox"/> Russe	<input type="checkbox"/> Suédois	<input type="checkbox"/> Norvégien
<input type="checkbox"/> Japonais	<input type="checkbox"/> autre (précisez) _____			

22. Avez-vous déjà vécu à l'étranger pour une période de plus d'un an ?
 Oui Non

Si vous avez coché « Oui », où ? (Cochez une ou plusieurs cases)

<input type="checkbox"/> Amérique du Nord	<input type="checkbox"/> Amérique Latine	<input type="checkbox"/> Europe Occidentale
<input type="checkbox"/> Asie	<input type="checkbox"/> Australasie	<input type="checkbox"/> Europe Orientale
<input type="checkbox"/> autre (précisez) _____		

23. Combien de voyages à l'étranger avez-vous effectué (pour affaires ou loisir) dans les cinq dernières années ? _____

Où êtes-vous allé(e) ? (Cochez une ou plusieurs cases)

<input type="checkbox"/> Amérique du Nord	<input type="checkbox"/> Amérique Latine	<input type="checkbox"/> Europe Occidentale
<input type="checkbox"/> Asie	<input type="checkbox"/> Australasie	<input type="checkbox"/> Europe Orientale
<input type="checkbox"/> autre (précisez) _____		

24. Quelles sont les raisons pour lesquelles vous voyagez à l'étranger ? (Cochez une ou plusieurs cases)

<input type="checkbox"/> rendre visite à des amis ou à de la famille	<input type="checkbox"/> participer à des conférences
<input type="checkbox"/> acheter de l'équipement ou du matériel de fabrication	<input type="checkbox"/> prendre des vacances
<input type="checkbox"/> participer à des salons commerciaux	<input type="checkbox"/> surveiller la concurrence internationale
<input type="checkbox"/> étudier	<input type="checkbox"/> rendre visite à des clients ou à des prospects
<input type="checkbox"/> autre (précisez) _____	

Type d'informations sur l'étranger

25. Quel type d'informations sur les pays étrangers souhaite votre entreprise pour continuer ses activités ? (Cochez une ou plusieurs cases)

Informations financières et économiques :

- | | |
|---|---|
| <input type="checkbox"/> taux de change | <input type="checkbox"/> plans d'investissement des concurrents |
| <input type="checkbox"/> prévisions économiques et statistiques | <input type="checkbox"/> prix des pièces / matériaux / fournitures |
| <input type="checkbox"/> assurance | <input type="checkbox"/> options de crédit |
| <input type="checkbox"/> taxes et tarifs | <input type="checkbox"/> autres informations financières et économiques |

Informations politiques :

- | | |
|---|---|
| <input type="checkbox"/> terrorisme | <input type="checkbox"/> événements politiques à l'étranger |
| <input type="checkbox"/> stabilité politique des pays | <input type="checkbox"/> autres informations politiques |

Informations législatives et réglementaires :

- | | |
|---|---|
| <input type="checkbox"/> ISO 9000 / 14000 | <input type="checkbox"/> normes des entreprises |
| <input type="checkbox"/> règlements douaniers | <input type="checkbox"/> lois sur les responsabilités sociales et environnementales |
| <input type="checkbox"/> autres informations législatives et réglementaires | |

Informations technologiques et scientifiques :

- | | |
|--|--|
| <input type="checkbox"/> nouvelles technologies de production | <input type="checkbox"/> technologies de l'information |
| <input type="checkbox"/> nouveaux matériaux | <input type="checkbox"/> recherche et développement |
| <input type="checkbox"/> détails techniques des produits ou services du concurrent <input type="checkbox"/> autres informations technologiques | |

Informations sur le marché et commerciales :

- | | |
|--|--|
| <input type="checkbox"/> besoins / préférences des clients | <input type="checkbox"/> produits et services comparables |
| <input type="checkbox"/> tendances | <input type="checkbox"/> informations culturelles et sociales |
| <input type="checkbox"/> distribution et vente au détail | <input type="checkbox"/> marketing / publicité / promotion |
| <input type="checkbox"/> états et demande du marché | <input type="checkbox"/> autres informations sur le marché et commerciales |

Sources d'informations sur l'étranger

26. Qui vous donne les informations nécessaires sur ce qu'il se passe à l'étranger ? (Cochez une ou plusieurs cases)

- | | | | |
|--|---|--|---|
| <input type="checkbox"/> amis / famille | <input type="checkbox"/> collègues | <input type="checkbox"/> employés | <input type="checkbox"/> clients |
| <input type="checkbox"/> fournisseurs | <input type="checkbox"/> concurrents | <input type="checkbox"/> consultants | <input type="checkbox"/> autres personnes |
| <input type="checkbox"/> centres de recherche | <input type="checkbox"/> syndicats professionnels | <input type="checkbox"/> organismes gouvernementaux | <input type="checkbox"/> conférences |
| <input type="checkbox"/> banques | <input type="checkbox"/> universités | <input type="checkbox"/> centres d'information | <input type="checkbox"/> séminaires |
| <input type="checkbox"/> bibliothèques | <input type="checkbox"/> salons commerciaux | <input type="checkbox"/> associations professionnelles | |
| <input type="checkbox"/> journaux | <input type="checkbox"/> magazines | <input type="checkbox"/> revues universitaires | <input type="checkbox"/> internet |
| <input type="checkbox"/> bulletins d'information | <input type="checkbox"/> livres | <input type="checkbox"/> annuaires commerciaux et professionnels | |
| <input type="checkbox"/> télévision | <input type="checkbox"/> radio | <input type="checkbox"/> catalogues / brochures | |

Veillez identifier les TROIS SOURCES principales (cf. ci-dessus) qui vous ont donné le plus d'informations sur les pays étrangers et indiquez le nombre de fois que vous les utilisez

	quotidiennement	hebdomadairement	mensuellement	semestriellement	annuellement
1-					
2-					
3-					

Moyens pour obtenir des informations sur l'étranger

27. Les directeurs des petites et moyennes entreprises utilisent des moyens FORMELS (organisationnel / institutionnel) et NON FORMELS (personnel / amical) pour obtenir des informations sur l'étranger. Quels moyens sont les PLUS IMPORTANTS pour obtenir les informations nécessaires de vos clients, fournisseurs et concurrents ?

	Moyens non formels	Moyens formels
Vos clients		
Vos fournisseurs		
Vos concurrents		

Stratégies utilisées par votre entreprise

28. Votre entreprise a-t-elle son propre site internet ?
 Oui Non Si vous avez coché « Oui », veuillez nous indiquer son adresse (facultatif)

Dans quel(s) but(s) utilisez-vous votre site ? (Cochez une ou plusieurs cases)

promouvoir des produits ou services promouvoir l'entreprise
 vendre des produits et services (e-commerce) atteindre de nouveaux marchés lointains
 Dans quelle(s) langue(s) votre site est-il traduit ? _____

29. Avez-vous l'intention de commencer ou de développer vos activités à l'étranger dans les trois prochaines années ? (Cochez une seule case)
 non peut-être probablement certainement

30. Votre entreprise a-t-elle enregistré une de ses propriétés intellectuelles ?
 (Cochez une ou plusieurs cases)

	enregistré dans votre pays ?	enregistré dans un pays étranger ?
marques		
dessin ou modèles industriels		
brevets		

31. En comparaison avec vos concurrents internationaux, comment voyez-vous vos produits et services ? (Cochez une seule case)

	pire	pareil	mieux
qualité des produits / services			
coût			
conception / convivialité / attractivité			
innovation de produits ou de procédés			
délais de livraison			
service après-vente			

JE VOUS REMERCIE D'AVOIR BIEN VOULU PRENDRE LE TEMPS DE REMPLIR CE QUESTIONNAIRE. VOS EFFORTS SONT TRES APPRECIÉS. VEUILLEZ RENVoyer LE QUESTIONNAIRE DUMENT REMPLI DANS L'ENVELOPPE QUE VOUS TROUVEREZ CI-JOINT. LES INFORMATIONS QUE VOUS VENEZ DE DONNER SERONT UTILISEES A DES FINS PUREMENT ACADEMIQUES. SI VOUS SOUHAITEZ RECEVOIR UN RECAPITULATIF DES RESULTATS DE CETTE RECHERCHE, VEUILLEZ INDIQUER VOTRE NOM ET ADRESSE ELECTRONIQUE OU POSTALE AU VERSO DE CETTE PAGE. VOS COMMENTAIRES SONT LES BIENVENUS. MERCI DE LES NOTER EGALEMENT AU VERSO DE CETTE PAGE.

Estimado(a)

El cuestionario que se anexa forma parte de un estudio de investigación en el que se analiza el proceso de internacionalización de las pequeñas y medianas empresas (PYMEs). La investigación está enfocada al modo en que los gerentes de las PYMEs reconocen las circunstancias y fuerzas que influyen en su internacionalización. Ésta puede consistir en actividades internacionales más allá de su mercado doméstico, o la competencia internacional dentro del mercado nacional.

Las PYMEs representan, en la mayoría de los países, cerca del 99 por ciento del total de empresas. A pesar de su importancia económica y de proveer más de la mitad del empleo total en la mayoría de las economías, existen pocos estudios sobre su internacionalización. De ahí la importancia de realizar esta investigación, que se llevará a cabo en cinco países durante este año.

Le estaré muy agradecido si pudiera contribuir a este importante estudio contestando el cuestionario que se adjunta. Esta investigación es parte de mis estudios de Doctorado. Como muestra de aprecio, se seleccionaran de forma aleatoria cinco cuestionarios para que esas personas reciban una suscripción anual ya sea a la revista *Expansión* o a *Business Week*.

Es necesario que quien responda el cuestionario sea el dueño o director general de la compañía ya que algunas de las preguntas se dirigen específicamente a él o ella. Este estudio se usará únicamente con propósitos de investigación académica. Sus respuestas son confidenciales, y ni su nombre, ni el de la compañía será utilizado. Si la compañía es parte de un grupo de empresas, las respuestas deben referirse a su compañía y no al grupo.

Este estudio se desarrolla en la Universidad de Sheffield en Inglaterra, pero por razones de logística y reducción de costos, se pide que las respuestas sean enviadas a la siguiente dirección: **Matías Romero 1009, Colonia del Valle, México DF, C.P. 03100**. Si desea más información, puede comunicarse conmigo: Maestro Jorge Rodríguez Martínez, teléfono 00 44 – 114 - 222-3386, fax 00 – 44 – 114 – 222–3348, correo electrónico: Jorge.Rodriguez@sheffield.ac.uk. Mi hoja web tiene algunos artículos sobre el tema de internacionalización: www.sums.ac.uk/phd/rodriguez.

Le agradezco muy sinceramente su atención.

Jorge Rodríguez Martínez
Investigador (PhD)

Datos Generales de la Compañía

Aunque su empresa sea una sucursal o subsidiaria, las respuestas a todas las preguntas deberán relacionarse a su compañía y NO a todo el grupo.

- ¿En qué categoría económica clasifica usted la actividad principal de su empresa?
 servicios manufactura agricultura
- ¿Tipo de propiedad de su compañía? (Por favor seleccione todas las respuestas que apliquen)
 negocio familiar parte de un grupo de compañías nacionales
 propietario único parte de un grupo de compañías multinacionales
 sociedad anónima (*Ltd*) compañía de capital limitado (*Plc*)
- ¿En que año se fundó la compañía? _____
- ¿Número de empleados de tiempo completo (o equivalente de tiempo completo) que tiene actualmente?
 0-10 11 - 20 21- 30 31- 50 51 - 100 101- 250 +250
- ¿Número de empleados de tiempo completo que tenía hace tres años?
 0-10 11 - 20 21- 30 31- 50 51 - 100 101- 250 +250

Actividad Internacional de la Compañía

- ¿Aproximadamente qué proporción de su producción total de bienes o servicios es exportada ya sea directa o indirectamente?
por cantidad _____ % por valor _____ %
- ¿Su compañía recibe algún ingreso del exterior?
 Sí No

¿Si la respuesta es 'Sí', ¿de qué actividades se trata? (Seleccione todas las respuestas que apliquen)
 exportación de productos o partes exportación de servicios
 convenios de franquicias licenciación de patentes
 venta de *know how* otros (Favor de especificar) _____

Si su compañía no recibe ingresos del exterior, por favor pase a la pregunta 13

- ¿Alguno de sus clientes importantes esta localizado en el exterior?
 Sí No

¿Si la respuesta es 'Sí', ¿en dónde?
 Norte América Europa Occidental Latinoamérica Asia
 Australasia Europa Oriental otra (Favor de especificar) _____
- ¿Cuáles han sido los motivos de su compañía para involucrarse en actividades internacionales? (Por favor seleccione todas las respuestas que apliquen)
 mercados internacionales en crecimiento contracción del mercado doméstico
 para seguir clientes en el extranjero para seguir competidores en el extranjero
 para explotar toda la capacidad de producción instalada

Información Personal

16. ¿Cuál es su puesto en la compañía?
 dueño-gerente director administrativo gerente otro puesto

17. Por favor indique si usted es: hombre mujer

18. ¿Cuál es su edad?
 menos de 21 21-30 31-40 41-50 51-60 61 ó más

19. ¿Cuál es su nivel más alto de educación formal?
 primaria (a los 11 ó 12 años de edad)
 educación media superior (aproximadamente a los 18 años de edad)
 vocacional
 educación terciaria (universidad / politécnico / tecnológico superior)*
 estudios de posgrado*

*Por favor indique área de estudio:

ciencias ingenierías
 artes humanidades
 MBA / estudios de negocios ciencias sociales (excluyendo estudios de negocios y administrativos)

20. ¿Qué trabajos tuvo antes de su trabajo actual? (Seleccione todas las respuestas que apliquen)
 empleado asalariado en una compañía grande servicio en el gobierno
 empleado asalariado en una compañía pequeña consultor
 trabajó en un negocio familiar académico
 trabajó en otra(s) compañía(s) que fundó éste es mi primer trabajo

21. ¿De qué idiomas tiene conocimiento práctico? (Seleccione todas las respuestas que apliquen)
 inglés francés alemán español portugués
 italiano finlandés ruso sueco noruego
 japonés otro (favor de indicar) _____

22. ¿Ha usted vivido en el extranjero por algún período mayor a un año?
 Sí No

¿Si la respuesta es 'Sí', ¿en dónde? (Seleccione todas las respuestas que apliquen)

Norte América Latinoamérica Europa Occidental
 Asia Australasia Europa Oriental
 otra (Favor de especificar) _____

23. ¿Cuántos viajes internacionales ha hecho (de negocios o de placer) en los últimos 5 años? _____

¿Adónde fué? (Por favor seleccione todas las respuestas que apliquen)

Norte América Latinoamérica Europa Occidental
 Asia Australasia Europa Oriental
 otra (Favor de especificar) _____

24. ¿Cuáles fueron sus razones para viajar al extranjero? (Seleccione todas las respuestas que apliquen)
- | | |
|---|--|
| <input type="checkbox"/> visitar amigos o parientes | <input type="checkbox"/> asistir a conferencias |
| <input type="checkbox"/> comprar maquinaria o equipo | <input type="checkbox"/> tomar un descanso / vacaciones |
| <input type="checkbox"/> asistir a ferias comerciales | <input type="checkbox"/> verificar la competencia internacional |
| <input type="checkbox"/> estudio | <input type="checkbox"/> visitar clientes actuales o potenciales |
| <input type="checkbox"/> otras razones (Favor de especificar) | _____ |

Tipo de Información Internacional

25. ¿Qué tipo de información necesita su compañía acerca de las condiciones de los mercados internacionales para poder llevar a cabo sus actividades?

(Seleccione todas las respuestas que apliquen)

Información financiera y económica:

- | | |
|--|---|
| <input type="checkbox"/> tipos de cambio | <input type="checkbox"/> planes de inversión de competidores |
| <input type="checkbox"/> pronósticos económicos y estadísticas | <input type="checkbox"/> precios de partes/ materiales/ proveedores |
| <input type="checkbox"/> seguros | <input type="checkbox"/> opciones de crédito |
| <input type="checkbox"/> impuestos y aranceles | <input type="checkbox"/> otra información financiera y económica |

Información política:

- | | |
|---|---|
| <input type="checkbox"/> terrorismo | <input type="checkbox"/> eventos políticos en el extranjero |
| <input type="checkbox"/> estabilidad política de países | <input type="checkbox"/> otra información política |

Información legislativa y regulatoria:

- | | |
|---|---|
| <input type="checkbox"/> ISO 9000 / 14000 | <input type="checkbox"/> normatividad específica de la industria |
| <input type="checkbox"/> regulaciones aduanales | <input type="checkbox"/> leyes ambientales y responsabilidad social |
| <input type="checkbox"/> otro tipo de información legislativa y regulatoria | |

Información tecnológica e información científica:

- | | |
|---|---|
| <input type="checkbox"/> nuevas tecnologías de manufactura | <input type="checkbox"/> tecnologías informativas |
| <input type="checkbox"/> nuevos materiales | <input type="checkbox"/> investigación y desarrollo (I + D) |
| <input type="checkbox"/> detalles técnicos de los productos / servicios de competidores | <input type="checkbox"/> otro tipo de inf. Tecnológica. |

Información comercial y de mercado:

- | | |
|--|---|
| <input type="checkbox"/> preferencias / necesidades clientes | <input type="checkbox"/> servicios y/o productos similares |
| <input type="checkbox"/> tendencias de diseño y moda | <input type="checkbox"/> información social y cultural |
| <input type="checkbox"/> distribución y mercadeo | <input type="checkbox"/> mercadotecnia / publicidad / promoción |
| <input type="checkbox"/> condiciones y demanda del mercado | <input type="checkbox"/> otro tipo de inf. comercial y de mercado |

Fuentes de Información Internacional

26. ¿Cuáles son las fuentes que le proporcionan la información que usted necesita acerca de lo que ocurre en el extranjero? (Por favor seleccione todas las respuestas que apliquen)

- | | | | |
|---|---|--|---------------------------------------|
| <input type="checkbox"/> amigos / parientes | <input type="checkbox"/> colegas | <input type="checkbox"/> empleados | <input type="checkbox"/> cliente |
| <input type="checkbox"/> proveedores | <input type="checkbox"/> competidores | <input type="checkbox"/> consultores | <input type="checkbox"/> otra gente |
| <input type="checkbox"/> centros de investigación | <input type="checkbox"/> asoc.comerciales | <input type="checkbox"/> agencias de gobierno | <input type="checkbox"/> conferencias |
| <input type="checkbox"/> bancos | <input type="checkbox"/> universidades | <input type="checkbox"/> centros de información | <input type="checkbox"/> seminarios |
| <input type="checkbox"/> bibliotecas | <input type="checkbox"/> exhibiciones comerciales | <input type="checkbox"/> asociaciones profesionales | |
| <input type="checkbox"/> periódicos | <input type="checkbox"/> revistas | <input type="checkbox"/> revistas académicas | <input type="checkbox"/> la internet |
| <input type="checkbox"/> boletines | <input type="checkbox"/> libros | <input type="checkbox"/> directorios de negocios / comerciales | |
| <input type="checkbox"/> televisión | <input type="checkbox"/> radio | <input type="checkbox"/> catálogos / folletos | |

Favor de identificar las TRES FUENTES que le han provisto con la información más importante acerca de las condiciones internacionales e indicar con que frecuencia las usa?

	diariamente	semanalmente	mensualmente	semestralmente	anualmente
1-					
2-					
3-					

Medios de Adquisición de Información Internacional

27. Gerentes de PYMEs usan tanto medios FORMALES (institucional u organizacional) y medios INFORMALES (personal / amistoso) para adquirir información acerca de las condiciones en el extranjero. Seleccione los medios que considera MAS IMPORTANTES para adquirir la información que necesita de sus clientes, proveedores y competidores

	medios informales	medios formales
Sus clientes		
Sus proveedores		
Sus competidores		

Estrategias Usadas por su Compañía

28. ¿Su compañía tiene su propia página web?
 Sí No Si la hay, por favor escriba la dirección
- ¿Para qué usa su página web? (Seleccione todas las respuestas que apliquen)
 para promover productos y servicios para promover la compañía
 para vender productos y servicios (e-commerce) para llegar a mercados distantes
- ¿En qué idiomas puede leerse su página web? _____
29. ¿Tiene planes de iniciar o expandir sus actividades internacionales dentro de los próximos tres años? (Seleccione sólo una opción)
 no posiblemente probablemente definitivamente

30. ¿Su compañía ha registrado alguna de su propiedad intelectual? (Seleccione las opciones)

	¿Registradas en su propio país?	¿Registradas en otros países?
marcas comerciales		
diseños industriales / modelos		
patentes		

31. ¿Cómo califica sus productos y servicios comparados con los de sus competidores internacionales? (Por cada opción seleccione una columna)

	peor	similar	mejor
calidad de productos / servicios			
costo			
diseño / amigable con el usuario / atractivo estético			
innovación de productos o procesos			
tiempo de envío			
servicio post venta			

MUCHAS GRACIAS POR SU TIEMPO Y ESFUERZO, SE LE APRECIA MUCHO. POR FAVOR ENVIE EL CUESTIONARIO CONTESTADO EN EL SOBRE QUE SE LE PROPORCIONA. LA INFORMACIÓN QUE USTED ACABA DE PROPORCIONAR SOLAMENTE SE USARA CON FINES DE INVESTIGACIÓN ACADÉMICA. SI USTED QUIERE RECIBIR UN RESUMEN CON LAS CONCLUSIONES DE LA INVESTIGACIÓN, O TIENE ALGUN OTRO COMENTARIO POR FAVOR ESCRIBA SU NOMBRE Y SU DIRECCIÓN POSTAL O ELECTRÓNICA EN LA PARTE POSTERIOR DE ESTA HOJA. GRACIAS

**CODING SHEET for
QUESTIONNAIRE**

(Revised 15-6-2004)

CRITERIA

- Numbers 9 or 99 for missing questions.
- Blank in case the person skipped a whole section or page, as in the case of question 7 where if they do not have income from overseas the person is asked to move to question 13.
- Multiple choice, each variable is: Yes = 1; No = 0.

Question	Response	Code
1	Economic activity	
econ_ca	Services	1
	Manufacturing	2
	Agriculture	3
	Other	4
	Missing	9
2	Type of ownership	MUL
owner_21	Family business	(1) Yes 1
owner_22	National cos.	(2) No 0
owner_23	Sole proprietor	(3)
owner_24	MNC cos.	(4)
owner_25	Limited company	(5)
owner_26	PLC company	(6)
owner_27	Other	(7)
	Missing	9
3	Year co. funded.	
f_year	_____	
	Missing	9999
4	Number of ft. now	
fitem_now	0-10 employees	1
	11-20	2
	21-30	3
	31-50	4
	51-100	5
	101-250	6
	+ 250	7
	Missing	9
5	Number of ft. 3 years ago	
fitem_3yr	0-10 employees	1
	11-21	2
	21-31	3
	31-50	4
	51-101	5
	101-251	6
	+ 250	7
	Missing	9

6a % Total production by quantity.
exp_qty by quantity _____
Missing 999

6b % Total production by value
exp_val by value _____
Missing 999

7a Income from overseas?
inc_over Yes 1
No 0
Missing 9

7b From which activities? MUL
over_b71 Export product (1) Yes 1
over_b72 Exports service (2) No 0
over_b73 Franchise agreement (3)
over_b74 Patent licensing (4)
over_b75 Sale of know (5)
over_b76 Other (6)
Missing 9

8a Any important cust.
overseas?
imp_cuov Yes 1
No 0
Missing 9

8b Where import. customers? MUL
imp_cb81 North America (1) Yes 1
imp_cb82 W. Europe (2) No 0
imp_cb83 Latin America (3)
imp_cb84 Asia (4)
imp_cb85 Australasia (5)
imp_cb86 E. Europe (6)
imp_cb87 Other (7)
Missing 9

9 Main reasons int. activity? MUL
rea_in91 Growing overseas mkt. (1) Yes 1
rea_in92 Shrinking domestic mkt.(2) No 0
rea_in93 To follow customers (3)
rea_in94 To follow competitors (4)
rea_in95 To exploit full product. (5)
rea_in96 Other (6)
Missing 9

10	How began int. activity?	MUL	15	Reason for no int. act.	MUL
beg_i101	Exporting similar cult. (1)	Yes 1	rea_n151	Lack of knowledge (1)	Yes 1
beg_i102	Importing later export. (2)	No 2	rea_n152	Too risky (2)	No 0
beg_i103	Exporting indirectly (3)		rea_n153	Concentrate on mkt.(3)	
beg_i104	Buying company overs (4)		rea_n154	No interest for us (4)	
beg_i105	Setting up branch overs(5)		rea_n155	Red tape (5)	
beg_i106	Unplanned opportunity (6)		rea_n156	Foreign languages (6)	
beg_i107	Subcontracting to a co. (7)		rea_n157	Getting paid (7)	
beg_i108	Entering into a joint –v.(8)		rea_n158	Not enough inform.(8)	
beg_i109	Acquiring a licence (9)		rea_n159	Foreign exchange (9)	
beg_i110	Creating the co. (10)		rea_n160	Financing problems(10)	
beg_i111	Other (11)		rea_n161	Other (11)	
	Missing	99		Missing	99
11	How old before income over		16	Position in company	MUL
old_over	0 - 5 years	1	posi_16a	Owner manager (1)	Yes 1
	6 - 10 years	2	posi_16b	Managing director (2)	No 0
	11 - 15 years	3	posi_16c	Manager (3)	
	16 - 20 years	4	posi_16d	Other position (4)	
	21 - 40 years	5		Missing	9
	+ 40 years	6	17	Sex	
	Do not know	7	sex	Male	M
	Missing	9		Female	F
				Missing	9
12	How important int. act.		18	Age	
imp_inac	Not at all important	1		Under 21	1
	Little important	2		21-30 years	2
	Moderate	3		31-40 years	3
	Important	4		41-50 years	4
	Very important	5		51-60 years	5
	Missing	9		61 or over	6
				Missing	9
13a	buy from overseas suppliers		19a	Highest level of education	
buy_over	Yes	1	educatio	Primary	1
	No	0		Secondary	2
	Missing	9		Vocational	3
				Tertiary	4
13b	from which sources	MUL		Postgraduate	5
buy_s131	Products or parts (1)	Yes 1		Other	6
buy_s132	Services (2)	No 2		Missing	9
buy_s133	Franchise agreements (3)		19b	Subject area	MUL
buy_s134	Patent licensing (4)		edu_are1	Science (1)	Yes 1
buy_s135	Sale of know how (5)		edu_are2	Engineering (2)	No 0
buy_s136	Other (6)		edu_are3	Arts (3)	
	Missing	9	edu_are4	Humanities (4)	
			edu_are5	MBA / business (5)	
14	reach consumers over ind.		edu_are6	Social Sciences (6)	
pro_ovei	Yes	1	edu_are7	Other (7)	
	No	0		Missing	9
	Do not know	2			
	Missing	9			

20	Jobs before current job	MUL		23b	Where did you go?	MUL
prev_jo1	Salaried large co.	(1)	Yes 1	int_whe1	North America	(1) Yes 1
prev_jo2	Government service	(2)	No 0	int_whe2	Latin America	(2) No 0
prev_jo3	Salaried small co.	(3)		int_whe3	West Europe	(3)
prev_jo4	Consultant	(4)		int_whe4	Asia	(4)
prev_jo5	Family business	(5)		int_whe5	Australasia	(5)
prev_jo6	Academic	(6)		int_whe6	East Europe	(6)
prev_jo7	Companies you found.	(7)		int_whe7	Other	(7)
prev_jo8	First job	(8)			Missing	9
prev_jo9	Other	(9)				
	Missing	99				
21	Languages work know	MUL		24	Main reasons travelling	MUL
lingua1	English	(1)	Yes 1	rea_trv1	Visit friends/relatives	(1) Yes 1
lingua2	French	(2)	No 0	rea_trv2	Attend conferences	(2) No 0
lingua3	German	(3)		rea_trv3	Buy equipment/mach.	(3)
lingua4	Spanish	(4)		rea_trv4	Take a break/holiday	(4)
lingua5	Portuguese	(5)		rea_trv5	Attend trade exhibition	(5)
lingua6	Italian	(6)		rea_trv6	Check int. competitors	(6)
lingua7	Finnish	(7)		rea_trv7	Study	(7)
lingua8	Russian	(8)		rea_trv8	Visit current/prospective	(8)
lingua9	Swedish	(9)		rea_trv9	Other	(9)
lingua10	Norwegian	(10)			Missing	99
lingua11	Japanese	(11)				
lingua12	Other	(12)		25a	Financial/economic infor.	MUL
	Missing	99		info_fi1	Exchange rates	(1) Yes 1
22a	Lived overseas +1 year			info_fi2	Investment plans	(2) No 0
liv_over	Yes	1		info_fi3	Economic forecasts	(3)
	No	0		info_fi4	Prices of parts	(4)
	Missing	9		info_fi5	Insurance	(5)
				info_fi6	Credit options	(6)
				info_fi7	Taxes and tariffs	(7)
				info_fi8	Other financial info.	(8)
					Missing	9
22b	Where oversea	MUL		25b	Political information	MUL
liv_whe1	North America	(1)	Yes 1	info_po1	Terrorism	(1) Yes 1
liv_whe2	Latin America	(2)	No 0	info_po2	Political events over	(2) No 0
liv_whe3	West Europe	(3)		info_po3	Political stability	(3)
liv_whe4	Asia	(4)		info_po4	Other political info.	(4)
liv_whe5	Australasia	(5)			Missing	9
liv_whe6	East Europe	(6)				
liv_whe7	Other	(7)		25c	Legislation/regulation inf.	MUL
	Missing	9		info_le1	ISO 9000/14000	(1) Yes 1
23a	Number of trips overseas			info_le2	Industry specific std.	(2) No 0
int_trip				info_le3	Custom regulations	(3)
	Missing	9999		info_le4	Environmental and sr.	(4)
				info_le5	Other legislation / reg.	(5)
					Missing	9

25d	Technological/science info.	MUL	
info_te1	New manufac. tech.	(1)	Yes 1
info_te2	Information tech.	(2)	No 0
info_te3	New materials	(3)	
info_te4	R&D	(4)	
info_te5	Technical details	(5)	
info_te6	Other technical info	(6)	
	Missing	9	
25e	Market/commercial info.	MUL	
info-mk1	Customer pref./needs	(1)	Yes 1
info-mk2	Comparable products	(2)	No 0
info-mk3	Design and fashion	(3)	
info-mk4	Cultural and social	(4)	
info-mk5	Distribution and retail.	(5)	
info-mk6	Marketing/advtg./pro.	(6)	
info-mk7	Market conditions	(7)	
info-mk8	Other market info.	(8)	
	Missing	9	
26a	Sources provide info. over	MUL	
sourc_1	Friends/relatives	(1)	Yes 1
sourc_2	Colleagues	(2)	No 0
sourc_3	Employees	(3)	
sourc_4	Customers	(4)	
sourc_5	Suppliers	(5)	
sourc_6	Competitors	(6)	
sourc_7	Consultants	(7)	
sourc_8	Other people	(8)	
sourc_9	Research centres	(9)	
sourc_10	Trade associations	(10)	
sourc_11	Government agencies	(11)	
sourc_12	Conferences	(12)	
sourc_13	Banks	(13)	
sourc_14	Universities	(14)	
sourc_15	Information centres	(15)	
sourc_16	Seminars	(16)	
sourc_17	Libraries	(17)	
sourc_18	Trade exhibitions	(18)	
sourc_19	Professional assoc.	(19)	
sourc_20	Newspapers	(20)	
sourc_21	Magazines	(21)	
sourc_22	Academic journals	(22)	
sourc_23	The internet	(23)	
sourc_24	Newsletters	(24)	
sourc_25	Books	(25)	
sourc_26	Business/trade dir.	(26)	
sourc_27	Television	(27)	
sourc_28	Radio	(28)	
sourc_29	Catalogues/brochures	(29)	
sourc_30	Other	(30)	
	Missing	99	
26b	Three sources +import.	MUL	
sour3_1	Friends/relatives	(1)	Daily1
sour3_2	Colleagues	(2)	Weekly2
sour3_3	Employees	(3)	Monthly3
sour3_4	Customers	(4)	Per semester4
sour3_5	Suppliers	(5)	Annually5
sour3_6	Competitors	(6)	Freq. No indicat.6
sour3_7	Consultants	(7)	Missing9
sour3_8	Other people	(8)	
sour3_9	Research centres	(9)	
sour3_10	Trade association	(10)	
sour3_11	Government agencies	(11)	
sour3_12	Conferences	(12)	
sour3_13	Banks	(13)	
sour3_14	Universities	(14)	
sour3_15	Information centres	(15)	
sour3_16	Seminars	(16)	
sour3_17	Libraries	(17)	
sour3_18	Trade exhibitions	(18)	
sour3_19	Professional/Trade associations	(19)	
sour3_20	Newspapers	(20)	
sour3_21	Magazines	(21)	
sour3_22	Academic journals	(22)	
sour3_23	The internet	(23)	
sour3_24	Newsletters	(24)	
sour3_25	Books	(25)	
sour3_26	Business / trade directories.	(26)	
sour3_27	Television	(27)	
sour3_28	Radio	(28)	
sour3_29	Catalogues / brochures	(29)	
sour3_30	Other sources	(30)	
	Missing	99	
27a	Means of acq. info your customers		
mean_cus	Informal		1
	Formal		2
	Both		3
	Missing		9
27b	Means of acq. info your suppliers		
mean_sup	Informal		1
	Formal		2
	Both		3
	Missing		9
27c	Means of acq. info your competitors		
mean_com	Informal		1
	Formal		2
	Both		3
	Missing		9

28a	Company has webpage ?		30c	Registered patents	
webpage	Yes	1	ipo_pate	Registered own country	1
	No	0		Registered other country	2
	Missing	9		Registered in both	3
				Missing	9
28b	Webpage is used for	MUL	31	Has company registered any IP?	
web_us1	Promote products(1)	Yes 1	rate_pro	Yes	1
web_us2	To promote the co.(2)	No 0		No	0
web_us3	For selling products(3)			Missing	9
web_us4	Reach new distant mkt. (4)		31a	Rate quality	
web_us5	Other (5)		rate_qua	Worse	1
	Missing	99		Same	2
				Better	3
				Not applicable	4
				Missing	9
28c	Web languages	MUL	31b	Rate cost	
web_la1	English (1)	Yes 1	rate_cos	Worse	1
web_la2	French (2)	No 0		Same	2
web_la3	German(3)			Better	3
web_la4	Spanish (4)			Not applicable	4
web_la5	Portuguese (5)			Missing	9
web_la6	Italian (6)		31c	Rate design / user friendliness	
web_la7	Finnish (7)		rate_des	Worse	1
web_la8	Russian (8)			Same	2
web_la9	Swedish (9)			Better	3
web_la10	Norwegian (10)			Not applicable	4
web_la11	Japanese (11)			Missing	9
web_la12	Other (12)				
	Missing	99			
29	Activities overseas within 3 years?		31d	Rate innovativeness	
planinac	No	1	rate_inn	Worse	1
	Possibly	2		Same	2
	Probably	3		Better	3
	Definitely	4		Not applicable	4
	Missing	9		Missing	9
30	Intellectual Property (IP)		31e	Rate delivery times	
	has co. registered any IP?		rate_del	Worse	1
	Yes	1		Same	2
	No	0		Better	3
	Missing	9		Not applicable	4
				Missing	9
30a	Registered trademarks		31f	Rate after sales service	
ipo_tm	Registered own count.	1	rate_afs	Worse	1
	Registered other count.	2		Same	2
	Registered in both	3		Better	3
	Missing	9		Not applicable	4
				Missing	9
30b	Registered industrial designs/pat				
ipo_idp	Registered own country	1			
	Registered other country	2			
	Registered in both	3			
	Missing	9			

