

What Drives the Internationalisation of Malaysian Halal SMES? the Influence of Personal Network, Psychic Distance and International Knowledge.

Sathiswaran Uthamaputhran^a, Mohd Ikhwan Aziz^b, Nurul Haslian^a binti Hamsani^c, Azlinda Shazneem binti Md Shuaib^d, ^{a,b,c,d}University Malaysia Kelantan, Email: ^asathiswaran@umk.edu.my, ^bIkhwan.a@umk.edu.my, ^cHasliana.h@umk.edu.my, ^dShazneem.ms@umk.edu.my

This paper scrutinizes the halal SME internationalization from the context of developing country Malaysia. Under the resources-based view (RBV) theoretical lens, this paper makes a conceptual focus on halal SMEs resources to support the process of internationalisation. In order to understand the influence of resources such as personal network, psychic distance and international knowledge, a qualitative research and case study were used to uncover the internationalisation process of halal SMEs. A case study is presented to see the impact of resources in various stage of internationalisation. This paper has provided a significant contribution to the body of knowledge on SME internationalisation from a developing country. This paper also presents a critical evaluation with conclusions and implications for further research in this area.

Key words: *Internationalisation, SME, Network, Psychic distance, Knowledge*



Introduction

Research regarding the internationalization of Small and Medium Enterprise (SME) has recently been gaining its momentum significantly due to the interconnectedness between countries (Ahuja, 2000). Internationalization has been proved a successful strategy for many companies to establish themselves in multiple countries in a short period of time (Fletcher, 2008). In many economies, internationalization as a key strategy helps to create job opportunities, bringing radical technologies and improve economic growth (Acedo & Florin, 2006). However, some scholars argued that internationalization and its antecedents is a complex process, not similar and vary according to the country. This can be seen in many small companies that made a quick expansion to the international market. For instance, in China, Jack Ma “Alibaba” an online shopping company has made a quick entry to various countries. Meanwhile in Singapore, “Grab” a peer to peer ridesharing company has expanded in various countries including UK and US. This quick entrance to the multiple markets has forced the scholars to investigate the internationalization process again. Internationalization pattern in one company does not work in another company and there is a growing call in the literature to move beyond the traditional internationalization concept and its antecedents (Snehota & Hakansson, 1995). This paper will take this opportunity to respond to this call by looking at the internationalization process in halal small and medium enterprises (SME) especially at the individual level such as entrepreneur’s knowledge, network relationship and culture. Many existing studies does not fully consider the potential of significance of halal as a key concept in internationalization. There is still a huge confusion between halal and Islamic concept. This paper questions the past literature with the belief that the existing studies does not reflect to the revolution of certain concepts such as “halal” or “Green” in internationalization.

There is a growing literature stressed about the effects of several key antecedents which differentiate the domestic SMEs and international SMEs (Montoro-Sanchez et al., 2018; Sirmon, Hitt, & Ireland, 2007). Scholars argued that the entrepreneur’s international decisions and strategies influenced by the influence of key factors such as social networks, cultural and international orientation. For example, Sirmon, Hitt & Ireland (2007) suggest that diverse market experience makes network relationship as a driving force for the process of internationalization. International knowledge together with network relationships faster the process of internationalization. Similarly, Evers & O’Gorman (2011) argues that entrepreneur creates companies without detailed knowledge of opportunities. They heavily relied on entrepreneurs’ resources to discover and exploit the opportunities. Some claimed that it might be different in matured and developing markets. For instance, in developing countries the personal network often works faster for internationalization than in developed or mature market. The small entrepreneurs in developing countries tend to take competitive advantage from their local and international contacts. Previous research emphasizes the role of each

antecedent in helping the small companies to continue growing and establishing in several international markets (Manolova, Manev, & Gyoshev, 2010). The scholars from internationalization studies however, argued that more research is needed especially empirical studies to show how important is some drivers to the entrepreneur to achieve international objectives.

We focus on halal internationalization, firstly because of the power of tawhid (unity), and secondly because of different individual's behavior. Also, some scholar suggested calls for more empirical evidence of the halal SMEs, their internationalization strategies and this paper responds to this call by looking at the halal SMEs (Eberhard & Craig, 2013; Ellis & Pecotich, 2001; Zhou, Wu, & Luo, 2007). We support the argument created by (Andersson, 2011) that the opportunities created and exploited by the individual and not the company. The individuals' personal resources such as personal network, psychic distance and international knowledge will be a major contribution to decide on international opportunities. In this study, we trying to look at the internationalization phenomenon from Malaysia context which often rare for majority of the scholars. There are few internationalization studies conducted in Malaysia but mostly highlighted the SMEs in more general way and does not looked at any specific category such as resources and capabilities of SME (Zain & Ng, 2006). We want to go deeper to the social relationship of the entrepreneur, individual experience and their cultural differences influence and adding new knowledge to the internationalization body of knowledge. As per our knowledge, these resources directly and indirectly effect the development of halal SMEs internationalization.

This paper is divided into six sections including this one. The following section discuss the halal internationalization, followed by the discussion of the key factors that support the process of halal internationalization. This is followed by a section on research methodology. Later, the study presents the cases and discussion regarding the key factors that support the halal internationalization. The final section of the paper presents conclusions and implications of the study and provides some directions for future studies.

Literature Review

In the past, the phenomenon of internationalization has been identified and developed significantly as an important domain by many international business scholars. It has been a major interest for many scholars and came up with their own findings to explain the process of internationalization (Johanson & Vahlne, 2003; Sarasvathy, Menon, & Kuechle, 2013). However, there is not a unified definition that explain internationalization phenomena and key drivers (Glaum & Oesterle, 2007). Mostly the internationalization is viewed from various country settings. For the purpose of this study, we would like to use the definition created by Lehtinen & Penttinen (1999, p.13) which was cited by Acedo & Florin, 2006:

“Internationalisation is a process that comprises the relationships between the firms and international markets and utilisation of individual resources which helps to develop various international activities through their cooperative operation with other partners in other countries.”

The above definition was chosen because it explains the process of internationalisation through certain key resources such as “network relationship” and “personal experience” that support the entrepreneur to go further than export activities. It also captured the exploration of various opportunities through various types of relationships. In addition, it also draws attention to the halal entrepreneur’s experience that develop the international orientation, international strategies and does not limited to the export activities only (Acedo & Florin, 2006; Agndal & Chetty, 2007)

The internationalisation of halal SMEs

SMEs has become a major target for any country to boost its economy especially in creating job opportunities and bringing in new technologies (Agndal & Chetty, 2007). Malaysia’s performance in world trade has developed especially in exports, and international business has generally been important for the country’s economic growth (Ahmed et al., 2006). However, comparing to the resources rich counterparts, the halal SMEs in Malaysia still far from success in their effort to internationalize their companies (Hessels & Terjesen, 2010; Shaw & Darroch, 2004). In order to survive, halal SMEs need to find a route to internationalize and engage with the international business allow them to continue surviving in the market. At the same time, government also have provided various aids to support not only the development of local companies but pushing halal SMEs to presence in the international market and mostly failed to succeed. In the context of international environment, internationalization has been proven as a key strategy that create competitive advantages and sustainability (Oparaocha, 2015; Wach, 2014)

MNEs in developing countries have, develop a complementary strategies to increase their chances and ownership advantages in the international market (Zain & Ng, 2006). They engage with some strategic partners’ in order to acquire firm-level unique resources such as tacit knowledge and technologies which can advantage them. Despite a strong support from the scholars and practitioners, the halal SMEs still struggle to identify the right international opportunities and engage to various resources that can help them to mitigate risks and be competitive at the international market. Unlike their counterparts’ multinational companies, these companies often facing various challenges such as inadequate human capital, financial constraints, liability of foreignness, lack of networking and insufficient of knowledge (Johanson & Vahlne, 2009; Ruzzier, Antončič, & Konečnik, 2006; Torkkeli, Puumalainen, Saarenketo, & Kuivalainen, 2012). Therefore, halal SMEs in developing countries usually

depends on unique resources that acquired from various external sources to support their international entry (Coviello & Cox, 2006; Coviello & Martin, 1999; Ellis & Pecotich, 2001; Johanson & Mattsson, 2015). Because of the significant role of external resources in the international activities of SMEs, the dependency of SMEs on these resources is discussed in depth in the following subsection.

Resource importance in SMEs internationalization

We believe that there is little empirical work has been done on halal SMEs' resources based on developing countries due to the high level of success rate in developed or matured countries. Most of the studies found in the literature are based on developed and matured economies (Dew, Read, Sarasvathy, & Wiltbank, 2011; Fletcher, 2008). The process of international opportunity is crucial in internationalization and many halal SMEs entrepreneurs failed to succeed in the international market due to resource constraints. Recently, the international entrepreneurship scholars such as Idris & Saridakis, (2018) and Oparaocha (2015) suggest that some external forces such as network relationship, knowledge and cultural differences are the main factors that support the early entry in the international market. These resources will make a difference between successful and unsuccessful companies. They claimed that entrepreneur's age and success in domestic market does not guarantee their success in the international level. However, most of the halal SMEs rely on accessibility to various external resources such as different types of relationships, individual experience and cultural differences to deal with the international opportunities at the early stage of the internationalization (Arbaugh et al., 2008)

What most of the SMEs failed to see is different institutional environments and guidance which require different resources to succeed in that particular market. For SMEs, different institutional conditions change the way they are doing business and control the operating environment. The SMEs need certain level of unique resources beyond their domestic market to support the internationalization especially to discover and exploit the opportunities (Bruton, Ahlstrom, & Li, 2010). The key resources such as international knowledge and personal relationship are vital and have a major influence on the chance of halal SMEs to enter international market quickly (Bruton et al., 2010; Knight & Cavusgil, 2014; Volchek, Henttonen, & Edelman, 2013). The literature on international business illustrates numerous resource-based factors that determine behavior and also affect how the competitors behave (Acedo & Florin, 2006; Rugman, Verbeke, & Nguyen, 2011; Sommer & Haug, 2011).

Previous studies have given a variety of possible yet competing theoretical and empirical evidence on early internationalization (N. Coviello & Munro, 1997; De Carolis & Saporito, 2006; Fan & Phan, 2007; Zhou et al., 2007). However, the literature shows that the research

ignoring some key resources that tend to play a seminal role in developing international activities in small companies, such as network relationships and tacit knowledge (Leonidou & Katsikeas, 2010; Leonidou, Katsikeas, Palihawadana, & Spyropoulou, 2007). Furthermore, in early-internationalization studies, the fundamental entrepreneurial motives, such as risk-taking, are commonly seen as key explanatory factors (Knight & Cavusgil, 2014). The resources we hereby explore are anchored in three rather different perspectives on the subject: (1) the resource-based view perspective.

Resource based view (RBV) has been recognized as one of the prominent theories that used to understand the firm strategies in both local and international markets especially in developing countries (Hoskisson, Eden, Lau, & Wright, 2000). It helps the scholar to understand how the company can build, access, control and leverage the resources to create competitive advantage (Barney, 1991). The more valuable, rare, and difficult to substitute and copy such resources are, the more likely they will support sustainable competitive advantage. In this paper, we are not studying an extensive list of resources, but rather focus on availability of resources. These key resources will be discussed further in the following subsection.

Informal relationships

The network model of the internationalization began with the study conducted by Johanson & Mattsson (1994). In their study, the internationalization process especially international opportunity discovery has been influenced by various external and internal actors. Majority scholars agreed that network relationship has been a major boost for early internationalization. It allows the entrepreneur to access to additional resources such as tacit information and supporting technologies. For instance, the company knowledge accumulated in the company through different types of relationships such as personal and business (Chetty & Holm, 2000; Holm, Eriksson, & Johanson, 1996). Most of the relationships help the entrepreneur to make an international decision and indirectly offer various opportunities for the SME to continue increase their productivity. Zain and Ng (2006) in their study of Malaysian SMEs concluded that the development of internationalization in the company is based on informal communication and interaction of employees, customers and any other party that support the international activities. The collective decision between these people help the company to improve their internal capabilities through unique resources (e.g. knowledge, technologies and culture) and take further step to do international activities.

International knowledge

International knowledge has been a key factor for many SMEs to support their internationalization activities (Brennan & Garvey, 2009; Gulanowski, Papadopoulos, &

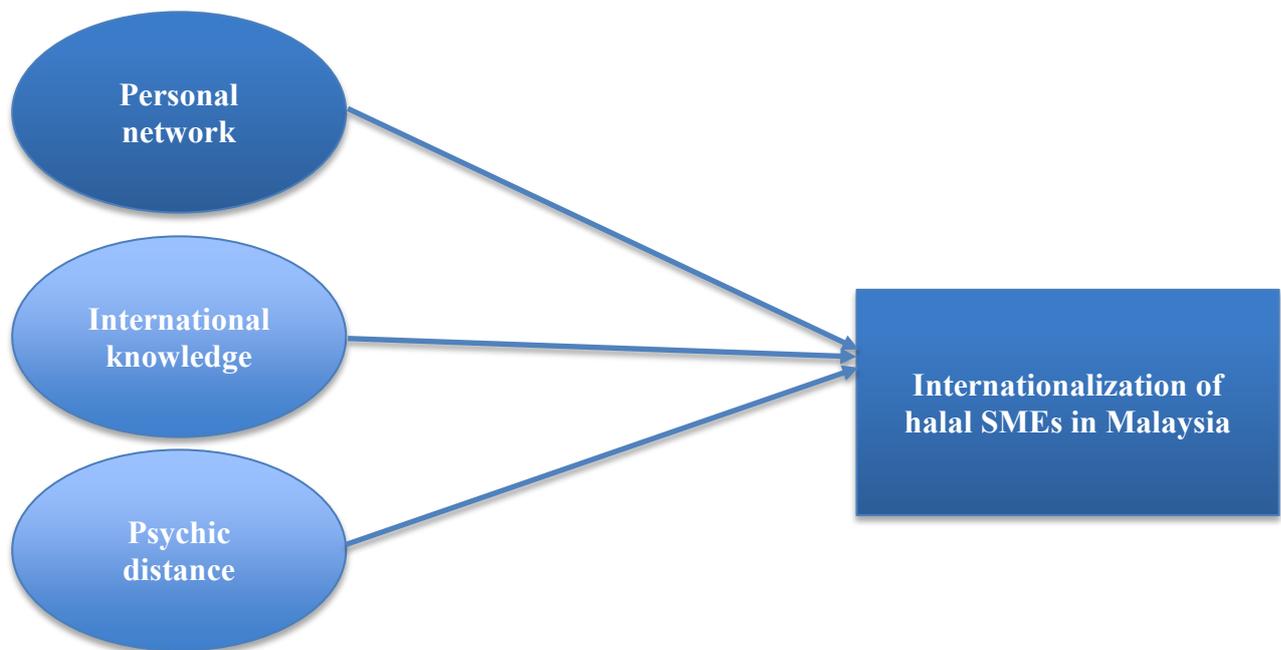
Plante, 2018). It refers to specific knowledge and behavior that a company can use to create superior value in their international expansion (Alotaibi & Mahmood, 2017; Li & He, 2011). International knowledge is the value creating mindset which most of the entrepreneurs use to create an organizational posture, engaging to the risk-taking activities and leveraging international opportunities (Sundqvist, Kyläheiko, Kuivalainen, & Cadogan, 2012). For decades, scholars attempt to explain the key determinant of internationalization and they found that the tacit resources such as international knowledge has a direct and indirect effect on the international activities in the company (Liao & Welsch, 2003). It has become a non-substitutable resource that creates competitive advantage in company operation. With the international knowledge, the entrepreneur able to detect the opportunities in the early stages of development. The entrepreneurs able to acquire new assets and reconfigure existing resources with their previous international knowledge and experience (Deligonul & Tamer Cavusgil, 2006; Lorenzoni & Lipparini, 1999). However, the study of different types of network relationships still less in the context of developing countries. Some believe that the empirical findings still inconclusive due to use of different measurements to measure the international knowledge (Delmar, Davidsson, & Gartner, 2003).

Many studies have focused on the link between international knowledge and internationalization process in various settings. For instance, (Knight & Kim (2009) argued that the international knowledge nurture and structure the intangible resources in SMEs. They further argued that it has been used as a tool to support international activities. Companies that possess a high level of international orientation has certain level knowledge to alter their resources and compete in highly competitive environment. These companies will build an international setting to understand their international customers and increase their performance.

Psychic Distance factor

Several scholars have explained that the role of advance technologies and transportation channels have increased the dependency of the countries. It has decreased the psychic distance between countries. Some small companies studies such as Bell (1995) and Coviello & Martin, (1999) concluded that psychic distance has less impact on company internationalization and opportunity discovery process. In contrast, we support for the impact of psychic distance in the internationalization process in developing countries. It has a direct impact on the process of opportunity discovery for many Asian entrepreneurs. The concept of psychic distance defined as the factors that preventing or disturbing the flow of information between firm and market (Johanson & Wiedersheim-Paul, 1975). The factor which are related to the differences in language, culture, political system, level of education and country development. Our focus is solely on the individual personal beliefs and religion rather than macro-level differences between countries (Kontinen & Ojala, 2011; Sundqvist et al., 2012).

We believe that their personal beliefs and religion limits the opportunities in the international market. Some used Hofstede's (1980, 2001) cultural dimensions to explain the personal beliefs but still lack of explanation how does the personal beliefs and religion influence the internationalization. Their personal belief creates a perception of the differences between the home and host country which is crucial for the process of internationalization.



Research Framework

Research Methodology

Following suggestions from (Eisenhardt (1989) Yin (1994) this study choose multiple case study method due to the exploratory nature of research questions. According to them, the multiple case study helps the researcher to study the similar patterns and theory between cases. Also, this method assists the researcher to explain the significance and cause-and-effect relationships of the examined phenomena (Yin, 1994). The sample cases selected based on the following criteria: a) the entrepreneur must be a Muslim, b) 25 percent profit must come from international business, c) are doing business in the field of halal, and d) have minimum 20 employees and above. From the snowballing technique, eight halal SMEs were identified. All of them have given a commitment and willing to share their internationalization experience. In this study, the case firms were selected based on the definition of SMEs, i.e., firms with 500 or fewer employees at the time of interviews. The main reason to choose this halal SMEs is due to a smaller number of studies conducted for halal SMEs in developing countries. First, Malaysia is a small and open economy with limited opportunities in the domestic market. Their differences as a multiracial culture,

language and business practices from other countries make this study very interesting to research. This result from this study can be a great challenge to the existing theories and models which are commonly used in many researches. The company's reliance on specific resources and a large psychic distance between two countries is a great area to research. (Lu & Beamish 2001) suggest that the psychic distance between countries can make the company more entrepreneurial in nature. Also, focusing on one single sector helps to support existing knowledge to the halal industry and help to reduce the potential for confusing results (Huberman & Miles, 1994; Leonard-Barton, 1990).

The unit of analysis for this study are entrepreneurs in halal SMEs where we managed to interview all together two entrepreneurs in Kuala Lumpur, capital city of Malaysia. Both were had an in-depth knowledge related to internationalisation process of the halal SMEs especially on their resources and entry to other countries. These professions correspond to those of informants that are commonly used in the field of international entrepreneurship (Coviello & Jones, 2004). The interviews were conducted between 60 to 90 minutes using semi-structured questions. This enables asking about the main questions and then make further, more details questions (Yin, 1994).

During the interview, the interviewees were asked to explain their business information and later more detailed questions were asked about how they entered first international market. The questions were divided into themes, and more detailed questions were asked. For example, the impact of actors for the initial international entry, what are the key resources used to support international activities, the importance of those resources for the company's products and the impact of their personal knowledge for international activities. Most of the themes in this study were based on guidelines provided by Yin (1994), and we try to make questions as non-leading as possible. The interviews were recorded and transcribed manually. A second listening was conducted to ensure correspondence between the recorded and transcribed data. Complete case reports were sent back to the persons interviewed to ensure validity and authenticity of the collected data. We also made field notes. For data triangulation and verification of the initial conclusions (Huberman & Miles, 1994; Leonard-Barton, 1990). All two cases were written as a standalone case history and later we tried to identify patterns between cases and categorised under common themes. This helped to organise and summarise the collected data.

Key Findings

Company A

Company A was founded in 2001 by an entrepreneur in the city of Kota Bharu Kelantan which expertise in providing halal meat to various countries across the world. The initial opportunities of providing a meat with halal concept came from the entrepreneur's idea. Soon

after establishment the company established its business to other regional countries such as Indonesia, Thailand and Pakistan. The company was established both domestic and international within four years. At the initial stage of the development, the business does not have adequate resources and run with a strong entrepreneurial approach. This company heavily relied on its partnerships and specific knowledge. This company can be one of the successful born global companies based on criteria of internationalisation where the company internationalised within three years from inception and their 25 percent profit comes from the international market. To enter the international market, the company has taken various efforts including setting up offices and established partnership with various actors within and outside the company. Between 2002 and 2008, this company has advanced its business to Indonesia and later eventually entered Thailand and Pakistan in 2013.

Company B

Company B was begun with a small capital and owned by a young entrepreneur in 2006. This company selling halal meat and has expanded to various countries across regional including China and Vietnam. The entrepreneur decided to do business directly with customers instead of using intermediaries. Internationalization has never been a primary goal for him when he started the business. The company internationalization is due to his personal connection with people from other countries. The company became more active in 2008 after they opened a branch in China. The company relied strongly on personal network and established and run with strong entrepreneurial roots. The entrepreneur skills and knowledge has made him to keep the business survived.

Type of network relationships and its impact on internationalisation

For this study, we have observed that the methods used by each case firm for entering the international markets depended on their existing resources such as personal networks. For example, Entrepreneur A uses his personal networks such as his friends, family and colleagues to make an initial effort to enter international market. Most of his friends have a business in various markets. They facilitate the international activities by providing various information related to international market to overcome the sociocultural and resources barriers in the potential countries. For instance, Entrepreneur A claimed that “*.In Malaysia, people networking is actually very interesting because no matter what we always depends on each other regardless of race, culture and religion...Since my business is a halal oriented and operate in a niche industry, I frequently engaged to close friends from my culture...some of them shared distributor contacts which they knew in other countries and that helped us to faster our product selling.*” On the other hand, Entrepreneur B focuses on some strategic partnerships with people they knew to sell the halal food directly to the international markets. The entrepreneur’s experience through his education has made him to develop some close

relationships with people he knew in the international market. The entrepreneur says ...” we shipped directly there...and my friends in other countries do the rest...that’s why we need to have a close relationship...using local people there give me a huge advantage to enter some important markets...our main idea is not just rely on export which most of our competitors doing but also selling directly to customers there through these people...”. Individual interview sessions of 60-90 minutes were carried out with each entrepreneur to discuss about various aspects of their internationalisation purposes. The main objective of this particular interview is to understand what type of network relationships helped the entrepreneur to pursuing international objective. From the discussion with the entrepreneur, it is clearly showing that both entrepreneurs relied heavily on their personal networks at the initial stage to set up their business in the international market. Several personal networks were mentioned during the interview without asking any direct questions about them. Some of them were:

Entrepreneur A with Suden

...Never but I relied on people...In Malaysia, people networking is actually very interesting because no matter what we always depends on each other regardless of race, culture and religion...Since my business is a halal oriented, I frequently engaged to close friends from my culture...that’s how I got to know Suden who previously studied together in high school...his experience in different country settings helped me to organise my resources to support international activities...

Entrepreneur B with Malik

...Our main idea was to keep our costs down due to low investment money. So, we relied mostly on people we know...This is where Malik came into picture. He was a close friend of mine who worked together in the previous company. I don’t have many resources that time...he has a technology company that offers support system for many small companies...he offered me business incubation, technology support and other marketing tools to get into Japan and India that time...we lacked knowledge about market, laws, find distributors and suppliers...”

The cases above shows that reliance of personal networks seems vital for the halal SMEs to overcome their international barriers and increase its advantage to support the internationalisation process. Thus far, the findings concur with the network and resource dependency theories (Arbaugh et al., 2008).

Cultural differences

In this part, the focus of this study is to see how does the cultural differences of the individual influence the decision of internationalisation. The aim, in particular to see whether the cultural differences play a part or not in the internalisation process. The responses from the case firms suggest that the cultural differences in the name of personal belief has a strong influence over the process of internationalisation. This is contradicting to some other scholars' findings which emphasized the issue of country cultural differences instead of individual belief. In this study, we found that the entrepreneurs have certain level of perception towards business markets and it eventually became a barrier for them to do business in some unknown markets. The entrepreneur's mental factors are involved directly in their decisions especially when they decided to enter the international market. The entrepreneur ambiguity about the risk and perception is associated with the development of international activities in the company. The likelihood of individual perceptions' role increases as a decisive factor in determining the opportunities and mostly these perceptions build through personal experience and culture. For instance, the entrepreneur in Company A said *"When I started the business I had some issues with business partners...My philosophy is my view that this is a halal food business and I don't think I can go to some unknown market such as western because they don't give a face for that..."* Meanwhile entrepreneur in company B said *"...We do experience working with people from other culture and it really took our company down. For me at least I will only partner with people who understand the concept of our business which is halal..."* Meanwhile the other entrepreneur in Company B said *"...We do experience working with people from other culture and it really took our company down. For me at least I will only partner with people who understand the concept of our business which is halal..."* However, there are some aspects which were noteworthy to consider as a key determinant for halal SMEs internationalisation.

- 1) It was not disclosed to the SMEs that the researcher actually checked their background and found that the entrepreneur only doing business in the countries that follow the similar culture with the entrepreneur. The cultural perspective seems as a key factor that allow the entrepreneur to make an internationalisation decision.
- 2) Both halal SMEs found the entrepreneur's perception and personal background as crucial to successful entrepreneurial internationalisation. The entrepreneurs limit their cognitive process by looking at the opportunities in certain countries that similar to their culture.

The cases show that the entrepreneur willingness and their personal belief as a key determinant that support the process of internationalisation. Our finding is in line with the studies conducted by Gruber & MacMillan (2017) and Powell & Baker (2014) which found that the entrepreneur's decision is based on their identity. In general, the entrepreneurs'

personality is considered to be a multiple structure consisting of attitudes and behavior such as “proactivity,” “risk taking,” and “innovation” (Dess, Lumpkin, & Covin, 1997).

International knowledge

The responses from the entrepreneurs indicate that they have certain level of international knowledge to support their international activities. Many of them mentioned their previous education and working experience as key resources that allow them to pursuing international opportunities. Lack of international experience about the context can be a major barrier for the company to success in the international market. Thus, having an international experience allowed them to reduce their risk involved in the process of internationalisation (Johanson & Wiedersheim-Paul, 1975). With a strong international experience, the company can overcome the international challenges such as liability of foreignness and help to communicate with customers, suppliers and governments. Abramczuk, Balbinot, Macadar, & Graeml (2009) mentions the specific cases of Gerdau and Marcopolo (two Brazilian firms), where it was proven that they only boosted their internationalization processes after greater experience had been acquired. For example, the entrepreneur in company A explains that “...*I did my undergraduate in Japan and later worked in some regional countries as a head of department...that helped me to identify the information needed about the market, competitors and how marketing can be done in certain markets...*” Meanwhile in company B the entrepreneur said “...*I did my school in US for few years and later back to Malaysia to continue with my father business...he wasn't feeling well so I have decided to back to Malaysia...most of the time I used my overseas experience in developing and improving my products and make it accepted worldwide...quite hard because it's a halal product but we have done it...*” Concertedly, the findings suggest that both entrepreneurs had specific international knowledge through their previous education and working experience in foreign countries and being the most mentioned by them. Again, there are some important elements that need to pay more attention.

- 1) The entrepreneurs from the cases see their international experience as an intangible resource that indirectly support them to the international market. Having this resource allowed them to transfer their experimental learning to overcome the liability of foreignness and reduce the cost for internalise.
- 2) It acts as a key resource for these entrepreneurs to create a competitive advantage in the domestic and international markets. This includes providing various information about market, customer and business.

Discussion and conclusion

A central theme of this paper is that internationally Halal SMEs pursuing international market entry undertake key resources such as personal networks and international knowledge to support international activities. Collectively, the results show that the cases support the framework that has been designed for this study. This study argued that halal SMEs internationalisation is operate on entrepreneurial basis and the international activities highly relied on key resources such as personal network and international knowledge. As noted earlier, the concept of resources-based view has overlooked in the past and lacks strong empirical foundation. The findings of this study broadly offer support for the resources-based view that identify the range of factors that support the small company's international activities (McDougall et al, 1994; Bloodgood et al., 1996). Some of the key resources in the cases can be a prominent in particular contexts.

The first reveals that the cases constantly looking for the personal networks instead of building business network to support their early stage of internationalisation. They see internationalisation as a crucial strategy for them but lack of resources made them to rely on personal networks. The relationship with their close friends and colleagues offered them a great advantage in understanding the potential market, providing financial stability and developing additional networks abroad. It helped the halal companies to reduce its risk in an unpredictable environment. This is also in line with the studies on effectuation process where the entrepreneur making a decision based on people they know in light of an unpredictable environment to reduce the risk (Andersson, 2011; Sarasvathy, 2001, 2009).

In terms of the interviewees' reflections on the potential market, the finding shows that the entrepreneur in the cases have certain level of belief which developed through their culture and religion. This personal belief limits their opportunities to grow more in the international market. The findings builds from existing term in the internationalisation called psychic distance which highlighted in many internationalisation studies (Chandra & Coviello, 2010; N. E. Coviello & Martin, 1999; Johanson & Wiedersheim-Paul, 1975). In contrast, many scholars from international entrepreneurship area claimed that the psychic distance no more in internationalisation due to development of unique resources such as networking and specific knowledge in the business (N. E. Coviello & Cox, 2006; Knight & Cavusgil, 2014; Oviatt & McDougall, 2005; Sarasvathy, 2009). However, this study has established evidence that the entrepreneur in some countries still have certain mindset which limits their international opportunities.

Third, the knowledge-based view which depicts the halal SMEs as repositories of knowledge and competencies(Cohen & Levinthal, 1990). According to this view, the intangible knowledge provides the halal SMEs huge advantage to create superiority in their international

activities. In the case, the organisational knowledge created through entrepreneur's experiential learning and knowledge sharing. Organizational learning begins at the individual level, but it is not a simple aggregate of individual learning: it depends on information sharing between individuals. To understand a firm's 'absorptive capacity', one needs to understand knowledge transfers across and within sub-units of the firm that may be quite removed from the point where the knowledge item was first created (Cohen & Levinthal 1990). In the case, the entrepreneur's education allowed them to create unique products, understand the marketing strategies and competitor information which are crucial for a company. To grow their halal SMEs, all entrepreneurs perceived a need to balance risks and move quickly to the international market with the knowledge they have from their past experience. In line with the current study, Javalgi & Todd (2011) found that international orientation which came from international knowledge leads to a higher degree of internationalization, and a number of studies have reached similar findings related to attitudes toward risk (see, e.g., the review of Jones & Coviello, 2005, 2011).

The current study contributes to our understanding of key resources and its influence over the process of internationalisation. This finding associated with the resource-based view and effectuation-based approach that often used in international business studies. Our study shows that some companies such as halal SMEs follow less rational approach which they combined several resources such as personal networks and international knowledge which lead them to an early internationalisation at regional markets regardless of they have invested or not invested in resources. One thing which is common among these entrepreneurs are their intention to go international early and key resources was always important and a strategic plan for them when they plan to go abroad.

Theoretical contribution

This study illustrates the process of halal SMEs internationalisation by looking at the key resources that support the international activities as argued by many other scholars (e.g Barney, 1991; Coviello & Cox, 2006; Powell & Baker, 2014). This study responds to the call of the use of key resources based on RIV theoretical lens. Our results are important in framing the set of key resources that are essential that are needed and their influence in different stages in the internationalisation process. For example (Hessels & Terjesen (2010) and (Sirmon et al., 2007). There are also other studies that emphasized on the importance of key resources which have suggested for further investigation is needed to see the niche company internationalisation in different country and organisation settings. The study on key resources in different countries less explored recently and due to advance technologies and high number of small companies in the international market, we think it is important to look at the resources that they used to eliminate the international barrier and make an early internationalisation.

In this study, we identified several key resources such as personal network and international knowledge under RBV theoretical lens. These resources showed a possible change in company configurations to support the process of internationalisation in the halal SMEs. We have made this study as an important finding from the context of developing country like Malaysia and Thailand and future scholars can use this as a base to develop new theoretical grounded typologies on how some niche SMEs enter the international market immediately after their establishment. We have showed the different resources and their importance link to different phases in the internationalisation. It is important the business context in developing country like Malaysia which might acquire different resources compared to developed or mature market. The role of entrepreneur and SME ability act in a specific situation is critical when confronting with the business in different countries. As seen in the case, the personal network and specific knowledge that provided initial support for these companies to enter the international market. Thus, we would like to add those resources as an important element in the process of internationalisation in Malaysia. These variables also might be relevant to studies in other Asian countries.

Practical contribution

The findings in this study is relevant for the novice entrepreneurs and managers because we have showed how a niche SME such as halal can enter the international market through their unique and difficult to imitate resources. These resources will create a base for the entrepreneur to support the outcome such as internationalisation and innovation which is crucial for many small entrepreneurs in tiny market. The size of domestic market become small forced many entrepreneurs to do international activities in other countries. Understanding of these resources offers a great advantage and bench mark for the new entrepreneurs and managers to take a next step in their company respectively. The result is important for the company to make a selection on the market and quickly set strategies to sell their products to other countries. For instance, the entrepreneur who relied strongly on personal network in other countries can make the internationalisation faster compared to others who does not have a personal network. Another implication in this study is the role of psychic distance factor such as individual belief which developed through their religion and culture. The entrepreneurs in other part of the world still have certain barriers which limits the international opportunities and they find the risk is high in far distant countries. This antecedent might be broadly relevant to some Asian countries which based in small economies.



A critical remark and research suggestions

First, the internationalisation process, in the developing country is critical regard to how the entrepreneur and the SMEs can act in a specific situation. SMEs need further empirical inquiry including larger data set from developing countries and compare it with matured or developed market. We acknowledge that our study which based on exploratory may be prone to insufficient explanation from company-based resources. Our main focus was on individual based resources. Therefore, one possible avenue for future research would be gathered data related to both individual and company resources to see how the entrepreneur use his personal resources to create company resources.



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