

## Transitions towards an Entrepreneurial Economy: A Case study based investigation of the SME Internationalization Process

G. Cruz-Carreón

Queensland University of Technology, Brisbane Graduate School of Business, GPO Box 2434, 4001 Brisbane, Australia

g.cruz-carreon@qut.edu.au

### Principal Topic

There is a need for researchers to re-conceptualize their thinking on the internationalization process of smaller firms (Bell, et al 2003). It is therefore the purpose of this study to generate a theoretical contribution to the rapidly growing field of International entrepreneurship with a specific focus on investigating the process of internationalization of Small and Medium Enterprises (SMEs).

This study makes a unique contribution in terms of the actual focus of the study. A substantial portion of the extant literature has focused on the patterns, pace and intensity of internationalization of firms. For instance, the investigation of internationalization of firms and whether they follow a Staged (sequential) as opposed to a Contingency (strategic choice) approach is a well-travelled area of research. Leonidou & Katsikeas (1996), Ellis & Pecotich (1998) and Coviello & McAuley (1999) have all previously published comprehensive reviews of the internationalization of firms with substantial coverage of the internationalization patterns cited above. However, a flaw in much of the literature reviewed thus far is the assumption that firms follow rigid pathways to internationalization. Bell, et al's (2003) empirical work on small firm internationalization indicated that the actual internationalization trajectories of firms are highly individualistic, situation specific, and unique. Each firm's internationalization pattern results from a combination of managerial insights, experience, connections and contacts, network relationships, and informal and formal industry analyses. Despite the advances that have been made in research on SME internationalization in recent years, there remains the need to conduct exploratory, in-depth analysis to generate qualitative insights that will further substantiate the process view of internationalization. The gap in the understanding of these unique, firm-specific processes, which reflects the interrelationships between internal and external drivers of internationalization, is more pronounced in an economy like Australia. Audretsch and Thurik (2003) make reference to a "fundamental shift from a managed economy to an entrepreneurial economy (p267)" characterized by a rise to prominence of SMEs in global markets. Australia, however, presents a contradiction to indicative trends around the world. It is a wealthy, developed resource-rich nation with observably low SME participation rates in the international arena. An understanding of the internationalization process of Australian SMEs will shed light on what hinders their participation in international markets and will be an important step towards achieving a re-conceptualization of the internationalization process of small and medium-sized firms.

### Methodology/Key Propositions

This research aims to extend the theory of Internationalization Entrepreneurship by investigating the internationalization process of Australian SMEs using the combined theoretical lenses provided by constructs such as Competitive advantage, Networks and Psychic Distance. This study, focuses on how firms manage to succeed in a global market (Zahra & George, 2004) and will enhance knowledge on the process and the interrelationships of these internal and external drivers of firm internationalization. Given the unique setting of the Australian context, the study attempts to address the following research questions:

RQ1 What are the unique and in-depth processes that take place as part of the internationalization of SMEs?

RQ 2 How do insights from Australian SMEs enhance the knowledge within the International Entrepreneurship domain?

The research aims to investigate the SME internationalization process in a holistic manner and to understand the complex web of interrelated decisions leading to the internationalization of an SME. To address this gap in knowledge, it was important to conduct a thorough and in-depth examination of four Australian

SMEs in the technology sector. The in-depth examination will involve open-ended questions for an identified respondent within each case study firm. In addition, reviews of available historical/archival data and cross-checking/validation with other interviewees within each case organisation will be conducted. This iterative process that draws from several sources of information, will be done in order to corroborate initial data collected or identify any disconfirming evidence. By doing so, a richer understanding of the "drivers" of internationalization is achieved.

### **Results and Implications**

This case-based research will uncover important aspects of the internationalization process that have been overlooked or undervalued in past research. It generates four significant implications on the subject of small firm internationalization, as follows: (1) An holistic conceptual model that reflects the possible interplay/interrelationships between several theoretical constructs on internationalization and entrepreneurship which have been investigated in previous studies; (2) An enhanced understanding of the process that an Australian SME undergoes as part of its attempt to penetrate international markets; (3) The identification and description of factors that can facilitate the internationalization of the Australian SMEs selected as case studies; (4) A framework for further investigations of the internationalization process of other Australian firms or even firms in other countries.

The findings from the study are intended to contribute to a body of knowledge encompassing the cross-border operations of SMEs. The research also has value from a practical perspective as Australian SMEs can draw from this body of knowledge as they pursue opportunities internationally.

### **Contact**

Gilbert Cruz-Carreon. Queensland University of Technology, Brisbane Graduate School of Business, GPO Box 2434, 4001 Brisbane, Australia.

(T) +61 7 3864 4499, (F) + 61 7 3864 1299, Email: g.cruz-carreon@qut.edu.au