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Understanding variety in small firm internationalization : the decison-making process of small manufacturing firms in Indonesia

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**UNDERSTANDING VARIETY IN SMALL
FIRM INTERNATIONALIZATION:
The Decision-Making Process
of Small Manufacturing Firms in
Indonesia**

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November, 2013

USE OF THESIS

The Use of Thesis statement is not included in this version of the thesis.

ABSTRACT

Research on small firm internationalization has been conducted intensively over the last few decades. However, knowledge of small firm internationalization varied. This research addresses the question of this variety in small firm internationalization applying the stage models theory, network theory, resource-based theory and international new venture. As the more recent studies showed that researchers have inclined towards one conclusive finding of the central role of the manager in internationalization, the key explanation of the inconclusive knowledge about small firm internationalization possibly resides in the decision made by the manager. Thus, this research explored the process of making an internationalization decision using rational decision-making process theory. To give a different perspective from the existing internationalization theories that have been developed around manufacturing firms in developed countries, this research was conducted on manufacturing firms in a developing country, Indonesia. A mixed-method approach was used to generate a model of internationalization decision-making process. The results showed that internationalization decision was a manager-centred activity and the manager's capability and learning processes were essential in determining the decision. Accordingly, variety in managers' capability was likely the cause of variety in small firm internationalization. Future research should be directed to the individual level of the manager instead of the firm or industry level if understanding internationalization of small firms is the aim. To be effectiveness, policy and programs addressing internationalization of small firms should consequently also be directed to increasing managerial capabilities and to providing real-life experience for learning.

DECLARATION

I certify that this thesis does not, to the best of my knowledge and belief:

- (i) incorporate without acknowledgement any material previously submitted for a degree or diploma in any institution of higher education;*
- (ii) contain any material previously published or written by another person except where due reference is made in the text; or*
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I would like to dedicate this study to small firm managers who inspired me about survival, motivation and perseverance. Their dedication to the business is unlimited. Special thanks to small firm managers who participated in this study for sharing their experiences and knowledge.

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CHAPTER 1

INTRODUCTION

1. 1.OVERVIEW

This chapter outlines the background of the study in the area of international businesses and small firms. The research background discussed at the beginning of the chapter provides arguments, based on the literature reviews, explaining why this study needs to be conducted and what gap it seeks to fill. Research issues are then outlined to build logical research questions. A conceptual framework is presented in the next section to show how the research questions will be addressed. Following this, the significance of the study in terms of academic and practical benefits is outlined. In the final section, the thesis outline is provided.

1.2. BACKGROUND

Small firms are becoming increasingly international in their orientation (Andersson & Floren, 2008; Boter & Holmquist, 1996). They are not immune to the impact of overseas competitor attacks or the internationalization of the market place in the era of globalisation (Freeman, 2005; Lloyd-Reason & Mughan, 2002; Ruzzier et al., 2006). The increasingly globalized nature of the world economy has been the driver for attention on the internationalisation of small firms (Williams, 2011a).

Involvement in the international market by small firms is viewed as important by many governments because of potential contribution to economic activity, employment, innovation and wealth creation (Bell et al., 2004; Moini, 1998). For example, the Australian government has implemented strategies to increase the number of exporting businesses (Graves & Thomas, 2006). The US federal government and many US state governments are doing the same in order to strengthen the nation's trade balance and increase its world market share in critical industries (Burpitt & Rondinelli, 1998). The Indonesian government has continuously reduced trade barriers and created a more transparent trade and investment environment through the deregulation policy in order to increase its international trade (Soesastro, 1989).

However, contrary to continuous efforts by governments, few small firms respond to the programs offered (Arbaugh et al., 2008; Burpitt & Rondinelli, 1998; Graves & Thomas, 2006; Moini, 1998). Reluctance amongst managers of small firm to internationalize their business is thus apparent although this varies across countries. For example, Manolova et al. (2002) found that small US firms are less likely to internationalize compared to those in Asia and Europe.

Much research on small firm involvement in international business activities has been conducted (Anderson & Floren, 2008; Manolova et al., 2002; Ruzzier et al., 2006). Research focuses on why managers of small firm do not internationalize (Arbaugh et al., 2008; Pope 2002; Williams, 2011b). Arbaugh et al. (2008) outlined two possible reasons: the 'domestic success' reason and the 'barriers for internationalization' reason. Small firms do not internationalize if there are abundant opportunities in the domestic market and if they encounter barriers, such as perceived economic risk. Other research (Arbaugh et al., 2008; European Commission, 2007a; Fernandez & Nieto, 2005; Johanson & Vahlne, 1977; Sommer, 2010; Zeng et al., 2008) has also found that a lack of resources is the key reason why small firms do not internationalize.

Contradictory findings about reasons for small firms to internationalize are apparent in the research. For example, market knowledge is not a barrier for internationalization of small firms (Sullivan & Bauerschmidt, 1990 cited by Satyanugraha, 2005), but this is the main barrier according to Arbaugh et al. (2008) and Johanson and Vahlne (1977). Such contradictory findings have been encountered predominantly in terms of manager characteristics and firm characteristics (for example, Obben & Magagula, 2003 and Williams, 2011a; European Commission, 2007a and Arbaugh et al., 2008 and Williams, 2011b). Obben and Magagula (2003) found that language skills of the manager is a significant factor influencing propensity of small firms to internationalize, but this is not the factor in Williams's study (2011a). Yet little has been done to synthesize these results.

The internationalization decisions is a strategic decision made by the manager to take the business abroad (Sommer, 2010). A strategic decision concerns the allocation of resources that affect an organization's structure, and the status and position of those

involved (Gore et al., 1992). The choice of a foreign country as the target market and the stages and speed of internationalization are therefore strategic decisions because they have consequences for resource allocation. According to Williams (2011b), resources play a critical role in moderating how external stimuli contribute to the decision to internationalize the business. Yet the literature shows that the lack of resources creates variety in the process of small firm internationalization. Some studies show that small firms internationalize gradually (Bell et al., 2004; Johanson & Vahlne, 1977; Kalinic & Forza, 2012; Ruzzier, et al., 2006), while, others find small firms leap over the internationalization stages (Lecraw, 1993; Satyanugraha, 2005).

Variety in the process of small firm internationalization suggests that there is a lack of clarity and cohesion in the literature (Freeman, 2005). The variety in small firm internationalization can be acknowledged through the factors affecting small firm managers to, or not to, internationalize the business. However, this may not give an adequate explanation about the variety as it only answers the what question (what stimulates the decision) and does not answer the why question (why the factor stimulates the decision). Considering the inconsistent findings about factors stimulating small firms to become involved in international business activities, answering the why question is imperative. It requires focussing on the decision-making of the small firm managers before they arrive at the decision to take a particular stance on internationalization; for example, what do they take into consideration and why do they make that decision? The internationalization decision-making process will be the focus of this research. As a result, this research stands as an effort to reconcile inconsistent findings and bring cohesion through an explanation of why small firms internationalize.

The study by Aharoni (1966) is considered pioneering in understanding the process of making internationalization decisions (Larimo, 1995). His study of foreign investment decisions, which comprise a three-phase decision-making process (identification phase, development phase, and selection phase), has been applied by others studying decision-making. However, studies of the process of making internationalization decisions have focused on the exporting decision-making process (for example Burpitt & Rondinelli, 1998; McNaughton, 2001) or on the foreign direct investment (FDI) decision process (for example Larimo, 1995; Sykianakis & Bellas, 2005).

Different processes resulting from each study have suggested that the decision-making process is complex.

However, it is known that the process of making an internationalization decision in small firms is much less complex (Jocumsen, 2004) and intuitive made without formal research or consultation with outside experts (McNaughton, 2001). The process is less complex because it depends only on the small firm manager. Their characteristics are important. For example, someone with international experience, or a positive perception of internationalization (Manolova et al., 2002) or an international orientation (Lloyd-Reason & Mughan, 2002), will be more likely to be positive about internationalization. Studying the behaviour of small firm managers in making the internationalization decision can provide a better explanation of the internationalization process (Andersson & Floren, 2008). Yet limited research focuses on the manager's behaviour.

This research will explore managerial behaviour in making the internationalization decision: whether this behaviour reflects a particular style of decision-making, the process of decision-making, and the reasons for the decision. Mixed methods are used to gather data necessary to develop a model of the internationalization decision-making process. A large sample of small firm managers is surveyed to gather data on the general conditions relating to the propensity and reasons for or not for internationalization. This provide context for understanding the internationalization process. Interviews with a small sample of small firm managers then enabled theory construction and theory building (Chetty, 1996; Weischedel et al., 2005), such that a systematic process in making internationalization decisions results from the analysis and this provides a description of the managers' behaviour from which variety in internationalization process can be inferred.

As internationalization processes differ by geographic location (Zeng et al., 2008), this study focuses on small firms in Indonesia. To focus in this way is important as studies of small firm internationalization have mainly been conducted in developed countries (Satyanugraha, 2005; Zeng et al., 2008). Findings from research in developed countries may not be applicable to small firms in developing countries. Moreover, as

internationalization processes vary by industry (Boter & Holmquist, 1996), this study focuses on Indonesian small firms operating in manufacturing sector.

1.3. RESEARCH ISSUE

1.3.1. Small Firm Internationalization

Research into the internationalization of small firms has followed two streams. One stream focuses on the stages of internationalization while the other focuses on the way small firms leap over stages. The first stream has been built around Johanson and Vahlne's (1977) stage model of internationalization. This work suggests that firms become involved in an international market in incremental stages (Kalinic & Forza, 2012). Market knowledge and culture are important elements in the stage model (Johanson & Vahlne, 1977; Manolova et al., 2002) and internationalization is a result of experiential learning.

The experiential market knowledge of the decision-maker is the key to the gradual internationalization process of small firms (Manolova et al., 2002). As small size usually means limited resources, and international business activity is considered riskier than domestic operation (Cullen & Parboteeah, 2005), internationalization by small firms is more likely in host countries that are physically and culturally close to the home country (Carneiro et al., 2008; Johanson & Vahlne, 1977; Manolova et al., 2002). This closeness means a low resource commitment is required from firms (Carneiro et al., 2008; Manolova et al., 2002) but, as market knowledge increases, there is stimulation for expansion into markets lying at a greater distance which consequently requires an increased resource commitment. The explanation for this behaviour is the need to reduce or avoid the risks that can be encountered in the international market (Manolova et al., 2002).

Extensive studies on small firm internationalization have been conducted under the assumption of this gradual process and results have confirmed the model. Arbaugh et al. (2008) found that knowledge of international markets (in terms of regulation, language, technical standard, availability of qualified international employees and general information), and cultural differences between the host and the potential target markets were the most significant factors in the decision not to internationalize the firm.

Similarly, the Observatory of European SMEs (2007b) reported that the main reasons that many SMEs in Europe do not pursue cross-border activities were cultural and language differences.

However, the second research stream originates from the fact that differences between countries no longer affect small firms internationalizing. Schulz et al. (2009) concluded that SMEs do not follow a common internationalization path and they deviate from the traditional internationalization stages. Many small firms have been born global, internationalized at their inception and do not follow the stages (see for example Bell et al., 2004; Graves & Thomas, 2008; Morgan-Thomas & Jones, 2009; Radulovich, 2008; Ruzzier et al., 2006). Satyanugraha's (2005) research about the entry-mode decision of Indonesian SME manufacturers in the export market is consistent with this stream of research. He concluded that the decision to choose either being a passive exporter, or using foreign distributors, or setting up a sales office in the foreign market depended on the size of the foreign market and the firm's efforts to create uniqueness in their products or services.

The two streams have been confronted each other. The first stream stresses cumulative experiential nature of firm activities, internal development of knowledge and other resources as well as reactive behaviour in internationalization (Chetty et al., 2012). While the second stream highlights the extensive use of networking to acquire necessary resource and proactive, innovative and risk taking behaviour (Soderqvist & Chetty, 2013).

Kalinic and Forza's (2012) study bridges the two streams. They found that traditional SMEs that are not international-oriented and operating in a mature sector are still able to internationalize rapidly. Specific strategic focus is the determinant for this rapid internationalization and knowledge-intensity, international networks and international experience theorized as important for born globals have less influence on traditional SMEs. Specific strategic focus covers the persistent effort to form local relationships, the proactive managerial orientation in a host environment and a flexible strategic focus with heterogeneous expectations. Respectively, they positively affect the extent of international commitment, the scope of international commitment and the

development of commitment in the host country. Furthermore, they emphasize that an international network is not a pre-condition for internationalization.

Indonesia is one emerging economy in the world as it continuously experiences significant economic growth and the income per capita has risen from \$2,200 in 2000 to \$3,563 in 2012 (World Bank, 2013). Oil exports have been the economic engine for the country, but non-oil exports also contribute positively to the economic growth (Bank of Indonesia, 2011). The dominant markets for Indonesian non-oil exports are Japan, China, and the US, which are all physically distant. Indonesian export data suggests exporters disregard physical closeness when targeting international markets. Exports to these three countries totalled 33.58% of the non-oil export by June 2010. Meanwhile, the export to ASEAN countries which are geographically close was only 21.48% (Indonesian Bureau of Statistics, 2010). Exports to Singapore and Malaysia, the countries closest to Indonesia, were only 7.82 and 5.92% respectively of the total national export (Indonesian Bureau of Statistics, 2010). Export to Australia, also physically close to Indonesia, is even more insignificant at 1.67% of the total exports. Given the lack of small firm exporting, the contribution of small firms to these totals will be limited.

With about 52.7 million firms in 2009, small firms in Indonesia make up around 99.9% of all firms (Department of Cooperation and Small Business, 2010). Absorbing more than 90% of the workforce, they can contribute to economic growth and the reduction of poverty. However, the contribution of small firms to Indonesia's national export performance was only 5.38% (Department of Cooperation and Small Business, 2010) and this clearly shows few small firms in Indonesia engage in international business activities. These phenomena have been unchanged for years.

The factors influencing Indonesian small manufacturing firms to engage in internationalization are not particularly different from those found in other countries (Satyanugraha, 2005). Size of foreign markets, the effort firms put into creating uniqueness in their products and services (Satyanugraha, 2005), and orders from foreign buyers (Wulandari & Agustini, 1999) are the factors encouraging Indonesian small firms to export. However, in the limited studies to date, inconsistency was found in internationalization behaviour. Wulandari and Agustini (1999) found that Indonesian

small firms were reactive in their internationalization (i.e. they exported only if there is an order); their managers did not make any efforts to find new markets, did not even have a business plan and had no anticipative steps for future conditions. On the other hand, Satyanugraha (2005) found that Indonesian small firms were proactive in their internationalization. He outlined that the decision to choose a particular entry mode was rational and was part of the firm's planning. As Agustini (1993) found, Indonesian small firms conducted business in the US because of the US market attractiveness. Clearly further work needs to be done to understand the internationalization process of Indonesian small firms.

1.3.2. The Role of the Manager in Internationalization Decision-making

The decision to internationalize a small firm depends heavily on the manager (Lloyd-Reason & Mughan, 2002; Sommer, 2010). The central role of the manager in small firms has been acknowledged widely using a variety of terminology, such as personal factors (Manolova et al., 2002), management style (Mikhailitchenko & Lundstrom, 2005), managerial behaviour (Sadler-Smith et al., 2003), and leadership characteristics (McKinney, 2009). Although different terms have been used, the essential issue refers to management style.

Management styles differ between managers and are influenced by culture (Albaum & Herche, 1999; Mikhailitchenko & Lundstrom, 2006) amongst other factors. In general, an individual will behave in accordance with the norms and the values that reside in the culture, and in turn this behaviour will be reflected in a way or style of doing things (Albaum & Herche, 1999). Management style can therefore be explored through the behaviour of the manager when making a decision. The behaviour of the manager when making a decision reflects their managerial decision-making style. This research examines how managerial decision-making style influences the decision-making for internationalizing the business. As Andersson and Floren (2008) have noted this is important to understanding small firm internationalization.

1.3.3. Internationalization Decision-making Process

Making a decision is a cognitive process (Abramson et al., 1996). The process refers to a habitual thinking strategy that influences the kind of information that is regarded as relevant, and the kind of actions undertaken. A manager may apply certain methods or approaches in trying to find information they consider to be relevant, in arriving at the decision, and in considering the many possible factors during the process of making a decision. The process will be more complex if it relates to a strategic decision-making (Gore et al., 1992).

Internationalization is considered a strategic decision and a complex process (Anderson & Floren, 2008; Manolova et al., 2002; Ruzzier et al., 2006) although somewhat less so in small firms. Burpitt and Rondinelli (1998) argue that external stimuli are not enough to encourage small firms to export. An important internal stimulus is the manager's perception of the value of learning from exporting. They found that when small firms value organizational learning they are more likely to consider exporting as an opportunity and more likely to act on that interpretation.

However, the literature on small firm internationalization provides little insight into the decision-making process. Research on the internationalization decision-making process in small firms predominantly relates to the export decision (see for example Burpitt & Rondinelli, 1998; Darling & Seristo, 2004; McNaughton, 2001). McNaughton (2001), in his study of the export mode decision-making process in small firms, outlined that evidently few small firm managers conduct extensive analysis, instead making a decision fairly quickly by intuition and based largely on internally generated information rather than external consultation. His findings assert that small firms do not follow the decision-making process in textbooks; rather, they follow less analytical processes than the models suggest. This implies that there is a gap between theory and reality.

Studies in foreign direct investment (FDI) decision-making are useful to understand process of making a decision. Aharoni (1966 cited by Sykianakis & Bellas, 2005) found three major phases in the FDI decision-making process: initial idea generation, investigation and development, and presentation and decision. Applying this model, Sykianakis and Bellas (2005) found that the FDI decision-making process is

cyclical in nature, with information continuously received, processed and used as feedback for subsequent action. In the study of Mintzberg, Raisinghani, and Theoret (1976), decision-making process also comprised three phases: the intelligence phase, development phase, and selection phase (Larimo, 1995). Larimo found a number of factors influencing the FDI decision-making process and that the nature and content of the process can vary. More specifically, Mintzberg, Raisinghani, and Theoret (1976) showed that the decision-making is only in the acceptable-level rather than in the maximization level and multiple objectives guide the behaviour.

FDI decision-making research has been conducted in large firms, and the internationalization decision-making models apply to large firms. As a result, the intention is to propose a model of the internationalization decision-making process for small firms. The intended model includes particularly export decision-making process as SFs are frequently involved in exporting.

1.4. THE THEORETICAL/CONCEPTUAL FRAMEWORK

Studies in decision-making have applied Herbert Simon's (1992) scheme of the decision-making process. This scheme regards the individual as a mental symbol system or as an information processing system (Das & Misra, 1995). Although researchers have used different terms for the phases of the decision-making process, they have generally referred to the process in three phases. The internationalization decision-making process in this study is assessed using the three phases as Das and Misra (1995) proposed: (1) mode of input; (2) process and knowledge base; and (3) output. In each phase, there is a variety of phenomena encountered in the decision-making process.

As noted earlier, the small firm internationalization process is unclear as to stages and whether these stages are followed. By working backwards from the output – decision to internationalize the small firm or not – cases can be chosen so the decision-making process and the manager's decision-making style influences the output of the decision can be explored. The framework that shows the backward decision-making process is presented in Figure 1.1. This figure is used as guidance in building theoretical concepts underlying the development of internationalization decision-making process model.

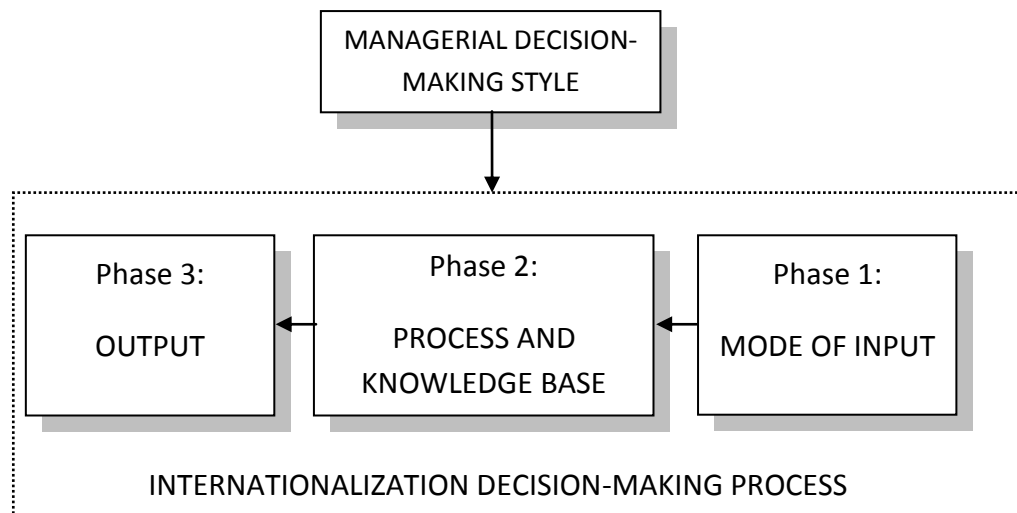


Figure 1.1. Framework of Internationalization Decision-making Process in a Small Firm

From the preceding discussion, it is apparent that small firm internationalization is a strategic decision made by the manager. It can be stimulated by the manager's attitude toward internationalization; a positive attitude is more likely to increase the intention to engage in a foreign market. A high intention is more likely to direct the manager to behave cautiously and consider the internationalization of the firm more thoroughly. The behaviour of the manager in making decisions is termed as their managerial decision-making style; it influences the process of making decisions. A manager may reach a decision quickly, while others may reach it at a slower pace. A manager may involve or even delegate subordinates in making decisions and some others may make the decision on their own.

In the first phase of the decision-making process (the mode of input), the managerial decision-making style influences how the manager receives, gathers, and uses information relating to the idea to internationalize the business. The second phase (the process and knowledge base) focuses on how the manager evaluates and develops the information in order to arrive at the right decision. During evaluation and development of the information, how the manager allocates time in related activities, and what actions the manager takes in evaluating and developing the information needed to make the internationalization decision need to be explored. In the third phase (the output), what decision is made and how that decision is taken needs to be

examined. Considering internationalization is a process, changes in the decision (if any) need also to be examined.

1.5. SIGNIFICANCE OF THE STUDY

Practical and scholarly contributions can be made from this research. Insight into how internationalization in small firms is undertaken and the reasons behind this means policy can be developed to support small firms that are planning, or are willing, to internationalize. Policy is important, as government support for small firms - as revealed by many studies (European Commission, 2007a, 2007b; Freeman, 2005; Shamsuddoha et al., 2009) - plays a significant role in preparing small firms for involvement in international markets.

By understanding how internationalization decisions are made in a small firm and how the managerial decision-making style influences the output of the decision, small firm training programs can focus on skills needed to overcome obstacles when entering foreign markets. Effective programs can build skills so managers can adapt their management style to conduct business in international markets.

The scholarly contribution of this research is in the area of internationalization and managerial behaviour of small firms. As Freeman (2005) has claimed, there is a lack of cohesion in knowledge about the process of small firm internationalization. The research contributes to developing that knowledge of the internationalization process of small firms. By addressing small firms in a developing country, a different perspective is provided as many previous studies have focused on small firms in developed countries (Zeng et al., 2008) or the experience of internationalization of large firms (Lloyd-Reason & Mughan, 2002). By researching Indonesian small firms, which have been studied in very limited numbers, a different perspective on the internationalization decision is gained. The model of the small firm internationalization decision-making process can be used as a reference for further research.

This research also contributes to understanding managerial behaviour in small firms, especially those firms with an international orientation. This is important as Andersson and Floren (2008) identified limited studies of managerial behaviour.

1.6. THESIS OUTLINE

This thesis has eight chapters. This first chapter outlines the background for the study, briefly the literature pertaining to the research problem and the conceptual framework to be applied for the study. The significance of the study, in terms of the contribution to academic knowledge and practice, is also presented.

In Chapter 2, relevant literature is reviewed. The chapter commences with a review theories of internationalization, especially of small firms, to provide a theoretical understanding of small firm internationalization and gaps in knowledge. Factors influencing internationalization are outlined to show how considerations made by the manager in deciding to internationalize the business and to take a particular process of internationalization. The steps of internationalization are then presented to explore the variety of means taken by small firms to internationalize. The management decision-making style is presumed to play a key role in the internationalization decision-making process and is therefore discussed while models used to measure the styles are presented. The process of making decisions is discussed to explore conditions under which small firm managers make the decision to internationalize. Each part of the discussion contributes to underpinning the research questions of the study. Studies of small firm internationalization in Indonesia are then reviewed to provide context for the study.

In Chapter 3, the methodology applied in the study is discussed. The philosophical considerations underlying the study and, more specifically, the ontology and epistemology in relation to the research design and instrument choice are discussed. The research strategy is summarized in a framework showing step-by-step activities to answer the research questions. The research context is also discussed as is the actual processes used to collect and analyse the data. Mixed methods are used to collect the data. The process of designing and distributing a survey of 232 firms is outlined. The means of gaining interviews with eight small firm managers is then explained. The chapter concludes with mention of the limitations and means of overcoming them.

In Chapter 4, a contextual analysis of the data gathered from the questionnaire is presented. The characteristics of the surveyed firms and the managers of the small firms

compared to bigger firms are presented to show different characteristics of small firm managers and those in from bigger firms. The internationalization activities of those firms engaged in international business are then discussed: the mode of entry, targeted country, business performance and possible factors affecting the decision to engage in international business activities. This is followed by an analysis of firms not engaged in international business activities. The analysis identifies factors influencing managers' decision not to engage in international business activities. Tests of significance are applied to differentiate small firms engaging in international business activities from those that are not engaging and from bigger firms. At the conclusion of the chapter, preliminary findings about the context of the study are presented.

In Chapter 5, analysis of the interviews with the small firm managers is presented. The analysis aims to understand the process managers follow in making the internationalization decision. This analysis is used to generate a model of the internationalization decision-making process. The processes identified in making an internationalization decision are discussed and presented in preliminary elements of the model.

In Chapter 6, thematic analysis is used to build the internationalization decision-making process model for small firms. The themes are generated from the interviews and the preliminary elements of the model are revised to become the final model of the study.

In Chapter 7, conclusions are drawn from the study as are the implications of the results. Limitations of the study are addressed while directions for further research are proposed. The theoretical and practical implications of the study are discussed at the end of the chapter.

Following the main body of the thesis, the references used in the study and appendices are given. In the appendices, cover letters, reference letters, questionnaires (electronic and paper versions, English and Indonesian versions), the interview guide, and consent forms are provided.

1.7. SUMMARY

In this chapter, the background of the study has been provided. The study has been outlined as one exploring small firm managers' behaviour in making internationalization decisions because understanding their behaviour may provide explanations about variety in the internationalization process. The manager's behaviour in making an internationalization decision is assumed to be a result of a cognitive process and it will be assessed using three phases of the decision-making process: input, process and knowledge base, and output.

The results of this study will contribute to the development of policy intended to support small firm internationalization, and the scholarly contribution will be an explanation for variety in the internationalization process in small firms. In the next chapter, a review of the literature is undertaken to develop the research questions driving this study.

CHAPTER 2

LITERATURE REVIEW

2.1. OVERVIEW

In this chapter, the literature on small firm internationalization is reviewed to provide the theoretical foundation for the research. Why the research problem needs to be addressed and what research questions follow are explained. Accordingly, the research questions are outlined.

This chapter begins with a review of small firm internationalization theories to show a lack of cohesion in the literature. The factors affecting internationalization are explored while the internationalization processes most commonly taken by small firms are discussed. Variety of factors, steps and processes in the internationalization of small firms is shown.

The manager's behaviour in making a decision (which is referred to as the managerial decision-making style) influences the decision to internationalize. Attention is moved to decision-making style as a factor influencing the decision-making process. The variety of managers' decision-making styles and how they influence the decision-making process are elaborated. The decision-making styles arising from previous research are used as a framework to derive measures of the decision-making styles of the managers targeted in this research.

In the final sections, the decision-making process is examined and an existing approach that can be refined to explore the internationalization decision-making process is outlined. Internationalization by Indonesian small firms is then presented in order to describe the research context.

2.2. SMALL FIRM INTERNATIONALIZATION THEORIES

The internationalization process of small firms is still a debatable area of study. Conceptually (Andersen, 1993), methodologically and empirically (Freeman, 2005), there is a lack of cohesion. Many interpretations and definitions of internationalization exist (Knight, 2004) and different theoretical frameworks have been used. There are calls to

build a specific theory of small firm internationalization as small firms are different from large firms in terms of firm characteristics and behaviour yet internationalization theories have been developed by studying large firms (Freeman, 2005; Hollenstein, 2005).

Stage models theory, network theory, the resource-based view theory, and international entrepreneurship (Graves & Thomas, 2006; Ruzzier, et al., 2006) have all been applied in the study of small firm internationalization. However, the theories have been developed independently and are specialized which prevents integration in the literature on the process of small firm internationalization (Freeman, 2005). Each theory is discussed briefly in order to understand the context of internationalization in small firms.

2.2.1. Stage Models Theory

In the stage models theory, internationalization is defined as “a process in which the firms gradually increase their international involvement” (Johanson & Vahlne, 1977, p.23), while Ruzzier et al. (2006) shows stage models have been used to analyse small and large firms internationalization and international activities. They asserted that the main thrust of the models is the incremental nature of the internationalization process. The process has been understood as gradual and sequential and consists of several stages. There is a tendency to apply stage models theory to small firm internationalization research (Kalinic & Forza, 2012).

There are two main stage models: the Uppsala Internationalization Model (U-model) and the Innovation-related Model (I-model). The underlying assumption of the U-model is that the driving force for internationalization is the firm’s market knowledge (Carneiro et al., 2008; Johanson & Vahlne, 1977). The decision-maker’s market knowledge is the key factor explaining the gradual internationalization process of small firms (Manolova et al., 2002). As market knowledge increases, firms will expand their international markets. In other words, small firms engage gradually in international activities as their learning experience increases (Andersson & Floren, 2008; De Clercq et al., 2005; Ruzzier et al., 2006). They start from no export to regular export, then selling via an agent, then establishing sales subsidiary and end with production subsidiary established in the foreign country (Johanson & Vahlne, 1977). For Johanson and Vahlne,

internationalization is dynamic, accordingly, the present state of internationalization is one factor explaining the course of following internationalization. However, U-model regards the discovery of internationalization opportunity as a reactive process since it cannot be planned. It is rather a consequence of chance and thus cannot be controlled (Chetty et al., 2012).

According to the I-model, each subsequent stage of internationalization is considered as an innovation for the firm (Ruzzier, et al., 2006). The I-model also emphasises the importance of individual learning and top managers' behaviour in understanding how a firm behaves in its international involvement (Andersson, 2000; Ruzzier, et al., 2006). The intention of this gradual involvement is to avoid risk as small firm size usually means limited resources. Following the stage models theory allows small firms to minimize their exposure to risk and develop their international expertise gradually (Cullen & Parboteeah, 2005). In contrast to the I-model, the U-model is a risk-aversion or risk-avoidance model (Carnerio et al., 2008).

As a firm's international involvement is seen as a result of experiential learning, export most commonly starts in countries that are physically and culturally close to the home country because a low resource commitment is required (Carneiro et al., 2008; Manolova et al., 2002). As market knowledge increases, there is stimulation for firms to expand into the markets lying at a greater distance and consequently this requires an increase in resource commitment within foreign markets. Bell et al. (2004) found that market knowledge enables firms to apply a more systematic internationalization strategy.

Many studies have affirmed that small firms follow a staged process of internationalization. However, communications technological advancements mean knowledge can be gained at a relatively affordable cost. This is apparent in network theory.

2.2.2. Network Theory

Market knowledge as the driving force to internationalization in the stage models theory can be acquired through operations abroad (Johanson & Vahlne, 1977). This experiential learning stimulates firms to expand into foreign markets in small

incremental steps. However, today market knowledge can be gained easily via information and communication technologies (ICTs). The internet can facilitate network communications, supplier relationships, and mutually beneficial relationships with international partners (Bell et al., 2004; Morgan-Thomas & Jones, 2009) at an affordable cost (Manolova et al., 2002) when compared with face-to-face communications. ICTs helps to overcome the lack of financial capability that has been identified as the major barrier for small firms to enter foreign markets.

The impacts of this external driver to internationalization have increased the need for new theory to explain the internationalization process. Johanson and Vahlne (1990) answered this need by introducing the business relationship model. For them, relationships are the main factor enabling internationalization and can be easily accessed through ICT. Through relationships, managers can learn about foreign markets and their relationships give them a path for entering new markets (Johanson & Vahlne, 2003). Network relationships offer opportunities for firms to expand internationally. However, building networks is not as simple as climbing a ladder from relationship to relationship (Johanson & Vahlne, 2003, p.98). It is a complex matter that requires resources, time and responsiveness of both parties in the relationships.

Although Johanson and Vahlne stressed the importance of market knowledge for internationalization in their networking model, it is different from the U-model in terms of ways to gain knowledge. In the U-model, firms must actively find knowledge they need for internationalization from available sources. In the networking model, firms can acquire knowledge and learn from the partners with whom they build a relationship. By doing this, firms can reduce costs of acquired market knowledge in other countries (Echeverri-Carroll et al., 1998). However, as Laforet and Tann (2006) in their study of innovative characteristics of small manufacturing firms found, networking and poor learning attitudes are constraints to becoming an innovative firm. This may have an impact on a firm's international behaviour.

The network model has not been able to surpass the problem of the limited resources possessed by small firms. Although ICT eases the way to form a relationship with a partner abroad, the limited skills or capabilities in building networks may be an

obstacle hindering internationalization. Resource-based theory addresses the issue of firm level capabilities.

2.2.3. Resource-based Theory

Resources are stocks of available tangible or intangible factors that are owned or controlled by the firms and converted into products or services using a variety of other resources and bonding mechanisms (Ruzzier et al., 2006, p.486). Barney, the leading contributor to developing resource-based theory, refers to resources as the factors of production controlled by a firm, while other researchers have used different terms such as competencies, capabilities, dynamic capabilities, and knowledge (Barney & Clark, 2007). Although these different terms can result in confusion, they focus on similar kinds of resources from which the firm will be able to generate persistent superior performance.

Resource-based theory is used to examine firm's internal characteristics and their influence on the internationalization process (Graves & Thomas, 2006). It focuses on the firms' unique and difficult-to-copy attributes which are fundamental drivers of the performance and sustainable competitive advantage needed for internationalization (Ruzzier et al., 2006). According to Ahokangas (1998, as cited in Ruzzier et al., 2006), small firms are dependent on the development potential of key internal and external resources. These resources can be adjusted/developed within the firm and between firms and their environments. In other words, the development can be evaluated in terms of location of the resources to the firm (internal or external) and orientation of the development (inward or outward). A firm thus may pursue different internationalization development strategies, with different international activities, over time. As Ruzzier et al. (2006) suggest, a small firm can try alone to develop critical resources needed for internationalization by entering into international activities and learning from experience, without depending on externally available resources (such as expert organizations, research institutions or universities). Basically, the theory suggests that a firm has a sustained competitive advantage when it is creating more economic value than the marginal firm in its industry and when other firms are unable to duplicate the benefits of this strategy (Barney & Clark, 2007, p.52).

Researchers have tried to develop typologies of these tangible and intangible factors in order to suggest their different impacts on the firms' competitiveness (Barney & Clark, 2007). Among others, intangible knowledge-based resources is considered being important in providing a competitive advantage (Ruzzier et al., 2006). However, there are difficulties to identifying and defining the critical resources needed for internationalization. The criteria assigned to such resources are relatively broad (Barney, et al., 2011). For example, resources must be valuable, rare, imperfectly imitable, not substitutable, durable, transparent, transferable, and replicable (Knight & Cavusgil, 2004). Measuring the critical resources has been identified as a key issue in revitalizing the theory which has been experiencing decline since the 1990s (Barney et al., 2011). Ruzzier et al. (2006) argued that the development of this theory has gone along with the network theory. The manager can get access to resources and information of the partners connected in the networks. This can be regarded to be available resources for internationalization.

A small firm may have difficulties creating such critical resources as the effort may need continuous innovations. Limitation in human and capital resources is probably a barrier for a small firm to do this, and may be a flaw in the theory. Graves and Thomas's study of Australian family businesses (2006) found managerial capabilities of the firm as the critical resources for internationalization. Limited resources possessed by the firm are the obstacle to increase the capabilities as the firm unable to employ additional managers and management trainings. However, Graves and Thomas (2006) argued this can be overcome by utilizing the limited capabilities more effectively.

2.2.4. Theory of International New Ventures

In recent times, lack of resources has not been found as an impediment to small firm internationalization (Knight & Cavusgil, 2005). Driven by (1) changing economic, technological and social conditions; (2) increasing the speed, quality, and efficiency of international communication and transportation; and (3) increasing homogeneity of many markets in distant countries (Oviatt & McDougall, 1994), small firms have increasingly been 'born global' or emerged as a 'international new venture' (Bell et al., 2004; Graves & Thomas, 2008; Morgan-Thomas & Jones, 2009; Oviatt & McDougall, 1994; Radulovich, 2008). For these firms, internationalization is defined as "an

evolutionary process through which firms become increasingly committed to and involved in international activities” (Ruzzier et al., 2006, p.478). Therefore, these firms are generally new firms that lack organizational history (Hewerdine & Welch, 2013).

The internationalization process is immediate rather than a gradual process. This immediate process is stimulated by high-technology (Chetty et al., 2012) and, accordingly, small technology-oriented firms (Hewerdine & Welch, 2013), such as those operating in the software industry (Chetty et al., 2012) predominately take this rapid process. However, Oviatt and McDougall (1994) argued that theories of gradual internationalization still apply to some firms and industries. It is where innovation creates organizational capabilities for firms to internationalize from their inception that this behaviour occurs (Oviatt & McDougall, 2005).

The theory of international new ventures has strengthened the stage models theory. While there are differences over the speed of internationalization, there is agreement that knowledge is the main driver for internationalization. Chetty et al. (2012) clarified type of knowledge enabling internationalization meant by each theory. Stage models theory emphasizes the importance of international knowledge, while the theory of international new venture emphasizes the importance of technological knowledge. International knowledge relates to knowledge about managing business relationships with foreign partners. It thus refers to how to conduct business activities international environment. Technological knowledge is knowledge about the technology upon which firms products are developed. Conceptually, international knowledge is broader than technological knowledge. However, Chetty et al. (2012) argued that both types of knowledge are experiential.

Knowledge is identified as the most important resource for international new ventures (Knight & Cavusgil, 2005; Oviatt & McDougall, 1994). Knowledge possessed by a firm can be used to create differentiation or cost advantages in order to create a sustainable competitive advantage of the firm, and therefore the knowledge has to be protected from use by outsiders in many countries (Oviatt & McDougall, 1994).

A new perspective offered by the theory is the personal level analysis for internationalization. At a personal level, there are two factors that are respectively

important and relevant for international new ventures (Knight & Cavusgill, 2005). They are: international entrepreneurial orientation (innovativeness, managerial vision, proactive competitive position), and international marketing orientation (managerial mindset in creating value for foreign customers). This suggests that a small firm manager's international orientation is critical in understanding internationalization.

Söderqvist and Chetty (2013) emphasized that manager's background determine the role and activities in developing the firm's internationalization. Manager's proactiveness, innovative and risk taking attitudes have been highlighted in the studies of international new venture as the driver when seeking international market opportunity. Specifically, Chetty et al. (2012) noted the importance of manager's knowledge about foreign markets. They argued that individual-level knowledge precedes firm-level knowledge.

2.2.5. Summary

It is still debatable whether the internationalization process of small firms follows a gradual and sequential pattern or immediate path. Boter and Holmquist (1996) in trying to find an answer to this question suggested that a multilevel approach (i.e. the process must be understood in the context of the industry, company and the people involved) may be best. They also stressed the importance of studying the environment in which the firm is operating (industry level). Combining this with studying the firm level (history and internal situations of the firm) and the individual level (owners) captures the essence of the internationalization process in small firms.

Andersen (1993) proposed that a longitudinal study would provide a better understanding of the internationalization process since he recognised that there has been little attention to the time dimension of the process. Critical events of the firms' development and factors affecting each stage of development may provide an explanation as to why firms follow certain processes. He also proposed the concept of 'market expansion ability' which is based on the notion of organizational momentum to explain the process of internationalization.

So far, the small firm internationalization process remains open to debate. Further research is necessary and this study will contribute by providing an understanding of the internationalization process of small firms.

2.3. FACTORS AFFECTING INTERNATIONALIZATION

The varieties of means through which small firms internationalize can be understood in terms of the factors affecting small firms to, or not to, internationalize. Considerable research has been dedicated to exploring factors affecting the initiation and expansion stages of internationalization. Carneiro et al. (2008) confirmed that there is a long list of factors that influence the small firm internationalization process. They can be classified into external business environment and internal firm environment conditions. They usually are assessed in the context of how these factors influence a manager to choose to exploit an opportunity to internationalize (Perks & Hughes, 2008).

2.3.1. External Factors

The external factors can be attractiveness of a foreign country or conditions in the home country. The conditions in foreign countries attracting internationalization and those in the home country encouraging internationalization constitute a long list. They, however, can be classified into three: *economic conditions* in a foreign and/or the home country (Kaynak et al., 1987; Kim & Lyn, 1987; Gomez-Mejia & McCann, 1989), such as economic growth, labour prices and competition (Zeng et al., 2008), tariff and non-tariff trade barriers (Bilkey, 1982; Cavusgil, 1983; Kaynak et al., 1987; Gomez-Mejia & McCann, 1989), saturated home markets (Kaynak et al., 1987; Kim & Lyn, 1987; Gomez-Mejia & McCann, 1989); *political conditions* in a foreign and/or the home country, such as political risks in a foreign country (Benito, 1996); and *governmental regulations* in a foreign and/or the home country (Bilkey, 1982; Cavusgil, 1983; Kaynak et al., 1987; Gomez-Mejia & McCann, 1989). Benito (1996) also mentioned that cultural distance between home and foreign country is another factor stimulating internationalization.

Cultural distance is one aspect in the concept of psychic distance introduced by Johanson and Vahlne (1977). Psychic distance is defined as “the sum of factors preventing the flow of information from and to the market” (Johanson and Vahlne (1977 p.24). The factors are differences in culture, language, education, business practices, and industrial development between the host and home countries. The more distant the

psychic factors of a foreign market to the home country, the lower the speed of internationalization of a firm. Psychic distance is a factor determining the speed of internationalization of a firm and a manager will choose a foreign market that is psychologically near to their home market. The concept of psychic distance may be inferred as an inherent description of the conditions of a foreign country that influence the internationalization of a firm. In other words, it can be said that culture, language, education, business practices and industrial development in a foreign country are the factors influencing the internationalization of a firm.

For example, Kontinen and Ojala (2010) discovered that family SMEs in Finland had difficulty entering the French market which was psychically distant particularly due to the factors of language and business culture. The high level of English proficiency of staff was irrelevant as French customers and partners show a negative attitude toward the use of English. Possessing French language skills was a prerequisite to communicate with customers and partners. The work practices in Finland (work efficiently for the whole day with small breaks) were not compatible with French business life. Socializing and breaks as well as long dinners were the core of French business life.

A fundamental question concerning external forces relates to the fact that not all firms in the industry internationalize even if external environmental conditions are favourable. It suggests that other factors must be at play. As noted by Perks and Hughes (2008), this may be due to internal constraints of the firm.

2.3.2. Internal Factors

The U-model assumes that a lack of market knowledge is an important obstacle to the development of international operations (Arbaugh et al., 2008; Johanson & Vahlne, 1977). However, there have been different definitions of market knowledge. In Johanson and Vahlne's (1977) perspective, market knowledge is "information about markets, and operations in those markets, which is somehow stored and reasonably retrievable – in the mind of individuals, in computer memories, and in written reports" (p.26); while Arbaugh et al. (2008) referred more specifically to regulations, language, technical standards, the availability of qualified international employees, general information, and skill to enter new international market. This suggests that market knowledge moderates internationalization: a lack of market knowledge is possibly the

responsibility of the manager or generally stored in the management team. As stated in the European Commission report (2007a), a lack of market knowledge is created from a lack of skills and a lack of financial resources. More specifically, the report stated that the capability of the manager together with a lack of financial resources and a lack of knowledge of foreign markets are the main reason that many European small firms remain focused on their domestic markets. There are very limited numbers of small firm managers that can tackle internationalization activities. Human resources may therefore become a significant resource for small firm internationalization. Radulovich (2008) termed human resources as 'human capital'.

Manolova et al. (2002) proposed human resources, in terms of personal factors, to be a factor that can overcome the resource, firm age, and firm size constraints faced by small firms in internationalization. For example, managerial skills, environmental perceptions (Manolova et al., 2002), capability, personal and professional experience (European Commission, 2007a) are found to be the important dimensions for becoming an internationally committed firm. Managers who have comparable skills and positive perceptions toward internationalization tend to pursue an internationalization strategy (Manolova et al., 2002). Furthermore, personal and professional experiences of the manager and the evolution and 'attitude' within the small firms are reasons for the small firms to move internationally. It can be said that the professional experience of the manager can help create an international orientation and the skills needed for tackling internationalization.

It is apparent so far that the manager or management team and their characteristics are addressed by many studies as playing the dominant role for internationalization compared with other internal factors. Zeng et al. (2008) outlined this dominance. They outlined that characteristics, international networks, knowledge and culture of the management team; skills and environmental perceptions of decision-makers; and international experience of the senior management team were the factors influencing small firms to internationalize, together with other internal factors such as lack of resources and the organizational culture (proactive, risk-taking and innovative).

Knight (2004) presented factors influencing the internationalization of family businesses: the international experience of the top management team, entrepreneurial character, entrepreneurial orientation, international learning effort and domestic learning effort played key roles. The role of organizational knowledge in the internationalization process and a firm's strategic choice were the other internal firm conditions affecting the internationalization. Graves and Thomas (2008) emphasized this strategic choice of family businesses by noting that the level of commitment to internationalization was largely influenced by the vision and objectives of the firm.

According to Zeng et al. (2008), a major impediment to SME expansion, in comparison to large firms, is the lack of resources. This relates to firm size. Larger firms have more resources for developing their international activities and therefore will be able to commit greater resources to international activities. Size, therefore, has also been viewed as an obstacle to the internationalization of small firms (Karadeniz & Göçer, 2007; Zeng et al., 2008). In their early internationalization process, Turkish SMEs faced some intensive problems and experienced critical constraints to rapid internationalization, which includes the lack of economy of scale, lack of financial and knowledge resources, and aversion to risk-taking (Karadeniz & Göçer, 2007).

Karadeniz and Göçer (2007) found that a firm's age is also a factor related to the ability of the firm to be an exporter. The argument behind this is that understanding new cultures, languages and distribution systems takes time, and older firms have more experience in gaining this knowledge. This creates a higher intention to internationalize. However, Arbaugh et al. (2008) asserted that age, in either the context of the firm's age or the manager's age, is no longer a barrier to pursuing internationalization. Arguments regarding age still exist.

The European Commission (2007a) reported that the manager's age is a predictor for internationalizing the firm. Manolova et al. (2002) and Sommer (2010) also showed that a manager's age, education, tenure and gender are not significant factors to differentiate internationalized and non-internationalized small firms and they do not show a significant influence on the intention toward internationalization. Although there is debate in this area, the current tendency in the literature is to reduce the emphasis on

manager's demographics characteristics and focus on the role of the manager in making the internationalization decision (Manolova et al., 2002).

Intensity in research and development (R&D) also tends to make firms devote more time and resources to international planning activities (Karadeniz & Göçer, 2007). Karadeniz and Göçer claimed that international planning activity, which is found to be significantly related to export success for small firms, is in accordance with the assumption of the U-model in which market knowledge is the most important factor for internationalization. According to them, export-related planning would drive information-gathering activities, which in turn would increase level of international intensity. The incremental commitment to countries located more psychically distant is to avoid uncertainty (Bell et al., 2004). Nevertheless, according to Freeman (2005) caution is needed in drawing conclusions as there has been insufficient research in this area. For instance, Sullivan and Bauerschmidt (1990, cited by Satyanugraha, 2005) found that market knowledge gained from psychological and geographical proximity does not influence the pattern of internationalization.

2.3.3. Research Problem

Research shows that many factors from the external business environment factors specific to the firm itself influence small firm internationalization. Among internal factors, the manager plays a key role in making the internationalization decision. The manager's attitude, capability, experience, perception and skill are the attributes influencing an internationalization decision. Understanding their role in the process of making an internationalization decision is probably the best way to acquire knowledge about why a small firm internationalizes or not and how the process of internationalization occurs.

This research is concerned with the manager's role in making an internationalization decision and addresses this concern in the context of the manager's behaviour in making the decisions. However, the research will consider demographic characteristics of the managers to examine their effect. The research problem is therefore specified as:

Does the behaviour of a small firm manager when making an internationalization decision explain variety in the process of small firm internationalization?

2.4. PROCESSES OF INTERNATIONALIZATION

2.4.1. Stages of Internationalization

As the earlier discussion indicated, small firm internationalization theories can be classified into two streams according to the process of internationalization: gradual and sequential or evolutionary where firms leap stages. However, the second stream, while explained by international new venture theory, references stages mode theory and so it is important to understand the stages of internationalization.

The stages of internationalization are viewed differently among researchers. Johanson and Vahlne (1977) revealed that typically firms in their study started exporting to a country via an agent. Later, they established a sales subsidiary and then began production in the host country. Meanwhile, for Beamish et al. (1997, p.3), the internationalization process starts with exporting and is followed by acting as licensor to a foreign company, establishing joint ventures outside the home country with foreign companies, and establishing or acquiring wholly owned businesses outside the home country (see Figure 2.1.a). These stages reflect the pattern of increased resource commitment to an international operation. Exporting requires low resource commitment, while acquiring wholly owned business abroad means the firm is displaying its highest commitment of resource investment out of their home country.

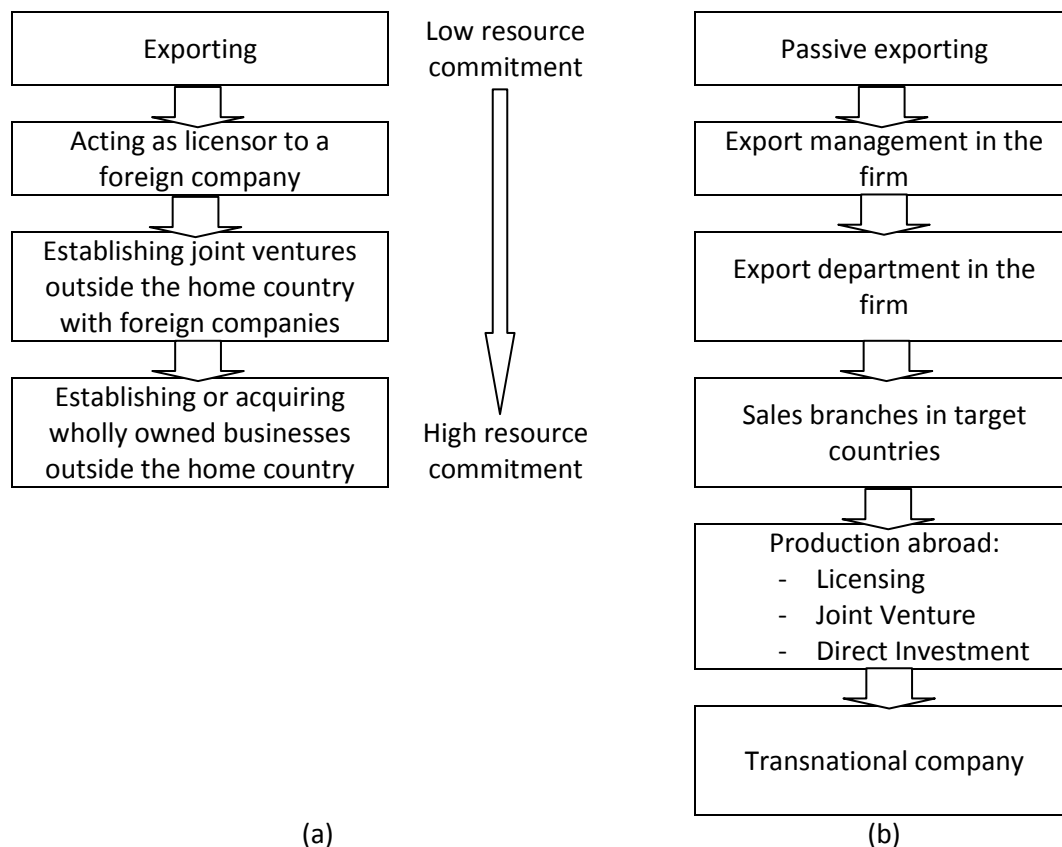


Figure 2.1. Steps in the Internationalization Process According to (a) Beamish et al. (1997), and (b) Cullen and Parboteeah (2005)

Cullen and Parboteeah (2005, p.199) provided slightly different terms for the stages of internationalization that a small entrepreneurial business typically follows (see Figure 2.1.b). The first stage is passive exporting in which many small-firm managers do not acknowledge that they have an international market. In the second stage, exporting is realized as an opportunity for new business and therefore the creation of export sales is achieved by conducting export management. At this stage, most small firms rely on the indirect channel of exporting due to internal resource limitations. The new business opportunity can create a major change in orientation of the business and this change continues at the next stage. At the third stage, exporting is no longer seen as a prohibitive risk and significant resources are used to increase sales from exporting by establishing an export department in the firm. As demand for the firm's product is high in a country or region, local sales branches in each location are set up and the firm enters the fourth stage. At the fifth stage, production abroad is implemented using licensing, joint ventures, or direct investment. By producing abroad, the firm gains local

advantage that is beneficial to developing a global network among the production facilities in target countries. At the sixth stage, the firm becomes a transnational company.

Even when only exporting, stages can exist. Bilkey and Tesar (1977) shows that exporting is a learning process and the export development process of firms tends to proceed in six stages (see Figure 2.2).

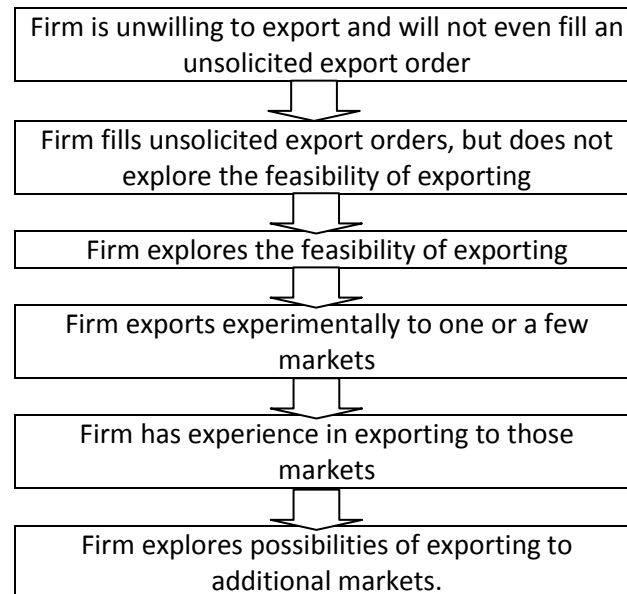


Figure 2.2. Export Development Stages (Bilkey & Tesar, 1977)

In this model, stage three (exploring the feasibility of exporting) can be skipped if firms receive unsolicited export orders. They however found no evidence that other stages could be eliminated, while different factors underpinned progression from one stage to the next (Bilkey & Tesar, 1977). For example, a stage-two firm progressing to stage three will be dependent upon on the firm's international orientation, management's impression of export attractiveness, and management's confidence in the firm's ability to compete abroad. While the Bilkey and Tesar's export development stages model is consistent with the proposition of the Uppsala School's stages model, integration of the models, as presented in Table 2.1., is not perfect. Bilkey and Tesar's model focuses on gradual experience in export activities, while the Uppsala model addresses the gradual intermediaries before a firm establishes a presentation in the foreign market. However, both models show a gradual process of internationalization.

Table 2.1. Suggested Model Integration (Bilkey, 1978)

Uppsala School's stages	Bilkey and Tesar's stages
No permanent export	Stage two
Export via agent	Stage four
Export via sales subsidiary	Stage five
Production in a foreign subsidiary	Stage five

Suarez-Ortega's (2003) study on small and medium sized firms (SMEs) in the Spanish wine industry presented export development stages that differ from Bilkey and Tesar's (see Figure 2.3). The study addressed the development of small and medium sized firms from non-exporter to exporter. The model was intended to measure a firm's export development level. Suarez-Ortega found that the level of involvement in the export activity related to the decision-maker's perception of the export barriers.

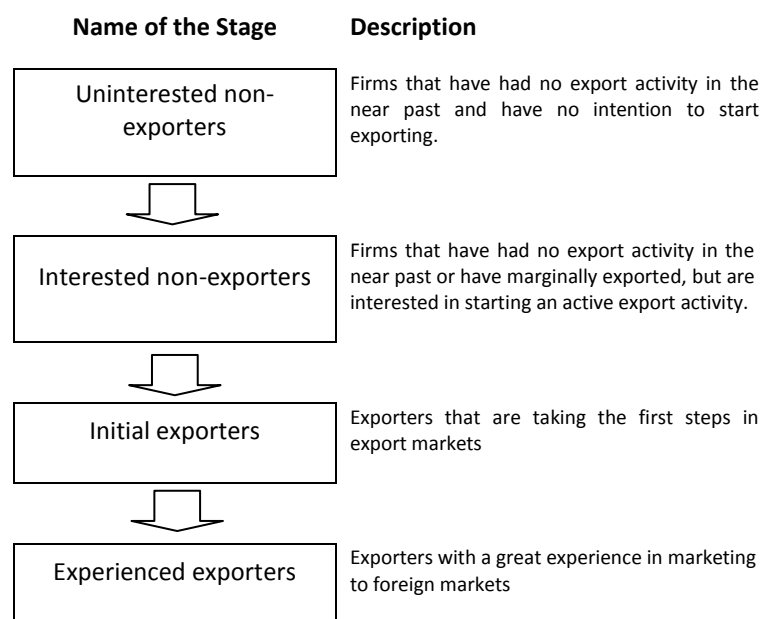


Figure 2.3. Export Development Stages According to Suarez-Ortega (2003)

Regardless of the type of export barriers under consideration, the more difficult and complex an export activity is perceived to be, the lower will be a firm's level of involvement in exporting. In other words, the importance of each barrier varies with the level of a firm's involvement. Suarez-Ortega outlined that lack of resource barriers are the most significant for firms uninterested in exporting. Meanwhile, knowledge barriers

are important for non-exporting firms that are interested in the activity. Finally, procedural barriers differentiate significantly initial exporters from experienced exporters.

An alternative model of the export development process is presented by Mehran and Moini (1999) in their study about export behaviour of small and medium sized firms. Their model built on the Bilkey and Tesar's model, comprises three stages of export development (see Figure 2.4). Stage one of the model is the same as stage one in Bilkey and Tesar's model. Stage two and three of the model respectively corresponded to stage two to four, and stage five and six of Bilkey and Tesar's model. Mehran and Moini found that the stages of export development relates positively and significantly to perceived competitive advantage, firm size and management perceptions of export contributions to the firm's profit and growth. Negative perceptions toward exporting explain why non-exporter firms are not involved in international business activity. Generally stated, reluctance to export by non-exporting firms is due more to internal obstacles than external ones.

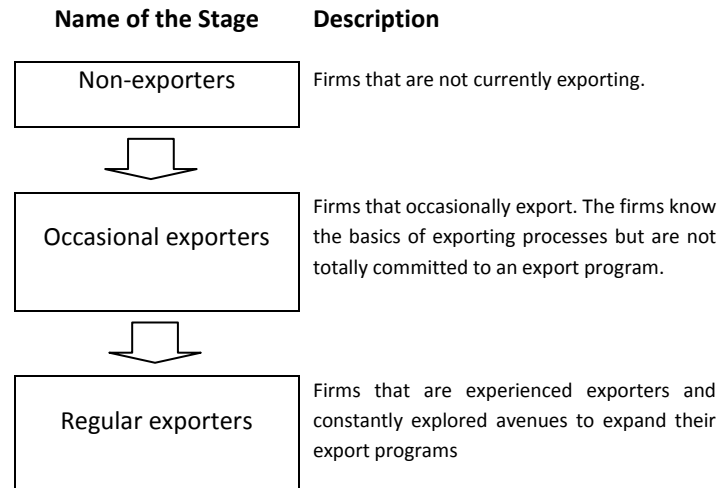


Figure 2.4. Export Development Stages According to Mehran and Moini (1999)

2.4.2. Research Question 1

Thus, for the purpose of this research internationalization is defined as a process in which firms increase their engagement in international business activities. This definition covers both gradual and evolutionary processes. The research question

proposed to facilitate an understanding of the internationalization process of the small firms in the study is formulated as follows:

Research Question 1:

What is the internationalization process followed by small firms engaging in international business activities?

2.5. MANAGERIAL DECISION-MAKING STYLE

2.5.1. Decision-making Style and Model

As discussed above, the manager in small firms in many cases is the only decision-maker, particularly when it comes to strategic decisions for internationalization. Many studies have addressed the behaviour of managers in terms of management styles when making a decision. Management styles evidently play a very important role in the direction of the firm and they have been identified as a factor affecting small firm internationalization. Their importance to the performance of the business has been recognized and studied by many researchers (see for example Chaganti et al., 2002; Chaston, 1997; Chiao et al., 2006; McKinney, 2009; Mikhailitchenko & Lundstrom, 2005; Sadler-Smith et al., 2003).

There is, however, no conclusive understanding of management styles. Previous researchers have defined management styles as: characteristic ways to relate to employees (Friedes, 2005; Vitulli, 2008), ways to make a decision (Ebert, 1999), a managerial technique or approach (Cavone et al., 2000; Hasan & Al-hawary, 2003), an attitude of a management team (Schoenberg, 2004), the behaviour of a manager (Reddin, 1987), a manager's predisposition of action (Chaganti et al., 2002). Among other definitions, the definition of management style by Albaum, Herche and Murphy (1995) seems to be more appropriate for describing this behavioural aspect. They define management style as "a recurring set of characteristics that are associated with the decisional process of the firm" (p.8). This definition focuses on consistent and regular behaviour and ways of doing something.

The possible cause of the diversity in the meaning is what is described by Albaum and Herche (1999) as a lack of definition of "style", especially as it relates to

management decision-making. The diversity in the definition of style results in diversity also being apparent within the style of management, as shown in Table 2.2.

Table 2.2. Diversity of Style in Management.

Author	Defining characteristics
Chaganti et al. (2002)	<ul style="list-style-type: none"> • Consideration: to seek and accept suggestion from subordinates, to consult with employees in advance on important matters and criticizes works rather than people. • Initiation: to emphasize the clear definition of tasks and goal-setting, to actively introduce own ideas, to assign duties and tasks to other people and monitor their actions closely.
Friedes (2005)	<ul style="list-style-type: none"> • Relate: to place a priority on creating strong relationship with subordinates, to be more of a consensus-builder. • Require: to set rigid deadlines and goals, to place own ideas above the employees.
Manley (2006)	<ul style="list-style-type: none"> • Eisenhower's style (Consensus builder): to be diplomatic and to negotiate, to motivate. • MacArthur's style (Theatrical): to find support from subordinates by means of verbal eloquence and public charisma, to motivate and inspire. • Patton's style: to use authoritarianism and intimidation, to prefer to be feared rather than liked. • Bradley's style: to emphasize building morale of subordinates.
Mikhailitchenko & Lundstrom (2006)	<ul style="list-style-type: none"> • Supervision: to participate in subordinates' routine work flow. • Decision-making: to involve employees in managerial decision-making. • Information-sharing: to create key information accessibility to employees and information flow within the firm • Paternalistic orientation: to participate in employees' non-work related matters.
Vitulli (2008)	<ul style="list-style-type: none"> • Tell managers: tell people what to do, when and how to do it. • Sell managers: give orders to people and explain the reason for their direction. • Consult managers: have a clear opinion of the right direction for a given issue but typically ask opinion of others. • Join managers: do not state an opinion about what to do in a given circumstance and are open to several effective solutions.

According to Hasan and Al-hawari (2003) style is a personal attribute. Therefore, there will be many management styles (Manley, 2006). There is no one management style as the situation dictates the style selected (Manley, 2006). The 'best' management style is therefore dependent on the situation, and the effective managers are able to utilise an appropriate style at the right time and in the right circumstance (Chaganti et al., 2002; Vitulli, 2008). Managers can adopt different styles in making a decision (Ali &

Swiercz, 1985; Ali et al., 1995) depending on the situation and the type of decision involved (Ali et al., 1995).

Russ et al. (1996) stated that individuals are consistent in the way they make decisions and will have a primary decision-making style. The consistency in style depends on the cultural conditioning of a leader's subordinates (Ali et al., 1995; Hofstede, 1980). There are many managerial decision style models that can be used to measure, assess, or describe an individual's decision style. Each model addresses the different behaviour of the manager in making a decision. This suggests that a model has limitations in covering the complexity of managers' behaviour in making a decision. As a consequence, one must consider the appropriateness of the model based on the purpose of the study.

A model adopted or cited by many researchers is that generated by Muna (Ali et al., 1995; Ali & Schaupp, 1992; Yousef, 1998). The model focuses on the relationship between the manager and subordinate when making a decision. This assumes that small firms have employees. Identifying a manager's style using this model relies on the criteria of whether the manager makes the decision by themselves or by involving subordinates. The model comprises five decision-making styles:

1. *Autocratic style* reflects the behaviour of the manager in making a decision without consultation with subordinates.
2. *Pseudo-consultative style* indicates that the manager consults with the subordinates, but may not give consideration to their ideas and suggestions when making decisions. The intent is not to create a situation of real consultation, but rather to create a feeling of consultation.
3. *Consultative style* indicates that the manager consults with the subordinates prior to making decisions and the decision may not reflect the subordinates' influence.
4. *Participative style* reflects the behaviour of the manager who invites participation of the subordinates at every step of decision-making until reaching a majority decision.
5. *Delegatory style* indicates that the manager asks the subordinates to make decisions on their own.

The decision-making style model developed by Scott and Bruce (1995 in Russ et al., 1996) provides different descriptions of the behaviour of the manager in making a decision. It emphasizes the personal characteristics of the manager, which relate to the perception, attitude and motivation that emerge when making a decision. The model comprises five styles (p.5):

1. *Rational style* is deliberate, analytical and logical. It relates to the long term effects in the assessment of the decision and has a fact-based task orientation to decision-making.
2. *Intuitive style* is feeling-oriented and based on an internal ordering of the information. A decision is made in a relatively short time using limited information and might be changed if the intuition was in error.
3. *Dependent style* is characterised by the use of advice and support from others in making decisions.
4. *Avoidance style* is characterised by delay and denial in order to reduce anxiety associated with decision-making. It may represent an aversion to the risk of making a wrong decision.
5. *Spontaneous style* is characterised by a strong sense of immediacy and an interest in getting through the decision-making process as quickly as possible.

The Decision Style Inventory (DSI), which was developed by Rowe and Boulgarides (1983 in Boulgarides & Oh, 1984), combines the dimension of an individual's cognitive complexity with that of personal values (Boulgarides & Oh, 1984). These two dimensions indicate the dominance of style for an individual (see Figure 2.5). Cognitive complexity is the vertical dimension. Low cognitive complexity depicts a manager with a need for structure and high cognitive complexity portrays a manager with a high tolerance for ambiguity. The value orientation of an individual is the horizontal dimension. On the left is a left-brain orientation preference, a task/technical orientation, while on the right is a right-brain orientation preference, a people/social orientation (Shackleton et al., 2007).

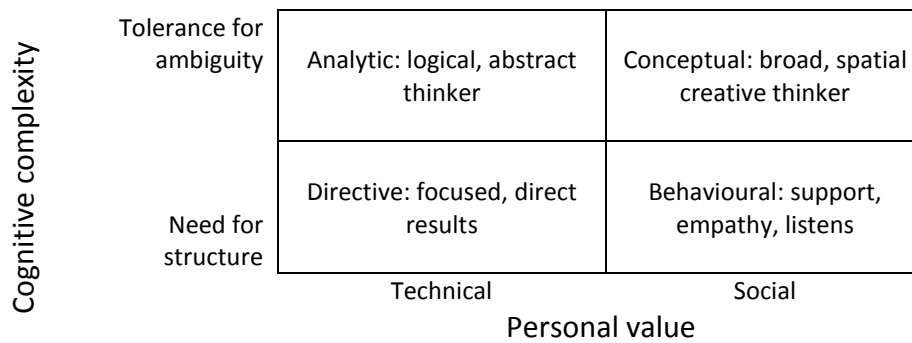


Figure 2.5. Cognitive-contingency Decision Style Model (Boulgarides & Oh, 1984)

The model consists of four styles (Boulgarides & Oh, 1984; Shackleton et al., 2007):

1. *Directive style* indicates that an individual with this style tends to be aggressive and authoritarian, makes decisions and acts rapidly, emphasises speed and thus uses limited information and considers few alternatives.
2. *Analytic style* is typical of abstract thinkers who enjoy problem solving and variety, they tend to optimise a problem solution, they are innovative, and employ careful analysis.
3. *Conceptual style* is generally used by broad thinkers who are achievement- oriented and future-oriented, are creative and have a high organizational commitment, are independent and refuse to be pressured, and who enjoy interacting with others.
4. *Behavioural style* is characterised by being supportive and empathetic, who need affiliating with others, communicative and persuasive individuals.

The decision-making models presented above show the variety in assessing a decision-making style of an individual. This indicates that the concept of decision-making has broad meaning and scope. The models, however, address the style of the manager as the decision-maker. A manager may not fit neatly into any one of the categories in a decision-making style model, rather they may have one or more dominant styles with one or more back-up styles (Boulgarides & Oh, 1984). Which model is applied is therefore dependent on what is to be measured.

As this research is intended to measure the behaviour of small firm managers in making an internationalization decision in which the role of the manager is central, Muna's model is sufficient to assess the style of the managers in this research for the

following reasons. The model is relatively simple compared with others in the way it measures a style. Multifaceted measures needed to identify a style in the other models create difficulty for identification. The simplicity of Muna's model may reflect the process of making decisions in small firms, which is less analytical, based on intuition, and relatively quick (McNaughton, 2001). The model focuses on method conducted by the manager in making a decision which is the concern of this study, while the others focus on the decision-maker characteristics. Another consideration is that this model has been tested in the third world setting of Saudi Arabia (Yousef, 1998) and therefore has relevance to the location and purpose of this study, while the others have been not tested.

2.5.2. Research Question 2

Style is a personal attribute. The decision-making style may reflect the behaviour of a manager in making a decision. Different styles may indicate different behaviours in making a decision. Therefore, recognizing the style of the manager will give a picture of the process a manager takes in making the internationalization decision. As decision-making style is a learned habit (Russ et al., 1996), a manager can therefore adapt it to suit the conditions and the most effective and/or efficient decision can be achieved. Shackleton et al. (2007) stated that managers' decision-making styles should ideally match both the task at hand and the people who their decisions will affect. When this occurs, effectiveness and interpersonal harmony can be expected to result, otherwise task failure and behavioural problems may emerge.

This research concerns a manager's decision-making style as a way to understand the process in making internationalization decisions in particular and how the manager takes a role in the process. The second research question is thus formulated as:

Research Question 2:

What is the dominant decision-making style of the managers of small firms engaging in international business activities?

2.6. INTERNATIONALIZATION DECISION-MAKING PROCESS

2.6.1. Managerial Behaviour in Making an Internationalization Decision

Sommer viewed decision-making in the internationalization of the small firm as a cognitive process, and suggested that this would be a promising starting point to increase the knowledge of small firm internationalization decision-making (Sommer, 2010). Knowledge of small firm internationalization decision-making is limited. Therefore, understanding how the decision to internationalize in small firms is made is also limited. One approach to understand it is to assess it from the perspective of the manager's decision-making process.

The importance of the role of small firm managers in the internationalization decision has been addressed by previous studies (see for example, Chaganti et al., 2002; European Commission, 2007a, 2007b; Sadler-Smith et al., 2003; Sommer, 2010). Sommer (2010) concluded that the intention to go abroad is a matter of the manager's attitude. A positive attitude of the manager toward internationalization will increase the intention to engage in foreign markets, and sequentially this attitude can direct the manager to behave cautiously and consider internationalization more thoroughly. The intention to internationalize is also influenced by the experience of the manager in international business.

Decision-making is one of several managerial activities and it is the most crucial part of the manager's work (Mintzberg, 1973; Nooraie, 2008). It has been the focus of many studies in managerial behaviour (Cools & Broeck, 2008; Das & Misra, 1995; De Lema & Durendez, 2007; Poon et al., 2005; Wen & Zhou, 2009), and understanding the behaviour of managers has been identified as an important step in increasing understanding of small firm internationalization (Andersson & Floren, 2008). However, Andersson and Floren in their research of managerial behaviour in small international firms asserted that, up to the time of their research, there had been no studies focusing on the behaviour of managers in small firms with an international orientation. They emphasized this matter as follows:

Previous literature on small-firm internationalization has focused on describing the firm's international behavior and discusses why this behavior occurs.

Managerial behavior, however, has not been studied in this context. So far there has been no effort to include the knowledge about managerial behaviour that has been produced within the management research in the research on small-firm internationalization (p.41).

Andersson and Floren (2008) found conceptual confusion in the literature on managerial behaviour. The concept may refer to managerial works or jobs, or managerial behaviour (see for example Cools & Broeck, 2008; De Lema & Durendez, 2007; Floren, 2006). Amongst these, the term used by De Lema and Durendez (2007) suits the purpose of this research. They define managerial behaviour as the ways that managers perform the decision-making process and formulate and implement a business strategy.

Dimitratos et al. (2011) found that manager's small internationalized firms employ certain processes in their decision-making. They asserted that the decision-making process, especially for strategic decisions, differs from one nation to the other because the national culture of the firm matters in internationalization. Other studies, however, have recognized that the way of small firm managers make decisions is characterised as unplanned, fragmented and lacking in the use of recognised management tools, and their behaviours vary (Floren, 2006; Martin & Staines, 1994; Muir & Langford, 1994). These characteristics result in difficulty in determining a conclusive and systematic description of managerial behaviour of the small firm managers in making decisions. Andersson and Floren (2008) drew the following conclusion:

Although earlier research has questioned the importance of managers' characteristics, these might enhance the understanding of firms' international behavior if they are studied together with managerial behavior. Consequently, future research should investigate whether there are any differences in behavior of managers according to gender, age, education, experience, and so forth (p.44).

2.6.2. Manager's Role in Making an Internationalization Decision

Decisions can be either objective or subjective. Internationalization, which is usually a costly and time-consuming effort for small firms, may be based on subjective preferences of individual managers (Dimitratos et al., 2011). As Hitt and Tyler (1991) argued people, not organizations, make decisions and managers' personal characteristics influence strategy formulation and implementation. The arguments are

that decisions depend on prior processes of human perception and evaluation. The processes are believed to be constrained by managerial orientation created by needs, values, experiences, expectations, and cognitions of the manager. Furthermore, given the limitations in capabilities to process information, the managers tend to simplify the decision process (Roberto, 2004) by limiting the criteria considered, by weighing some criteria more heavily than others (Hitt & Tyler, 1991), and by analogizing (Nilson, 2008). In other words, managers apply rational processes in achieving decisions (Hitt & Tyler, 1991; Jones et al., 1992; Nooraie, 2008). Jones et al. (1992) even stressed that for international firms the use of a rational process in making strategic decisions will leverage the firms' performance. A rational process consists of gathering and analysing information, and generating and evaluating alternatives (Jones et al., 1992; Roberto, 2004).

Contrary to this rational process, Tsang (2001) as cited by Kontinen and Ojala (2010) found that the internationalization decision-making in family SMEs is based on the intuition of the founder and not other managers, especially non-family members. This implies that founder's style in making decisions takes role. The process in making the decision is regarded as being informal, unstructured and founder-centered. Moreover, it is noted that the decision-makers learned very little from the process. This is probably because the process is in the mind of the founder and may not be shared by the founder with other managers.

In describing the role of a manager in making a decision (decisional role), Mintzberg (1973) used Herbert Simon's scheme of the decision-making process. The scheme regards the individual as a mental symbol system or as an information-processing system. The model is thus labelled as an information processing model of human intelligence (Das & Misra, 1995). Based on this scheme, Das and Misra (1995) mentioned that decision-making is a cognitive function of a manager and that emotional, motivational, and personality influence the manager in making the decision. The cognitive competence and motivational orientations of a manager differentiates the ability of a manager to make effective decisions. This suggests that the key to an effective decision relies on the manager. The manager is the central point in making decisions.

2.6.3. Decision-making Process

The process of making a decision has received relatively less attention in research and the existing approaches to decision-making lack conceptual consensus (Nooraie, 2008). The existing models of the decision-making process comprise various numbers of stages ranging from three steps to five steps and generally they are similar to each other (Nooraie, 2008).

Mintzberg (1973) outlined three phases of the decision-making process: (1) the intelligence phase or the initiating activity, in which the manager looks for and selects situations requiring decisions; (2) the design phase in which the manager seeks alternatives and evaluates them; and (3) the choice phase, which deals with the process of choosing or accepting one alternative from among those available. Mintzberg, Raisinghani, and Téorét (1976 cited by Larimo, 1995) used the terms identification, development, and selection as the corresponding phases in their research. The identification phase comprises two routines: decision recognition and diagnosis (p.27 & 32). Decision recognition consists of opportunity, problem of crisis recognition, and decision activity evocation. Diagnosis comprises the activities of comprehending the stimuli evoked and determining causal relationships in the decision situation. The development phase consists of search and design (p.32). In search, management seeks ready-made solutions for the situation, while in design it develops alternatives by itself or modifies a ready-made solution. The selection phase consists of three routines: screening, evaluation-choice, and authorization (p.32). Screening is to reduce alternatives to a number that can be handled by the decision-maker. It then investigates the feasible alternatives and selects a course of action in an evaluation-choice routine. Authorization is used to give authority to the individual to make a choice or to take a course of action.

Das and Misra (1995) also used different terms in explaining the process of making a decision, which are principally similar. Das and Misra explained that the process can be analogous to a production process which includes: (1) mode of input, (2) processing and knowledge base, and (3) output. Mode of input refers to the manager's preference in receiving, gathering and using information to make the decision. This preference possibly relates to manager's decision-making style as some managers may

be able to arrive at an efficient solution to the problem after they hear and see the information. Some others may be poor information gatherers and take longer to make a decision. Processing and knowledge base refers to the methods of processing information that will become knowledge and includes: sorting information, categorising it, and saving it in the mind for later retrieval. In other words, processing is concerned with coding mechanisms. The role of planning is quite salient in the coding process because without plans, coding of information cannot be achieved and without coded information, plans cannot be made and decisions cannot be reached. Forbes (2005) found that information processing is very important as it affects what managers believe about themselves, which may have an impact on a firm's performance in the long term as the consequence of a particular strategic choice selected during decision-making. The output is the decision itself. Efficient decision-making will thus affect the effective action.

Research by Aharoni (1966 cited by Sykianakis & Bellas, 2005) on the foreign direct investment (FDI) decision-making process can be used as an alternative approach to explore the process of making an internationalization decision since FDI is an internationalization decision. There are three major phases in the FDI decision-making process: initial idea generation, investigation and development, and presentation and decision. Applying this model, Sykianakis and Bellas (2005) found that the FDI decision-making process is cyclical in nature, with information continuously received, processed and used as feedback for subsequent action.

The three-phase decision-making process developed by Mintzberg, Raisinghani, and Theoret' (1976), comprising the intelligence phase, development phase, and selection phase, is applied by Larimo (1995) to study the FDI decision process. He found variety in factors that influence the FDI decision-making process and in the nature and content of the process. However, similarities were found in terms of the motives for the FDI, alternatives for developing behaviour and categorizing information and methods used in the evaluation of the investment.

McNaughton (2001) in his study of the export mode decision-making process in small firms asserted a less analytical process is followed. Evidently few small firm managers conduct extensive analysis, instead making a decision fairly quickly by

intuition and based largely on internally generated information rather than external consultation. His findings suggest that there is a gap between theory and reality and implies the influence of the manager's style in decision-making process. Darling and Seristo (2004) tried to fill this gap by proposing a decision-making paradigm that provides guidance through the decision-making process and leads to successful export marketing operations. The paradigm consists of ten steps: analyse market opportunity, assess product potential, establish market entry mode, make a firm commitment, allocate necessary resources, identify technical issues, develop strategic marketing plan, organise operational team, implement marketing strategy, and evaluate and control operations.

Although researchers in this area used different terms in describing the decision-making process, they addressed similar elements (Nooraie, 2008). Generally, models comprise various numbers of stages ranging from three steps (problem formulation and objective setting, identification and generation of alternative solutions, and the analysis and choice of a feasible alternative) to five steps (situation diagnosis, alternatives generation, alternatives evaluation, selection, and integration) (p.643). The exception is Darling and Seristo's (2004) ten-step model, even though these steps can be categorized into fewer steps similar to the others.

Regardless the number of steps, the models basically contains three elements: recognition of stimuli, actions taken to respond to the stimuli and determination of the best alternative as the final decision. The terms used by Das and Misra (1995) – input, process and knowledge base, and output – can seemingly cover all models as general term is assigned to each step. This study used these terms in addressing internationalization decision-making process.

2.6.4. Research Question 3

With limited knowledge of the decision-making process in small manufacturing firms, and anticipating variety or even totally different processes of making decisions, the concern is to understand the process of how the manager makes a decision to internationalize the business. The formulation of the third research question is therefore as follows:

Research Question 3:

How do the managers of small firms engaging in international business activities make the internationalization decision in their business?

2.7. INTERNATIONALIZATION OF INDONESIAN SMALL FIRMS

This section discusses small manufacturing firms in Indonesia which will be the context of the study. The purpose of this section is to provide general conditions of small firms in Indonesia and their engagement in international business activities. The research questions will be examined in this context.

2.7.1. Factors Enabling Internationalization

There are limited studies of Indonesian small firms doing business internationally. Although the study by Sjöholm (2003) on Indonesian firms is not directed specifically at small firms, it provides some insight into internationalization by Indonesian firms. Focusing on Indonesian firms' decisions to export, Sjöholm found that foreign networks were the main driver for exporting. Foreign networks were acquired through foreign ownership and import activities. According to Sjöholm (2003), foreign ownership results in a higher ability to seek new markets. Foreign owners who, presumably, have knowledge about markets in other countries, an international orientation and a positive perception of the international market make significant contributions in the decision to take the business abroad. These factors significantly influence the decision to go abroad (see for example Arbaugh et al., 2008; Johanson & Vahlne, 1977; Manolova et al., 2002; Sommer, 2010). Sjöholm and Takii (2008) also concluded that Indonesian manufacturing firms with foreign ownership were substantially more likely to export than wholly domestically owned firms.

The likelihood of export is fostered by importing (Sjöholm, 2003). Sjöholm stated that import penetration fosters export orientation (p.34) since importing promotes personal networks and facilitates information on foreign markets. In other words, importing is a medium to learn about the international market. This market knowledge has been identified as an important factor for internationalizing a business (Johanson & Vahlne, 1977; Manolova et al., 2002). However, the study by Sjöholm and Takii (2008) using Indonesian panel data between 1990 and 2000 showed that imports of

intermediate products does not affect the likelihood of exports. This inconsistent finding suggests that there may be other factors influencing the decision of Indonesian firms to export.

Tambunan (2009) also found that networks are an important factor for Indonesian small and medium sized enterprises that export. However, Tambunan had a broader coverage of networks which included those linked to traders, trading houses, foreign tourists. The managers learn about new international markets from these links and they help to bring the products to customers in foreign countries. Tambunan stressed that these agents have played a more important role than support from the government in SME exporting behaviour. This evidence shows that Indonesian SMEs are still dependent on external entities to bring in market knowledge.

A study by Wengel and Rodriguez (2006) about SME export performance in Indonesia after the financial crisis in mid-1997 also showed that external factors were influential on the decision to be involved in the international market. Indonesian SMEs experienced a windfall benefit from the crisis. Larger Indonesian firms were dependent on importing large proportions of raw materials and when the rupiah sank during the crisis, their product prices increased. This resulted in contraction and reduction of exports. On the other hand, SMEs tended to find new markets during the crisis as they experienced higher local prices for their products. Many SMEs switched to international markets and created competitiveness abroad as they were low import dependent.

Creating competitiveness abroad may be hindered by cost-related factors. Being able to export requires knowledge about the market of the destination country, such as foreign consumer preferences, legal framework, or distribution systems amongst other factors. The cost of collecting such information is high but varies between firms. The cost is normally referred to as a 'sunk cost' and will be incurred even if the firm decides not to enter the country. The sunk entry cost is therefore a factor influencing the decision to export (Sjöholm, 2003; Sjöholm & Takii, 2008). Many small firms may not be able to incur such a cost (Wengel & Rodriguez, 2006) and this cost may affect propensity to export. However, according to Sjöholm (2003), foreign ownership can reduce this cost and increase the likelihood of export.

From the above discussion, there is limited understanding of internationalization by Indonesian small firms. What is evident is the role external factors play in inducing Indonesian firms to engage in international business activities (IBAs) although these studies are not exclusive to small firms. Factors other than those mentioned above may also be important and in the next section, different factors leading to different processes of internationalization are discussed.

2.7.2. Internationalization Process of Indonesian Small Firms

The internationalization process of Indonesian small firms varies. Tambunan (2009) who studied an export-oriented SME cluster in Indonesia found that SMEs followed a gradual process in export activities. Many served the domestic market, which included foreign tourists. Foreign tourists' demands was used as a measure of foreign market needs, and firms started to export small amounts to markets that were close geographically, such as Malaysia and Thailand. Later, they exported to more distant markets in Europe as a result of relationships with European tourists. Tambunan noted a learning process resulted from this relationship, especially for acquiring foreign market information. It can be inferred from Tambunan (2009) that the internationalization process of Indonesian SMEs follows the Uppsala model of gradual development in which market knowledge is a crucial factor for internationalization. This phenomenon can also be seen as a network enabling access to foreign markets. Interestingly, the network is established informally with no formal arrangements and contracts. It is based on personal relationships, reputation, and trust. This finding is in accordance with Arenius (2005) who uses the term 'social capital' in describing the external relationships possessed by the firm. He mentions that social capital consists of resources embedded in the network, such as reputation, credibility, and trustworthiness. Arenius concludes that social capital is a means to overcome the differences existing between home and target countries (psychic distance) and to increase the speed of market penetration.

Contrary to Tambunan's results, Satyanugraha (2005) in his study on entry mode decisions of Indonesian manufacturing SMEs concluded that they follow a leapfrog internationalization process as each firm did not necessarily move through each and every stage of the process. The factors influencing which stages are used include size of the foreign market and firm's efforts to create a unique image for their products and

services. Bigger market size enables economies of scale in production, which in turn lowers production costs. Lack of experience in the international market was not a barrier to exporting as this did not influence economies of scale or cost of production (Satyanugraha, 2005). When a firm follows a differentiation strategy, they perform more marketing activities and can command higher prices. These firms are willing to invest in bringing their differentiated products to foreign markets (Satyanugraha, 2005).

In summary, networks enable learning and firms take a gradual process of internationalization. However, foreign market size and strategic efforts to create competitiveness cause firms to leap stages in the process. The importance of different factors results in different internationalization processes. Variety in internationalization processes also indicates variety of participation in international activities by industry.

2.7.3. Industry Participation in International Activities

Small firms comprise 99.9% of the total firms in Indonesia (Department of Cooperation and Small Business, 2010) and they experience positive growth of 2.2% annually (Statistics Indonesia, 2011) compared to the negative growth of the medium and large firms (Statistics Indonesia, 2013). Small firms predominantly (61.16%) operate in the wholesale and retail sectors and then the manufacturing sector (15.58%) (Statistics Indonesia, 2013). The rest operate in sectors such as transport, storage and communication; financial institution, real estate, rental service and other services. However, only a few have been engaging in international business activities indicated by their contribution to national exports shown to be insignificant compared to the 94.6% contribution of medium and large firms (Department of Cooperation and Small Business, 2010).

Export is the main mode of entry for Indonesian firms to participate in international markets and manufacturing dominates national export. In 2010, manufacturing contributed 63.9% of Indonesia's exports (Bank of Indonesia, 2011). Although its contribution declined to 56.3% in 2012 (Bank of Indonesia, 2013), the manufacturing sector is still a key contributor to national export performance.

In this sector, the garments industry has been the main exporter over the last ten years and has contributed on average 10.13% of the total main export each year

(Statistics Indonesia, 2011). Small garment firms showed a higher participation in the market and their production growth was the highest amongst others (Statistics Indonesia, 2013). Large and medium garment firms experienced a slow-down and even a negative production growth in 2008 and 2009. Although they grew positively in the first half of 2011, their growth rate was lower than small and micro firms, that is 0.04% compared to 1.9% (Statistics Indonesia, 2011).

Furniture used to be a key export. However, this industry is no longer the key contributor and its contribution to total Indonesian manufacturing was only 2.3% in 1995 (Sjöholm, 2003). Sjöholm found that establishments in furniture were less likely to start export. Small furniture firms have taken over the role of large and medium firms in the industry and the production growth of large and medium firms declined significantly from 33.56% in 2008 to -0.64% in 2009 (Statistics Indonesia, 2011). Although it grew positively in the following years, the growth rate was lower than small and micro firms, that is, 1.54% compared to 4.49% in the first half of 2011 (Statistics Indonesia, 2011).

Comparing the internationalization processes in both industries may uncover interesting reasons behind the decision for internationalization or not. As a result, the research questions will be applied to small manufacturing, especially garment and furniture manufacturing firms in Indonesia.

So far, it can be noted that small firms in Indonesia vary in their internationalization process and industry possibly due to different in factors enabling them to internationalize. Confirming this to the existing theories of small firm internationalization is needed if this condition applies only in particular or in a general context.

2.8. SUMMARY

A range of theories exist to explain why small firms follow different internationalization processes. The stage models theory suggests market knowledge and learning process are drivers for firms to gradually engage in international business activity. The network theory focuses on relationships as the main factor explaining internationalization. Through relationships, knowledge is gained and pathway opened for entering new markets. The resource-based theory suggests unique and difficult-to-

copy attributes of firms underpin the sustainable competitive advantage needed for internationalization. More recently, the fact that some small firms internationalize in the very early stages of their existence or from their inception has led to the development of the international new venture theory. Accordingly, international entrepreneurial orientation and international marketing orientation are key factors explaining why small firms immediately internationalize process rather than take a step-by-step process.

Within these theories are a range of factors enabling internationalization. These are usually assessed in the context of how these factors influence a manager to choose to exploit an opportunity to internationalize. The factors, however, can be classified as external and internal factors. Besides attractiveness of the host country or conditions in the home country, unsolicited orders from foreign buyers are an external force for internationalization. On the other hand, the manager and their characteristics are assessed by many studies as playing the dominant role in internationalization compared with other internal factors, such as lack of resources, size and age of the firm. The manager's characteristics influencing the internationalization are the manager's attitude, capability, experience, perception and skills. This review highlights the need to understand small firm internationalization in terms of the way the manager makes an internationalization decision.

Understanding the behaviour of managers has been identified as an important step in increasing understanding of small firm internationalization. Many studies have addressed behaviour of managers when making a decision in terms of management styles. There is, however, no conclusive understanding of management styles. Variety in decision-making style models indicates a variety of measures, and what is measured when assessing a decision-making style of an individual. The style gives a description about the behaviour of a manager in making decisions. The dominant decision-making style of the managers of the studied firms is addressed in the second research question.

Studies on small firm internationalization decision-making have assumed that decision-making in the internationalization of the small firm is a cognitive process. The decisions depend on prior processes of human perception and evaluation and, as a consequence, managers' personal characteristics influence strategy formulation and

implementation. Decision-making in small firms is possibly based on subjective preferences of individual managers or on the intuition of the manager. Therefore the process in making the decision is regarded as being informal, unstructured and manager-centered. Applying a model of the decision-making process, this research is undertaken to explore the process of the decision made by the manager to internationalize their small firm.

There are limited studies of internationalization of Indonesian small firms, but these show variety internationalization processes. What is evident is that the engagement of Indonesian small firms in international business activities has been influenced by external and internal factors.

The research questions specified for this study will be explored in the context of small manufacturing firms. In the next chapter is a discussion of the methods applied to answer the research questions. Philosophical considerations underlying the study and the research design and plan are elaborated.

CHAPTER 3

METHODOLOGY

3.1. OVERVIEW

This chapter outlines the research methodology. First, the research philosophy is discussed as this poses fundamental questions about the ontology and epistemology. Ontology concerns the nature of fact while epistemology concerns the nature of knowledge. Following this, the stages used to reach a conclusion are presented. The appropriate methods for collecting and analysing the data are discussed before the chapter concludes.

3.2. RESEARCH PROBLEM AND QUESTIONS

The research methodology is designed to answer the research questions in the context of small manufacturing firms in Indonesia. They, therefore, can be restated as follow:

- Research question 1: What is the internationalization process followed by Indonesian small manufacturing firms engaging in international business activities?
- Research question 2: What is the dominant decision-making style of the managers of Indonesian small manufacturing firms engaging in international business activities?
- Research question 3: How do the managers of Indonesian small manufacturing firms engaging in international business activities make the internationalization decision in their business?

These research questions are to find the explanation about variety of small internationalization process which is formulated as: Does the behaviour of Indonesian small manufacturing firm managers when making an internationalization decision explain variety in the process of small firm internationalization?

3.3. RESEARCH PHILOSOPHY

Research philosophy is important as it directs how research to be conducted. Sarantakos (2005) stated that ontology and epistemology underlie the research

methodology, and this informs the research design and instrument choice. He argues that “ontological, epistemological and methodological prescriptions of social research are ‘packaged’ in paradigms which guide everyday research” (p.30).

Ontology relates to a philosophical question concerning the nature of reality (Sarantakos, 2005), being (Crawford & Lancaster, 2009) and truth (Teddle & Tashakkori, 2009), or the purpose of existence (Somekh & Lewin, 2008). In everyday conversation, ontology is defined as the meaning of life (Somekh & Lewin, 2008). It asks the question of what does research focus on. This research focuses on the process of making an internationalization decision in the small firm. It is believed that the process exists but varies as a variety of factors influence the decision-making process. It involves perceptions, attitudes, and behaviour of the decision-maker and other parties involved in or influenced by the decision-making. It thus cannot be directly observed or measured. This research therefore follows the constructivism/pragmatism paradigm in exploring the nature of the internationalization decision-making process in small firms.

The constructivism paradigm assumes that knowledge is not a set of unchanging propositions, and hence stresses the active process in building knowledge (Somekh & Lewin, 2008; Teddle & Tashakkori, 2009). In this active process, people construct their own social world by giving meaning to their actions and interaction with others, and therefore the researcher focuses on the meaning-making processes (Holloway, 1997). In other words, knowledge is built through finding common patterns of meaning from the reality studied (Grbich, 2007). The purpose of this research is to find out how small firm managers give meaning to their actions in making an internationalization decision. In other words, this research seeks to uncover the behaviour of the small firm manager in making a decision and the reasons why they follow certain processes to arrive at a particular decision. Interpretation of the behaviour is at the heart of the research.

Epistemology is the nature of knowledge (Crowther & Lancaster, 2009; Sarantakos, 2005; Somekh & Lewin, 2008) and its justification (Teddle & Tashakkori, 2009). It asks the question “what kind of knowledge is the research looking for” (Somekh & Lewin, 2008, p.30). In this research knowledge is being sought about internationalization in the small firm, particularly why it varies. Knowledge about variety

in small firm internationalization can be acquired from several sources and in several ways. This research acquires it from managers through their behaviour in making internationalization decisions. The way to explore understanding of small firm managers' behaviour in making a decision was to listen to their experiences and perceptions in making an internationalization decision.

Although it is known from the literature review that the managerial decision-making style of the manager influences the internationalization decision-making process, there have been no previous studies revealing a relationship between them. The relationship may or may not exist directly or indirectly in reality. This research sought to confirm whether such a relationship existed (inductive logic), and the relationship was interpreted through constructing meaning during the data analysis. On one hand, the research process was positivist in the assumption of there being the possibility of causal relationship (Teddlie & Tashakkori, 2009) between a managerial decision-making style and the internationalization decision-making process. On the other hand, as understanding of people's experiences is important in interpretivism (Holloway, 1997), it was thus through interpretivism that the research uncovered meaning and understood the deeper implications revealed in the data (Somekh & Lewin, 2008).

The ontology and epistemology underlying the research led to a mixed methods approach. Quantitative and qualitative methods were applied to collect and analyse data, integrate the findings, and draw inferences (Tashakkori & Creswell, 2007 as cited by Teddlie & Tashakkori, 2009). The quantitative method was applied because the limited understanding that exists of the study's context. Epistemologically, it was to acquire underlying knowledge about manager's behaviour in internationalization. The qualitative method, on the other hand, was to gain deeper explanation about the internationalization of small firms. Ontologically, it was to explore the internationalization decision-making process that was constructed and interpreted from the manager's experience. The resulted decision-making process was epistemologically a way to understand variety in small firm internationalization.

3.4. RESEARCH STRATEGY

A research strategy is key to research design (Punch, 1998). Together with the issues of frames and framing, the position and power of the researcher, the position of the reader and the research design approach, the strategy determines how data is collected and analysed (Grbich, 2007). It refers to the reasoning or set of ideas by which research questions are answered (Punch, 1998).

To answer the central question of this research, a circumtextual frame was applied. This involves contextual construction and the researcher's interpretation of the immediate situation or event (Grbich, 2007). According to Grbich (2007), the application of specific frames to the selected aspects of reality leads to clearer comprehension or better communication purposes. The process of the selection of aspects of reality (framing) is an active process and relates to the unconscious process of viewing situations through the frames that have been gathered during life.

The circumtextual frame allows the researcher to understand experiences, perceptions, attitudes, and behaviours of the small firm managers according to their social and cultural backgrounds. It has been identified that culture influences the internationalization process (Arbaugh et al., 2008; Johanson & Vahlne, 1977; Zeng et al., 2008) and managerial behaviour of the manager in making a decision (Abramson et al., 1996; Albaum & Hersche, 1999; Berrell et al., 1999). By contextualizing based on the social and cultural conditions, deeper meaning can be acquired because behaviour is bound to both the social system and culture. According to Holloway (1997), contextualisation takes place when the researcher attempts to understand the data in context.

Context refers to the environment and the conditions in which the research occurs and it includes the social and cultural system of the participants. It is essential for data interpretation because it has an impact on the participants and the researcher. A limited understanding of the conditions under which the research was to be conducted occurred in this study due to inadequate information in the literature regarding small firm internationalization in Indonesia. To build a relevant context, gathering information about the condition of small firms engaging in international business activities was then

conducted using questionnaires as this allows for generalization of the results (Crowther & Lancaster, 2009).

By building context, a deeper understanding of the small firm managers' behaviour - studied through their experiences in making internationalization decisions - was acquired through in-depth interviews. Hermeneutics is a method of interpreting people's behaviour (Ezzy, 2002; Holloway, 1997) and was applied as it focuses on the interpretation of people's experience. Reality can be constructed with the different interpretation of texts.

Data gathered in the research was viewed as a complex construction. To give a clear picture of the events under study, the data were deconstructed. They were then reconstructed and represented. Practically, the complex phenomena of making an internationalization decision were deconstructed using open-coding in order to identify concepts. A concept is the meaning embedded in a term (Holloway, 1997). The concepts were then reconstructed based on their category, whereby those with the same code were put in a category and a label was assigned to each category. This process was undertaken to reduce data and to construct themes. A theme is a cluster of linked categories conveying similar meanings and forming a unit (Holloway, 1997). Themes were represented in a diagram showing the interrelationship between them. Figure 3.1 shows the process of constructing the reality and how a model might result from the research. However, the theory needs further analysis and testing.

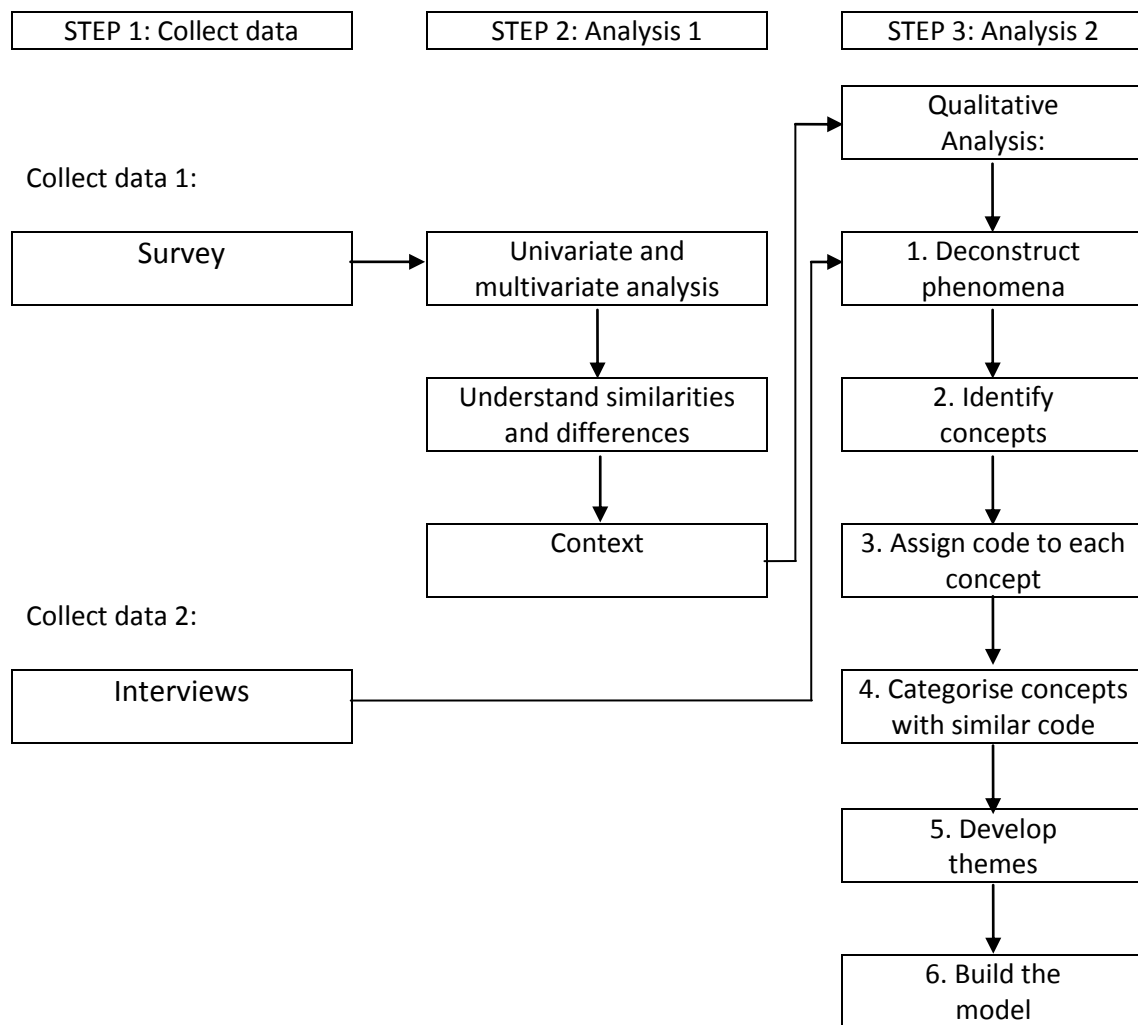


Figure 3.1. The Research Strategy

The research strategy shown in Figure 3.1 consists of three steps to accomplish the research purposes:

- The first step was to collect data and two methods were applied: a survey using a questionnaire and in-depth interviews. Hermeneutics means that preliminary analysis was conducted during the data collection process. Interviews stopped after saturation of information had been achieved.
- At the second step, data collected from the questionnaire were analysed using univariate and multivariate analysis. The purpose of the analysis was to explore the general conditions of the Indonesian small manufacturing firms engaging in

international business activities. The data were then used to create the context which the process of building a model is situated.

- The information from the interviewees was analysed in the third step. The purpose of the third step was to build a model of the internationalization decision-making process using a thematic approach. The first step in the approach was to deconstruct the phenomena. It was followed by identifying concepts and then assigning a code to each concept and those with the same code were put in one category. Then, themes were developed from the categories and the relationship amongst themes was mapped in a systematic scheme. The scheme was the model resulting from the analysis.

3.5. RESEARCH CONTEXT

3.5.1. Small Manufacturing Firm Internationalization

Internationalization can be viewed from an individual and an organizational level. In this research the focused was on the individual as decision-making is part of a manager's job (Arranz & Arroyabe, 2009; Chetty & Champbell-Hunt, 2003).

A small firm is defined as a firm having less than 20 employees. This followed the definition of a small firm in Indonesia in terms of number of employees. A small firm is a firm with 5 – 19 employees, while that having less than 5 employees is classified as a micro business (Indonesia Bureau of Statistics, 2010). The definition in terms of number of employees was considered appropriate as there is no single definition of a small firm (Blankson & Stokes, 2002; Freeman, 2005) and this one has been used in most research to define a small firm. It is the easiest retrievable measure compared with assets or sales for classifying a firm as a small firm.

As the purpose of this research is to build a model of the internationalization decision-making process used by small firms, it covered small firms that have been engaged in any international business activities, such as exporting, establishing sales' representatives abroad, and conducting foreign direct investment. Although Freeman (2005) states that the length of time that small firms take to internationalize is a key issue in understanding the internationalization process, there are no studies defining the time span to be researched and therefore time of involvement in international business

activities was not considered important in designing the sample. Small firms identified as having involvement in any international business activities were included in this study. More specifically, only those manufacturing firms were included as internationalization varies amongst industries (Freeman, 2005; Zeng et al., 2008) and stage models theory of internationalization has been mainly tested in the manufacturing industry (Carneiro et al., 2008).

3.5.2. Internationalization Decision-making Process

Although many researchers defined internationalization as a process of increasing involvement in the international market (Bell et al., 2004; Johanson & Vahlne, 1977; Morgan-Thomas & Jones, 2009; Ruzzier et al., 2006), a variety of definitions of internationalization still exists. The variety may lead to different conclusions about the internationalization decision-making process. For this research internationalization is seen as a cognitive process in which a manager decides to increase the firm's involvement in international business through particular cross-border activities. However, it addresses only activities outward from the home country and not inward activities such as importing, or establishing joint ventures with foreign partners in the home country.

Das and Misra (1995) stated that making a decision is a cognitive function for a manager that involves "a choice among alternative courses of actions that lead to some desired result" (Braverman, 1980, p.9). The decision-maker must be aware of all possible consequences of a choice and therefore must consider carefully all aspects during the process of making a decision. Therefore, as many aspects considered by the managers were explored in order to understand the nature of decision-making.

To stay focused on the cognitive process of making a decision, a predefined framework of the decision-making process was followed, which contains three stages: mode of input, process and knowledge base, and output.

1. Mode of input

The mode of input consists of the initiating activities in which the manager discovers a problem or opportunity in the firm (called a project or an improvement

project) and decides to take the necessary action to improve an existing situation (Das & Misra, 1995; Mintzberg, 1973; Sykianakis & Bellas, 2005). The identification of a future project requires stimulus for the process to begin. If an opportunity in a foreign country is a stimulus for foreign direct investment (Sykianakis & Bellas, 2005), the stimulus to export by small firms is often an unsolicited order (Graves & Thomas, 2008). Once a stimulus is received, it is necessary for the decision-maker to diagnose whether the stimuli will need to proceed to the decision-making process (Mintzberg, 1973; Sykianakis & Bellas, 2005). This diagnosis may emerge as “a series of smaller decisions and other activities sequenced over a period of time” (Mintzberg, 1973, p.79). This stage of the decision-making process was contextualized in this research regarding (1) stimuli received, (2) source of the stimuli, (3) activities and decisions taken to proceed the stimuli into the decision-making process.

2. Process and knowledge base

The process and knowledge base represents the process of investigating and collecting data for further examination of the project (Das & Misra, 1995; Mintzberg, 1973; Sykianakis & Bellas, 2005) and arriving at an affirmative decision (Nehrt, 1967) or concluding with the project authorization given by the manager (Sykianakis & Bellas, 2005). During the process stage, the manager accumulates commitments and spends resources to obtain information (Nehrt, 1967). The information is used to develop and design options of the decision. Gathering information needs direction, purpose, and goals, otherwise plans and decisions will deliver nothing (Das & Misra, 1995). There may be inadequate information for development and the decision-maker then has to rely more on informal information or channels. Design converts a vague idea into something tangible (Sykianakis & Bellas, 2005), which is an internationalization plan. The process stage was explored in this research in terms of: (1) information gathered, (2) direction, purpose and goal for information gathering, (3) sources of information, (4) methods or strategies to gather the information, (5) ways to process the information, (6) the entity doing the information-gathering and processing, (7) the final design resulting, and (8) ways and time taken to arrive at the affirmative decision and authorization.

3. Output

Output is the project alternative chosen by the decision-maker to proceed. The decision to choose projects have a consequence on the resource allocation in the projects, and the decision-maker must feel sure that the decision will not over extend the resources allocated (Mintzberg, 1973). The output stage was examined concerning: (1) alternative projects chosen, (2) ways of arriving at the decision, and (3) reasons behind the chosen projects. Output was identified first in the analysis and the process in making the internationalization decision was then traced back to the input.

3.5.3. Managerial Decision-making Style

The behaviour of the manager in the process of making a managerial decision indicates the managerial decision-making style of the manager. Managers can adopt different styles in making a decision (Ali & Swiercz, 1985); however, individuals are often consistent in the way they make decisions and will have a primary decision-making style. Considering the consistency in the decision-making style of a manager, for this research an existing model was used to understand the style and it was assumed that a style that is consistent can be measured easily by applying an existing model that has had its validity proven.

3.6. RESEARCH METHODS

3.6.1. Participants

Participants in this study were managers of Indonesian small manufacturing firms engaged in international business activities. The sample of firms to survey were gathered from several available sources, that is the *Standard Trade and Industry Directory of Indonesia* published by PT Kompasindo, the firms participating in the website of the Indonesian Small Firms accessed via www.smallindustryindonesia.com, NAFED (National Agency for Export Development) accessed via <http://www.nafed.go.id/directories/index/en>, and Google searching using a combination of the key words “usaha kecil” (small firms), “manufaktur” (manufacture), and “Indonesia”. A firm was categorized as small if it employed less than 20 people (Indonesia Bureau of Statistics, 2010). Textile and wooden furniture firms were selected based on the classification of the industry provided by the source, if any.

There were difficulties selecting small manufacturing firms with international business activities from the resources. Moreover, there was incomplete information in the sources relating to address, contact person, industry, or scale of firm. As a result, a logic judgment was applied in selecting whether a firm met the criteria as a small manufacturing firm. For example, the number of people in the management team and/or the title of a management position were used to judge the firm scale. More people in the management team or position of president director, vice president, and manager in a firm generally indicated that the firm was not small. If firms provided services, such as a consultant, this generally indicated that the firms were not manufacturing ones. Since the scale of firms could not be accurately determined, it was thus assumed that firms in the database were small, medium or large firms. There was also no information regarding the international activities in which the firms had been involved.

The data were collated in one file in order to eliminate duplication so that no firm was included more than once. This process produced a sample of 4,109 firms. The respondents to the questionnaire were chosen from contact person(s) from each firm in the list created from the sources. In cases where there was more than one contact person, the one identified as the primary decision-maker in the firm (i.e. president director, manager, or export manager) was chosen.

3.6.2. Data Collection Methods

Information from the decision-makers was collected using two methods. The first was a questionnaire based survey where primary data was collected to build a context of the study. The second was in-depth interviews with managers of small firms engaged in international business activities.

3.6.2.1. Data Collection Method 1: Questionnaire

A questionnaire was considered the most efficient way to reach participants in the dispersed area and allowed for generalization of the results (Crowther & Lancaster, 2009). The method has the advantage of reaching participants in Indonesian manufacturing firms dispersed around the country.

The questionnaire was constructed from the literature review. Questions and themes found in the literature that were pertinent to the research were used and modified to suit the intended population and the research questions (Walker, 2002). Both closed- and open-ended questions were used. The structure of the questionnaire took into account reluctance of participants to answer sensitive questions. Referring to Burns (1998) and Neuman (2003), questions identified as sensitive were presented at the end of the questionnaire.

The questionnaire comprised five parts. The first part contained questions identifying characteristics of the business, that is, year of establishment, number of employees, products, and engagement in international business activities. The second part contained questions relating to the involvement in international business activities and was intended only for those who were or had ever been involved in international business activities. The questions asked about the following: countries where they were or had ever been involved, types of international business activities, the international stage of the firm, factors that were considered before entering the foreign country, and processes in making decisions. The third part was only for those who were not involved in international markets. The questions concerned factors that were taken into consideration in the decision not to enter foreign markets, information gathering activities in making the decision, and the process of making the decision. The fourth part contained questions about the personal characteristics of the decision-maker: socio-demographics of the manager (such as age, gender, and education), managerial decision-making style of the manager, and intention to internationalization. The fifth part contained a question asking if the respondent was willing to participate in an interview, and detailed information about the respondent was recorded in this part for contact prior to the interview.

The question about managerial decision-making style asked in the fourth part of the questionnaire was taken from Muna (Ali et al., 1995; Ali & Schaupp, 1992; Yousef, 1998) for two reasons. First, the measurement had been tested in a third-world setting (Yousef, 1998) and therefore fitted location and purpose of the research. Second, it was practically simple, consisting of only five statements in which each represents one type

of decision style, and the participants were asked to select one statement which best described their behaviour. These five statements were:

1. Most often I solve the problem or make my decision using information available to me without consultation with my subordinates. (AUTOCRATIC STYLE)
2. Most often I consult with my subordinates, but that does not mean that I give consideration to their ideas and suggestions. The intent is not to create a situation of a real consultation, but rather to create feeling of consultation. (PSEUDO-CONSULTATIVE STYLE)
3. Most often I have prior consultation with my subordinates. Then I make decisions that may or may not reflect my subordinates' influence. (CONSULTATIVE STYLE)
4. Most often I share and analyse problems with my subordinates as a group, evaluate alternatives, and come to a majority decision (PARTICIPATIVE STYLE)
5. Most often I ask my subordinates to make decisions on their own (DELEGATORY STYLE)

The researcher consulted with the academic supervisors and the research consultant to evaluate the questions in the questionnaire and the types of response that might suit the purpose of each question. This was conducted until it was felt that the draft questionnaire was ready to be sent to the intended population (Walker, 2002). The evaluation was conducted to review the content and face validity tests for the questionnaire. The validity tests were conducted to review how good an item or series of items appeared to be (Litwin, 1995).

The draft questionnaire was then transformed so Qualtrics could be used to distribute the questionnaire online via email. As pre-testing the questionnaire must occur (O'Rourke, 1999), some 30 colleagues (Indonesian PhD students in Western Australia) were invited to try the questionnaire on 13 April 2011. They were asked to give their opinions about difficulties they encountered in filling out the questionnaire, either technically or in the meaning of questions. The response rate was relatively high, that is, 36.7%. Emory and Cooper (1991) state that a 30% response rate of a postal questionnaire is considered satisfactory, the pre-test of the questionnaire is thus satisfactory. The average time for completing the questionnaire was 11.65 minutes. Only

minor changes were needed to some questions which concerned form and measurement of the response, position of certain question and terms used. A technical issue in using Qualtrics was found such that question links did not appear appropriately all the time.

After revision of the questionnaire was translation, it needed to be translated. Participants are Indonesian and their English ability could vary and so the questionnaire needed to be translated into Indonesian. As Chen and Boore (2009) note, the difficulty in translating one language into another relates not only to language but also to culture. The questions were translated from English to Indonesian by the researcher whose native language is Indonesian and who is fluent in English. As an Indonesian, the researcher presumably knows the culture well. This ensured that the translation had a high validation (Chen & Boore, 2009). The Indonesian version of the questionnaire was then piloted with a group of Indonesian manufacturing firm managers.

Prior to conducting the pilot survey, ethics approval needed to be gained. The questionnaire, cover letter and consent form were sent to the Edith Cowan University ethics committee for approval. However, those sent to the committee were the English versions. Upon receiving the ethical approval for a pilot survey on 1 June 2011, the following preparations for launching the pilot survey were finalized:

- 1) Addition of a question identifying firm size based on the number of employees in the questionnaire as the database did not have information about firm size.
- 2) Construction of email letter, informational letter, and reminder letter for the pilot survey in English and Indonesian. However, only the Indonesian version was used in the pilot survey.
- 3) Completion of the samples of 300 perspective participants selected randomly from the database. Two groups of 300 participants were prepared. The first group of 300 comprised the main participants to whom the questionnaire was sent and the second was a back-up group should any problems have occurred.

To minimize the unpredictability, careful identification of the prospective participants was conducted. The availability of email addresses was a determinant to identify prospective participants as Qualtrics was used to

distribute the questionnaire. Firms with no email address were set aside. Those having more than one email address were screened for primary addresses. Some criteria for screening were applied. Email addresses were selected on the basis that they might reach the contact person directly. It was usually a personal email address that could be identified from a name in the email address. For example, the email address maria@research.com was selected if Maria was the contact person of the firm. If there was no personal email address, the address directed to the firm generally was chosen instead of that directing to a particular department of the firm. For example, international_company@yahoo.com was selected instead of marketing@international_company.com which might be directed only to the marketing department in the firm. Other considerations were made in relation to the provider. The email address using international providers (such as yahoomail, gmail, hotmail) were selected instead of those with local providers (such as Wasantara, Indosat, Telkom). This was to increase the probability of reaching the participants because the local providers might not be recognized by Qualtrics. After this process, participants were chosen randomly from the list that had been prepared before, that is, the first 300 firms in the list. The efforts mentioned above were conducted to increase the response rate, which is considered important in arriving at meaningful results (Kanuk & Berenson, 1975; Paxson, 1995; Templeton et al., 1997).

The pilot survey schedule was launched a week earlier than planned because ethics approval was received earlier than expected from the supervisors on 10 June 2011, with minor revision to a few words in the letters. The information letter became the letter in the email introducing the study to the potential respondents as Qualtrics did not provide a facility to attach documents to its emails. As the pilot survey was mainly to test the reliability and validity of the questionnaire, participants therefore were asked to write their feedback at the end of the questionnaire.

On sending the questionnaire to the 300 participants on 11 June 2011, five participants were identified by Qualtrics as having invalid email addresses. The first step taken was to check the database for the existence of a second email address. The email address was then replaced by the second one, if any. In the case of the second email

address not being accepted by Qualtrics, the participant was dropped from the list and was replaced with a new one.

At the determined deadline (one week after sending the questionnaire), checking for incoming responses was conducted. There were only three responses, resulting in only a 1% response rate. This was considered a very low rate of response as a 10 to 20% response rate is an acceptable estimate for a mail survey (Paxson, 1995). To raise the response rate, a reminder letter was then sent to the remaining participants (Paxson, 1995) and another week was provided for responding (Kanuk & Berenson, 1975). However, no responses were received after a week. Although the telephone is recognized as the most efficient method of reminder (Templeton et al, 1997), it was not used in this research because of cost considerations. It would be very costly to call participants residing in Indonesia from Western Australia.

As Qualtrics indicated that the emails were all successfully sent to the intended participants, it was thus assumed that all participants had received the emails and they might not have had a chance to respond yet. The Qualtrics link was then left open for four weeks longer in order to give a possibility for new responses that might arrive. This was the alternative taken to increase the response rate.

Of the three responses, only two delivered feedback. This indicated that the skip pattern directing to the feedback did not work well as it was designed as a 'force response' in which participants must give their feedback before they could exit the questionnaire. However, no error was found in the identification of this problem. Another flaw related to a question for identifying firm size. The question about assets was apparently intended for only small firms having Rp200,000,000 (AU\$20,000) asset or less and could not identify the asset value of bigger firms as the response did not provide space for participants to write down their assets of more than Rp200,000,000. Adjustment was made to provide space for participants write down their value of assets. The information gathered was thus able to cover all firm sizes.

The feedback from the two respondents gave the information that no difficulty was encountered in filling out the questionnaire. However, it could not be concluded from the limited number of responses that the questionnaire could be used for the

survey. Validity and reliability tests could not be conducted as the responses were categorical. However, there was at least consistency in the answers from the two respondents.

Receiving such a low rate of response prompted a search of the literature on how response rates could be increased. Personal contact and personal recommendation (Walker, 2002), enclosing an endorsement letter from an authorised entity such as top management or a governing body, sending the questionnaire using first-class stamps and determining deadlines and providing a written assurance of respondents' anonymity were some methods identified (Syakhrusa, 2002). These methods are covered in the total design method to increase response rate introduced by Don A. Dillman (Paxson, 1995). Considering that most of these methods had been considered and the response rate was still low, other options might be canvassed.

After weighing up the options in consultation with supervisors, it was decided to move to a paper survey. This decision created a difficulty in transferring the questionnaire from an electronic version into a paper version. The difficulty was especially related to questions with multiple responses and multiple stages, such as the question about the type of international activities which contains eight items of activities, the beginning year of each activity, and whether the firm was currently involved in the activity or not. Those questions had to be addressed to each foreign country in which the firm was involved. A table form was chosen to cover such questions and this form needed participants to rewrite the countries the firm has been involved with (see the examples in figures 3.2 and 3.3 below). In Qualtrics, the countries identified before would come up automatically and the participant just needed to fill in the questions asked for each country. The participant did not need to go backwards and forwards from different pages to check the countries. This was a flaw in the paper version which might decrease cooperation of the participant in the survey, which in turn might cause the participant to be less likely to take the time to respond (Paxson, 1995).

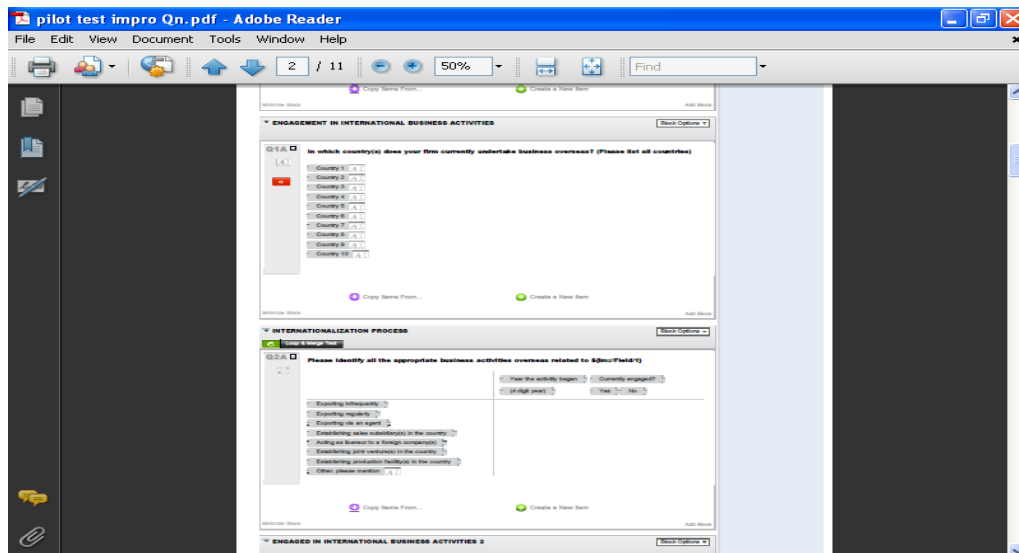


Figure 3.2. The Qualtrics Form of the Questions Regarding International Business Activities

1. In which country(s) does your firm currently undertake international business activities?				
Country 1	:	.....	
Country 2	:	.....	
Country 3	:	.....	
Country 4	:	.....	
Country 5	:	.....	
Country 6	:	.....	
Country 7	:	.....	
Country 8	:	.....	
Country 9	:	.....	
Country 10	:	.....	
2. For each country you identified in the question number 1, please identify the international activities related to the country, the year these started, and whether your firm is currently engaged in these activities.				
The international activities:				
XI: Exporting infrequently				
XR: Exporting regularly				
XA: Exporting via an agent				
SS: Establishing sales subsidiary(s) in the country				
AL: Acting as licensor to a foreign company(s)				
JV: Establishing joint venture(s) in the country				
PF: Establishing production facility(s) in the country				
O: Other, please mention				
	Activity	Year began	Currently engaged?	
			No	Yes
Country 1:	<input type="checkbox"/>	<input type="checkbox"/>
Country 2:	<input type="checkbox"/>	<input type="checkbox"/>
Country 3:	<input type="checkbox"/>	<input type="checkbox"/>
Country 4:	<input type="checkbox"/>	<input type="checkbox"/>
Country 5:	<input type="checkbox"/>	<input type="checkbox"/>
Country 6:	<input type="checkbox"/>	<input type="checkbox"/>
Country 7:	<input type="checkbox"/>	<input type="checkbox"/>
Country 8:	<input type="checkbox"/>	<input type="checkbox"/>
Country 9:	<input type="checkbox"/>	<input type="checkbox"/>
Country 10:	<input type="checkbox"/>	<input type="checkbox"/>

Figure 3.3. The Paper Form of the Questions Regarding Internationalization Business Activities

The paper survey was targeted at 100 respondents selected from those who had been invited to the email survey and who had not responded. The first hundred participants from the list were selected and completeness of the address was checked.

Those with incomplete addresses, such as no city or zip code, were replaced. This was to ensure that the mail reached the targeted participants. To increase the response rate, a letter accompanied the questionnaire which was printed on ECU letter head and the questionnaire was sent with an ECU envelope and a pre-paid, pre-addressed return envelope. Information regarding the cost of sending a letter from Indonesia to Perth with the approximate weight of the questionnaire was gathered from relatives and friends in Indonesia. It was predicted that the cost was about Rp10,000 (AU\$1) each. Considering the different costs that might apply for different areas, a Rp15,000- (AU\$1.5) stamp was used to reduce the possibility of a participant paying additional costs for sending back their response. However, this needed time to buy stamps in Indonesia and send them to Perth.

While waiting for the stamps to arrive, the email survey was kept open and regularly checked for responses. By 15 July 2011, two more responses arrived from the email survey and of the five responses, one was incomplete. This did not change the decision to switch to the paper survey as they did not contribute significantly to the response rate. The email survey link was kept open until 31 August 2011, but no further responses arrived.

Upon arrival of the Indonesian stamps, the introduction letter, information letter, questionnaire and pre-paid return envelope were sent from ECU to 100 participants on the list at 25 July 2011. The questionnaire also contained questions asking participant whether they had received the email survey and the reasons why they did not respond to it. This was to identify the cause of a low response rate in the email survey. The introduction letter also informed that if the participant had received the email questionnaire before, they could then choose to give the response either via email or mail.

The mail was expected to reach the participants in approximately 14 days and another 14 days would be needed for the questionnaire to be returned. It thus would take about a month for the process of sending and returning a questionnaire. However, no questionnaires were returned after a month. Two additional responses were received from the email survey. These might have been from participants who preferred to give a

response through email instead of mail. Unfortunately, both responses were incomplete. Since there had been no responses from the mail survey, an urgent step needed to be taken, as a low response rate can introduce bias into survey result. Ray and Still (1987), however, concluded that the use of techniques to enhance a response rate is not only unnecessary but is also counter-productive. This suggests that another method may be considered instead of applying the response rate enhancement technique which may not be effective.

It was decided that the survey could be conducted via door-knocking at the participants' premises. As it was very costly and time consuming to address participants around Indonesia, the survey targeted specific industries in a region for this door knocking survey. Participants in the list operating in the determined industry and located in the specified region were then selected.

Furniture and garments were the industries targeted for the research and the number of furniture and garment firms was relatively high in Central Java and Yogyakarta (Indonesia Bureau of Statistics, 2011), so these two regions were selected for survey. Another advantage in locating the survey in these regions was that the researcher knew the regions quite well. This gave clear picture for executing and predicting difficulties encountered in the process of data gathering.

Prior to executing distribution of the questionnaires, ethics approval regarding the changed method of collecting data was needed. A letter describing the changes in the data collection method, the paper version of the questionnaire, introduction letter, and consent letter were sent to the ethics office on 5 September 2011 for approval. The ethics committee asked for additional explanations regarding the reasons behind the change. Revisions in the information letter and the action plan concerning the participants, recruitment and data collection were required. The revisions were sent back to the ethics office four days later.

During the ethical approval process, four paper questionnaires arrived and one was an empty envelope. Of the four, only one answered the question regarding the feedback for not responding to the email survey. The respondent mentioned that he did not receive the email. This might be one possible reason for the low response rate.

Therefore, survey by door knocking might indeed be more effective to raise the response rate.

Upon receiving the ethical approval on 15 September 2011, preparation for data collection in Indonesia by door knocking was conducted. Field workers were students studying Management at Soegijapranata Catholic University in Semarang, Indonesia □ helped in distributing the questionnaire. Prior to arrival of the researcher in Indonesia, a colleague helped to recruit the field workers. They were recruited based on certain criteria, such as commitment, experience and interest in field working. Following the recruitment, training was provided to ensure validity in distributing the questionnaires. The researcher flew from Perth to Semarang to conduct the training. It was conducted on 22 December 2011 and was a week behind the schedule because some students were still sitting final exams. In the training, the students learnt about the purpose of the study, ethical procedures, confidentiality, understanding each question in the questionnaire, the criteria for selecting participants, ways to find participants, behaviour in approaching participants and method to check completeness of the questionnaire for every questionnaire received and the follow up action needed if it was incomplete. The students had the responsibility of returning to the participants for the completed questionnaire. They also had to ensure that participants whose firms are small and are involved in international business activities answered the question about willingness to participate in the interview.

After completing the training, each student chose a location they preferred among the alternative locations. The alternative locations had been identified by the researcher based on regional government information as a location having clusters of the industries studied. Each student was given a list of participants containing the name of the contact person, address, and contact number in each location, an information letter introducing the purpose of the study, identification letter of the field worker, questionnaires, ECU small souvenirs and costs for travelling to the participants' location. As identified by Kanuk and Berenson (1975), O'Rourke (1999) and Paxson (1995), material incentive can improve the response rate as it can be a means of making participants feel obligated to respond. In this case, the souvenir was not only used as an

incentive but also as a token of appreciation from the researcher for participating in the survey.

The students started collecting data on the day after the training. Communication between the researcher and the students was conducted continuously using the mobile phone to find solutions for the difficulties encountered in the field. For example, difficulty in finding participants' addresses and unwillingness of the participants to take part in the study shortened the available participants on the list. Providing students with a new list of participants in the location gathered by the researcher from some other sources was an alternative solution used. If the new list was still not sufficient, obtaining referrals from the previous participants was the advice provided to the students. They were also given a mandate to choose participants other than those on the list as long as the criteria for participants were met.

Considering budget limitations, the number of participants was set at 250, and 10 students distributed the questionnaire. Thus, each student was responsible for 25 participants. Considering a student might distribute five questionnaires each day, they needed five days for completing the distribution. Nevertheless, each student was given 14 days in order to anticipate any difficulties in reaching participants. Three students finished on time and the others needed more time as they were still involved in student activities at the university during the time of collecting data. The longest time for finishing the data collection was one month. Time limitations and difficulties in finding participants resulted in only 232 participants of the 250 targeted participants. The completion date for data collection was 2 February 2012.

Returned questionnaires were rechecked for completeness by the researcher. Any missing responses in a questionnaire indicated incompleteness. An incomplete questionnaire was returned to the corresponding student for completion by either calling or visiting the participant. This method resulted in a 100% completion response rate.

Although door-knocking could leverage response rate to the highest level and efforts to ensure validity of the data collected had been conducted, there were still possibility that the data collected were less valid. The possibility might come from the

participants and the students. The participants, who actually were reluctant to participate but could not reject the students who have already come to their premise, might answer the questions hesitantly without giving full thought to each question. On the other hand, the students being burden with the time limitation and difficulties encountered in the field during data collection might find participants by disregarding some selection criteria. For example, they might meet the employee instead of the manager and asked him or her to respond on behalf of the manager. The students might complete the unanswered questions by themselves rather than returned the questionnaire to the participant for completion which might be time consuming for them. These possibilities are difficult to detect but may have an effect on validity of the data collected and may ultimately lead to invalid conclusions.

Several indicators were applied to detect these possibilities to happen. The most important thing was to ensure that the data were provided by the participants and not by the students. The participants' signature was the first indicator used to ensure this. By signing the questionnaire, they assumingly approved the answers given in the questionnaire. The participants' identities, such as name, address and contact number, were the indicators for the same purpose. Pattern in the answers of particular questions, especially those with answer in scale, was used to identify if the participants gave their thoughtful to the question and the student did not answer by him(her)self. If a questionnaire was identified as free of these possibilities, it was regarded as complete and was processed further. By conducting these processes, the collected data might reflect the facts conveyed by the participants and so will the conclusions.

The researcher logged the data from the completed questionnaires in the computer database. This was conducted each time the completed questionnaires were received. By doing so, data inputting finished soon after the data collection was finished.

3.6.2.2. Data Collection Method 2: In-depth Interview

In-depth interviews were used to explore behavioural phenomena in term of experiences, perceptions, and attitudes of the managers in making an internationalization decision. This was an appropriate method of data collection for this study focusing on the experience of the participants and was aimed at exploring the

complexity and in-process nature of meanings and interpretations (Liamputtong & Ezzy, 2005). As engaging directly in communication with the participants was the best way to understand their experience, all interviews were conducted by the researcher.

With the time constraints of staying in Indonesia and the progress of distributing the questionnaire, it was then decided to conduct the in-depth interviews alongside the questionnaire. This decision resulted in a changed method for selecting participants for interview. Participants for the interview were supposed to be chosen randomly among the participants of the questionnaire based on their willingness to participate in the interview, and the type of decision-making style and involvement of the firm in international business activities. As information about these had not been acquired yet, prospective interviewees were selected from the same list for distributing the questionnaire.

Convenience sampling was applied for selecting prospective interviewees. Those whose firms were considerably small and located in the area near to the researcher's accommodation were prioritized. Purposive sampling techniques saw only managers whose firms are small and engage in IBA selected. This was identified by asking the prospective interviewees the number of employees they have at the time of the study and if their firm was or had ever engaged in IBAs. As a starting point, ten prospective interviewees were selected from the list. The researcher visited the firms to determine each manager's willingness to participate in the interview and make an appointment with the manager for interview. The 'in-person' visit was considered the most effective way to reach the prospective interviewees and to reduce the possibility of rejection after having experienced difficulty in reaching participants of the questionnaire via email and mail. However, it was not easy to find addresses of the prospective interviewees. It frequently happened that the house number did not exist on the street, the firm was not at the address, or the address was not found at all. This has occurred in other studies (Templeton et al., 1997) and may explain the low response rate for the mail survey. It can be concluded that the data source from which the participants were gained was less than accurate.

After searching for several addresses, an address was finally found and the manager agreed to be interviewed. As the number of interviews was determined after it was felt that saturation point had been achieved in terms of the variety and range of the answers, a second interview needed to be set up. Weighing up the difficulty experienced in finding unknown participants from the list, the researcher then decided to apply referral method (snowballing) to find interviewees in combination with the list on hand. Referring to Neuman (2004), referral method begins with one or a few people and spreads out on the basis of links to the initial person. Thus, it is possibly the most effective way to gain willingness of the participants to be interviewed. The referral method was also applied by the students who found difficulty in finding participants for the questionnaire.

The referral method was effective since willingness to participate in the interview gained from the questionnaire was relatively low. Of the 232 participants of the questionnaire, 16 showed willingness to participate in the interview and only 10 of the 16 were managers of small firms involved in IBAs. However, there were no contact numbers provided and/or the address was incomplete, which is common for a rural address in Indonesia. This resulted in difficulties visiting the firms or contacting them to set an interview. Only one manager could be contacted and agreed to be interviewed. The rest were thus set aside.

A referral was gained from the first manager interviewed. He gave a name and a contact number of a referred manager who was his relative. Having the information in hand, the researcher called the referred manager asking for willingness to be interviewed. The difficulty of speaking directly to the manager on the phone was a flaw in contacting via phone. A staff member answered the phone and promised to deliver the message to the manager. After several calls, a time and place for interview was finally gained.

The same procedure was repeated until no new participants needed to be interviewed. Applying such an iterative inquiry is appropriate for interpreting the behaviour of the manager when making an internationalization decision. This involves seeking meaning and developing interpretive explanations through processes of

feedback (Grbich, 2007). Practically, it involves a series of actions of data collection, which are repeated until the accumulated findings indicate that nothing new is likely to emerge and that the research questions have been answered (Ezzy, 2002; Liamputtong & Ezzy, 2005; Sarantakos, 2005). Ezzy (2002) called this sampling procedure theoretical sampling, which stops when the researcher decides the study has reached saturation. However, Liamputtong and Ezzy (2005) mentioned that this method is limited as most qualitative research has fewer than 100 participants.

Saturation had not been reached from the second interview. The third manager interviewed was referred by a family member of the researcher. Other referrals were gained from the researcher's spouse's friends, the researcher's networks and a participant of the questionnaire who showed a willingness to participate in the interview. The researcher contacted each of them several times for setting a time and place for interview. However, such difficulty did not occur when contacting the manager who had shown willingness to participate and was gained from the questionnaire. Only one call was made to set the time for the interview. One difficulty in finding the right time for interview was related to the distance of the city where the interviewees resided. The most distant place was a six hour drive away.

Generally, the interview was conducted in a conversational, open and explorative manner in order to gain all relevant information for answering the research questions. A question list was used as a guide during the interview to ensure that no important topic was missed. However, one interviewee might answer different questions from the others as the researcher asked confirmatory questions arising from the previous interview. The purpose of this was to explore meaning and interpretation of the events from the participants.

Considering the general reluctance of the interviewees, the interview was planned to take no longer than one hour. However, the average time of an interview was 1.5 hours and the longest was two hours. The interviews took place in either the interviewee's house, showroom or production place. Prior to the interview, an information letter was handed to the interviewee and an explanation of the purpose of the study was given. If the interviewee indicated that they understood this and agreed

to be interviewed, they were then asked to sign a consent form. All interviewees signed the consent form without question.

The interview was tape-recorded with permission which all interviewees gave. The recorded interview was transcribed soon after an interview finished and preliminary analysis was undertaken to find questions that needed to be followed up. Transcription of an interview took about four hours. Difficulty in transcribing related to unclear voice of either the interviewee or the researcher. The recorder needed to be played several times to gain clear and accurate concepts of what was stated in part of the conversation. In the next part of the process, the transcriptions would be coded by the researcher for analysis.

Data saturation was encountered at the fourth interview. The first four interviewees presented the same story in making internationalization decisions. Considering that the number of four interviews was too small, and the possibility of other phenomena that might be raised by other managers in different locations, the interview was conducted with more participants. Four further participants were contacted for their willingness and, after the second confirmation, all agreed to participate. Instead of interviewing one manager and then examining this for possibility of new information before deciding to interview the next one or not, the researcher decided to interview the four managers as they had already agreed to participate. Finishing the eighth interview indicated there was no new information to be gained from the interviewees. Therefore, saturation was achieved and no more new interviewees were selected.

3.6.3. Data Analysis Methods

Although Teddlie and Tashakkori (2009) state that a researcher may not be able to develop the appropriate data analysis strategies in the beginning, it does not mean that they cannot be planned prior to the research. The researcher may change them during the analysis and modify them to suit the purpose of the study. The best technique can be chosen according to the purpose and research questions and their complexity (Teddlie & Tashakkori, 2009). The data analysis methods used in this research did not change much from those planned prior to the research. However, a

statistical method was added in order to deepen the results. The need to add the new method was discovered during the analysis.

3.6.3.1. Data Analysis Method 1: Analysing the Questionnaire

The purpose of the questionnaire was to gain information about small manufacturing firm's internationalization in Indonesia. The data gathered from the questionnaire were analysed using mixed techniques. These include quantifying narrative data and qualifying numeric data (Teddlie & Tashakkori, 2009). Quantifying the data was performed to describe the phenomena captured from the data using frequency, and qualifying the data was performed to capture meanings generated from the quantitative data. As questions were in the form of multiple-response, calculating the frequency for each response could be conducted relatively with little difficulty. The results are presented in the Chapter 4 in either tables or charts.

Data gathered from the questionnaire were entered into a database using Microsoft Excel. However, frequency calculation was conducted using SPSS (Statistical Package for Social Sciences), a software containing statistics tools, as it can be used to generate tables instantly. It is thus a time-saving process. Charts were generated using Excel as it is considered as more powerful program for this purpose. Tables of frequency resulting from processing the data using SPSS were copied into Excel from which charts would be created.

Categorization and tabulation were applied for each question and were presented in the analysis in order to provide descriptions of the phenomena that occurred in the data. Tables and charts were performed in such a way that enabled meanings to be constructed. The analysis was therefore to classify the studied firms based on size, industry and engagement in international business activities. This was to construct meanings about characteristics of small manufacturing firms engaging in international business activities. To construct meanings about characteristics of managers in the firms, manager related data were classified based into socio-demographic characteristics (age, gender, and education), ability to speak a foreign language, ethnicity and decision-making style. Furthermore, data about mode of entry, target country, condition of current engagement in the activity and international

business performance were presented to gain meaning about the international business activity of the firms. To identify if this activity correlated to the manager's characteristics, data about the international experience of the manager, their perception of internationalization and factors influencing internationalization, as well as how the manager made the internationalization decision, were then described. These steps were also taken to gain understanding of the process of internationalization undertaken by small manufacturing firms in Indonesia.

Comparing the phenomena of firms engaging in international business activity against the phenomena of those that were not provides a deeper understanding of the process of internationalization of small manufacturing firms. Data of firms that were not engaged in international business activity were then displayed to show how and why the managers decided not to engage in the international activity. The data comprise information gathering and analysing processes before making the decision, international experience of the manager, their perception of internationalization and factors influencing internationalization and ways that managers make decisions.

Narrative interpretation of each data item was conducted to uncover meanings. The generated meanings were in turn used to build context, which was used to give foundation for the data analysis of the in-depth interviews. Interpretation was also to identify correlations between items based on the consistency of distribution of the data. This interpretation is, however, relatively subjective and the results might be biased by the researcher. To minimize this subjectiveness, statistical tests were applied to demonstrate objectively that the correlation truly exists.

Considering the most of the data-type are categorical, except those relating to perceptions, which are ordinal, the appropriate statistical test of independence is the chi-square test. Chi-square tests were used to test whether the phenomena in small firms are independent or significantly different from those bigger firms. It was also performed to test differences between small manufacturing firms engaging in international business activity and those that were not. The results provide context that exclusively describes the phenomena of internationalization in small manufacturing firms engaging in international business activity. The process was conducted using SPSS.

Factor analysis was conducted on perceptions of internationalization and perceptions of factors influencing the decision to, or not to, internationalize. The analysis was to reduce items into smaller number of factors by combining items having a high correlation into one factor. Number of factors is determined based on the 'eigen value' which is one or higher. Prior to the analysis, KMO (Kaiser-Meyer-Olkin) and Bartlett's tests are evaluated to determine whether the analysis is appropriate for the data. KMO test measures adequacy of sampling and generally KMO above 0.7 is good (Field, 2005), which means the samples are adequate for the analysis to be conducted. Bartlett's test measures sphericity of data. Significance score of this test lower than 0.5 indicates that the analysis is appropriate for the data (Field, 2005). An item is included in a factor according to its highest factor loading. As the score of each item of the perception was relatively the same, factor analysis might help in providing a satisfactory explanation of the phenomena.

The contexts found from the questionnaire were then consolidated carefully (Jocumsen, 2004) with those from the in-depth interviews to ensure no missing data from either methods, to build a model of the internationalization decision-making process.

3.6.3.2. Data Analysis Method 2: Analysing the In-depth Interviews

Preliminary data analysis was an ongoing process undertaken every time new data was collected (Grbich, 2007). Data from an interview was checked and tracked to see what emerged and what follow up was required in order to accumulate emerging issues into potential themes. This process was conducted during the data collection. Information that required following up related particularly to how managers conducted the process of making the decision.

Following data collection, data gathered from the in-depth interviews was then analysed thematically. This is a process of data reduction to reveal issues that are becoming evident and considered central to the research questions (Grbich, 2007). The analysis involved segregating, grouping, regrouping, and relinking to consolidate meaning and explanation (Grbich, 2007; Liamputtong & Ezzy, 2005). It followed the

steps explained by Sarantakos (2005) for analysis of a narrative interview. The steps are outlined below.

Step one: deconstruct phenomena

The first step is formal textual analysis. This includes cleaning and preparing the text from non-narrative material for analysis. In this step, sequences in the text, type of information, and its level of significance were identified in order to demonstrate the participants' perception, description, and assessment of the events in question. This is the process of deconstructing.

Deconstructing started from transcribing the interviews. The researcher transcribed the interview from audio into text format verbatim. Incomplete sentences stated by the interviewee were typed using dots to indicate the untold parts. Humming (such as sounds of 'uh', 'oh' and 'ach' indicating doubt, agreement or stressing something) and laughing were written as they appeared in order to give a description of the real conditions that lead to the right direction for interpreting an embedded concept. Interruptions that occurred during the interview (such as an incoming call or a guest arriving for the interviewee) were described with a sentence in a bracket. For example, "[a phone call is coming for XX]" described that there was a phone call for the interviewee named XX arriving in the middle of the interview. The same method was used to describe an abbreviation used by the interviewee. For example, the term of EMKL was spoken several times by the interviewees. In transcription, the long form of the acronym was written as "... EMKL [Ekspedisi Muatan Kapal Laut/shipment expedition]..."

The transcriptions were written in the original language of the interviewees, that is Bahasa Indonesia. They were not translated into English in order to reduce bias of meaning that might occur during translation. As noted by Chen and Boore (2009), difficulty in translating relates not only to language but also to culture and, thus, epistemological difficulties arise in identifying similarities and differences between different languages and cultures. Leaving the transcriptions in their original language also saves time. However, the process of the analysis was conducted in English. This was

possible because the researcher originally came from the culture where the study was conducted and spoke Bahasa Indonesia as well as English.

Each transcription include information about identities of the interviewee (name and position in the firm) and of the business (name and address), date and time of interview (start and end times). This was for ease of tracking the sequence of the interviews. Each transcription was edited to ensure there were no wrong or missing words. The final transcription was saved as a Word document.

In step one, the transcriptions were treated as phenomena of internationalization in small firms that were puzzled over, and contained matters both related and unrelated to the topic of the research. No particular pattern emerged and thus they needed to be arranged into a meaningful construct through identifying concepts in the transcriptions, conducted in step two.

Step two: identify concepts

The second step is to identify categories from the concepts found and assign a code for each category. It is a step to identify parts of the participants' statements that have limitations or general significance by searching for indicators of connectors between presentations of events, and emerging with concepts. The process for identifying concepts was conducted using a computer program for theory generation called NVivo. Transcriptions were copied from Word into NVivo for this purpose. The process was basically for identifying statements with a meaning embedded within them. Using NVivo made the process more efficient and accurate than manual processing. NVivo allowed all statements with similar meaning to be presented together, evaluation for consistency in meaning could be conducted effectively and changes could be made easily as necessary. The process explained below indicates the benefits from using NVivo.

A statement in the transcription with a particular meaning is potentially a concept. Concepts related to internationalization, and especially decision-making process, were considered as meaningful and they were highlighted. Unrelated statements were not highlighted. The example is the detail story of the interviewee about starting the business that was unrelated directly to the internationalization process of the firm was not highlighted. However, other parts of the history containing

description about how the firm initiated to engage in international business activities were highlighted. Statements describing attitude, motivation, perception or experience of the manager were highlighted as they reflected manager's characteristics that might influence the internationalization decision-making.

A statement can have more than one concept embedded within it. The process of assigning a code or label followed. This was done by identifying experiential frequency that best described the event captured from the reality using single statements or descriptions for single events. Multiple labels might be assigned to a statement embedded in multiple concepts. Concepts with similar meaning were put in a category and a label was assigned to each category. Concepts identified from the transcriptions were then assigned codes. This was conducted in step three.

Step three: assign code

In the third step, the resulted categories are interpreted by applying knowledge to build themes. This is a process to link categories conveying similar meanings and forming a unit. Categories with similar meaning formed a theme, and a highlighted statement was assigned code. This step was actually conducted at the same time as step two. A code is a phrase indicating substantive meaning of a statement. It was determined by referring to the literature review. For example, a language skill code was assigned to the statement describing ability of the manager in speaking a foreign language. It was selected as a previous study (Obben & Magagula, 2003) showed that foreign language skill is a determinant factor for internationalization. Another example is the code of government support. This code was applied to statements identifying governmental related programs that were perceived by the managers either as giving advantages or disadvantages to their internationalization activities. Referring to Moini (1998), government support was also important for small firm internationalization, although only few small firms took advantage of the programs.

After codes were assigned to all concepts, the researcher read through them and the related statements to check for consistency in coding. If it was found that different codes indicated similar concepts, revision was made to the codes assigned so the statements having similar meaning were assigned the same code. For example, the

codes of ability to speak foreign language and of level of language skill were combined into a code of language skill as they identified the same aspects of foreign language related ability. On the other hand, a code was split into two if the statements had different substantive meanings. For example, consideration to not export was split into two different codes: consideration to not export and consideration to focus on domestic market. They seemingly addressed the same thing, (i.e. selling products to the domestic markets); however, the reasons behind each were different. In the consideration not to export, the manager knew the opportunity in international markets but, based on particular considerations, they decided not to take the opportunity. Nevertheless, when considering whether to focus on the domestic market, the manager decided to sell the products to domestic market and disregarded the opportunity exists in the international market. The process of assigning codes resulted in 56 concepts. They were ready for the next step I the process.

Step four: categorize concepts

At the fourth step, interrelationships between themes are generated. This is fundamentally to derive generalization and is used to construct a theoretical model. In this step, concepts having similar meaning were categorized. Categorizing concepts was conducted by applying cluster analysis based on coding similarity. There are three similarity indexes that can be applied in the cluster analysis using NVivo: Pearson's correlation coefficient, Jaccard's coefficient and Sorensen's coefficient. Running the analysis on the three indexes resulted in two identical clusters using Jaccard's and Sorensen's coefficient and one different cluster using Pearson's. For the purpose of this analysis, clusters resulting from Jaccard's and Sorensen's coefficients index were selected because they resulted in exactly the same clusters, they therefore confirmed each other. The resulting clusters are presented in a dendrogram (see Figure 3.4.). The diagram indicated the seven clusters linking each other and different colours were assigned to each cluster. A cluster might represent a theme.

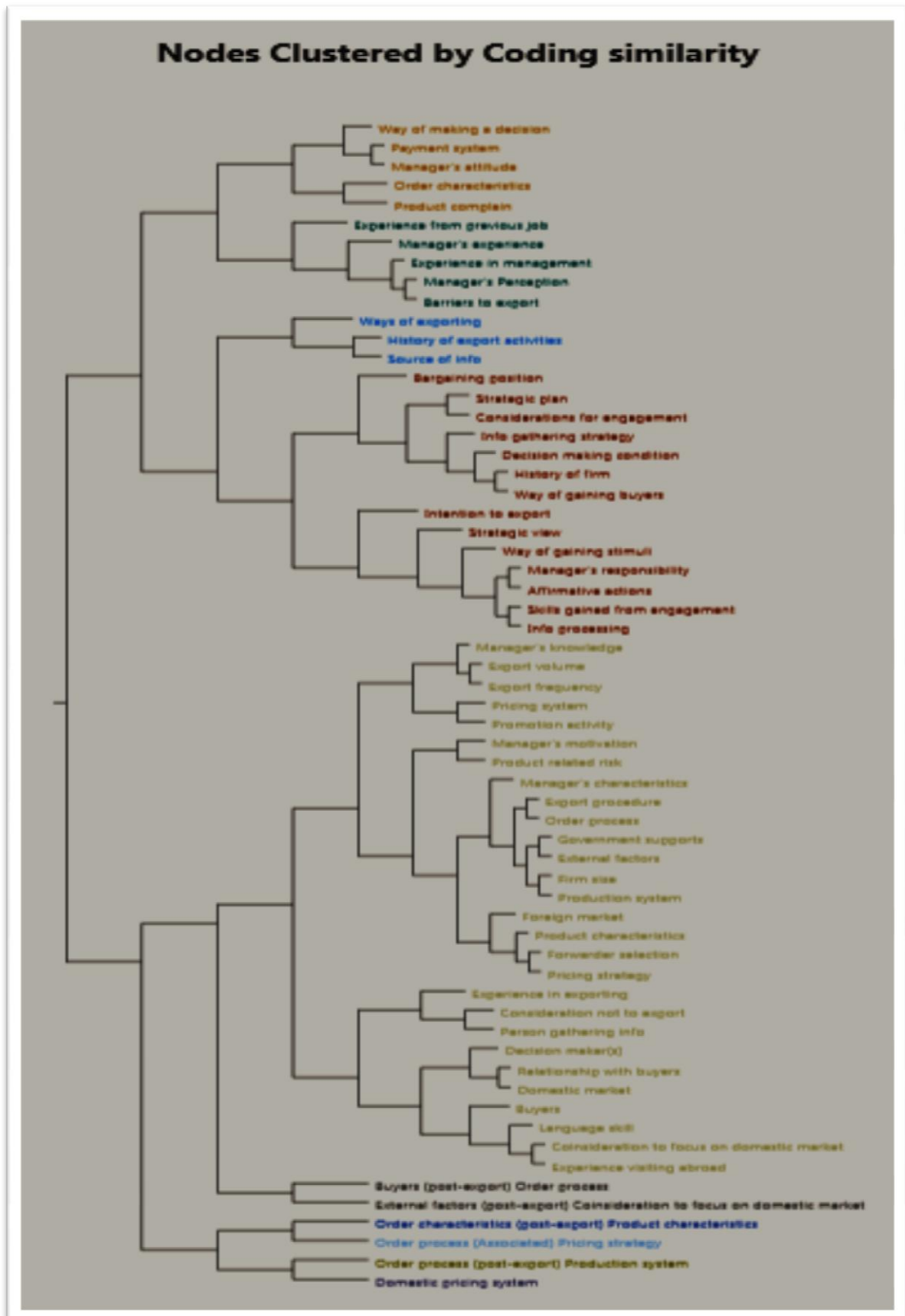


Figure 3.4. Dendrogram of Cluster Analysis

Step five: develop themes

Identifying themes is the fifth step. This step will not be outlined here but in Chapter 6, as it relates to building a model.

The model resulting from the thematic analysis is presented in Chapter 6. Conceptual mapping is a tool for the production of theoretical ideas and the development of concepts and relationships between them (Holloway, 1997). Using a diagram will help simplify the complex phenomena of the internationalization decision-making process. The diagram is also able to show the relationship between the internationalization decision-making process and the managerial decision-making style. Moreover, the mapping provides a simpler and more flexible picture of issues arising from the same responses and therefore can be re-drawn as new concepts emerge (Grbich, 2007). This is an advantage for future research attempting to modify the theory.

3.7. SUMMARY

This research seeks to find meaning in the process of making an internationalization decision in small firms. As perceptions, attitudes, and behaviour of the decision-makers cannot be directly observed or measured, this research is undertaken from a constructivist/pragmatist paradigm. This involved building knowledge of the behaviour of the small firm manager in making an internationalization decision and the reasons underlying the processes taken to arrive at a particular decision. Epistemology relates to looking for knowledge about manager's behaviour in making internationalization decision in order to find explanations for why internationalization in small firms varies.

Mixed methods were used. Epistemologically, the quantitative method was to acquire knowledge about manager's behaviour that is limited in the context of the study. The qualitative method was to gain deeper explanation about the internationalization of small firms. Ontologically and epistemologically, it was to explore the internationalization decision-making process that was constructed and interpreted from the manager's experiences and perceptions which vary each others.

Application of mixed methods was attained by applying a circumtextual strategy. This allowed the researcher to understand behaviours of the small firm managers. A questionnaire was used to gather information about small firm internationalization behaviour. This was distributed by door-knocking. Hermeneutics were used to understand small firm managers' behaviour. Understanding was acquired through in-depth interviews about managers' experiences in making internationalization decisions. Convenience sampling was applied for selecting prospective interviewees. Participants in this study were managers of Indonesian small manufacturing firms engaged in international business activities. They were gathered from several available sources.

The data gathered was deconstructed before being reconstructed to build a model using thematic analysis. Four steps in this process were first identifying concepts using open-coding for deconstruction; second identifying categories from the concepts found and assign a label for each category; third constructing themes by linking categories conveying similar meanings and forming; and finally creating the model showing the interrelationship between themes.

The context used in the research for classifying a firm as a small firm is number of employees. A small firm is a firm having less than 20 employees. It is the easiest retrievable measure compared with other measures, such as assets or sales. The research covered only small manufacturing firms that had been engaged in any international business activities for building the model. Internationalization was contextualized as a cognitive process in which a manager decides to increase the firm's involvement in international business through particular cross-border activities, and it addressed only activities outward of the home country. Accordingly, decision-making was also contextualized as a cognitive process. The process follows a predefined framework of the decision-making process which contains three stages: mode of input, process and knowledge base, and output. Considering the consistency in decision-making style of a manager, this research used an existing model for ease of application and for its proven validity.

Finally, by combining two different methods – quantitative and qualitative –the findings of each method can be checked for support of each other. However, careful

attention needs to be taken in using the findings from only one method because the quantitative method provides general conditions and the qualitative method is more subjective. Analysis of data gathered by the questionnaire using the quantitative method is discussed in Chapter 4.

CHAPTER 4

CONTEXTUAL ANALYSIS

4.1. OVERVIEW

In this chapter data gathered by the questionnaire is used to discuss characteristics of the participating firms, the managers and their business activities in order to build a context of the international business activities (IBAs) of Indonesian small manufacturing firms. This context is needed before further analysis can be conducted to inform a model of the internationalization decision-making process in small manufacturing firms.

Statistical analysis focuses only on small firms engaged in IBAs to generate a context of internationalization specific to small firms. The analysis considers differences by industry, firm characteristics and managerial characteristics. Tests of significance are carried out to understand differences.

As the purpose of this study is to explore small firm internationalization, the participating firms are categorised into two, that is, small firms (SFs) and bigger firms (BFs). BFs comprise medium and large sized firms. They are classified in one group because the numbers of large firms are too small in number to be categorised separately. A comparison of SFs and BFs is undertaken to understand how IBAs differ between SFs and BFs.

4.2. CHARACTERISTICS OF THE FIRMS

4.2.1. Firm Size

Out of a total of 232 participating firms, the majority of firms (148 or 63.79%) were SFs with less than 20 employees, and the rests were BFs comprising 72 medium size firms (31.03%) with 20 – 99 employees and 12 large sized firms (5.17%) having more than 100 employees (see figure 4.1.a). However, when assets were used for firm classification a different result is shown.

The Indonesian Ministry of Cooperation and Small and Medium Enterprises defines a small firm as one having net assets of up to Rp200 million, excluding the value of lands and buildings owned by the firm (<http://infoukm.wordpress.com/>. 2011). A firm with Rp200–Rp600 million (AU\$20,000–60,000) of assets is classified as medium, and that with more than Rp600 million (AU\$60,000) of assets is a large one. Applying this definition, then 158 (68.10%) participating firms are small (see figure 4.1.b). Among those, 36 firms (15.52%) were BF_s based on the number of employees. This indicates that these BF_s are small in term of assets. On the other hand, 22 SF_s can be classified as BF_s based on the assets, comprising 20 (13.51%) medium size and 2 (1.35%) large size firms. The different definition of firm size therefore may result in different pictures of small firms. However, considering the reasons outlined in section 3.4.1., Chapter 3, firms in this study are categorised based on number of employees.

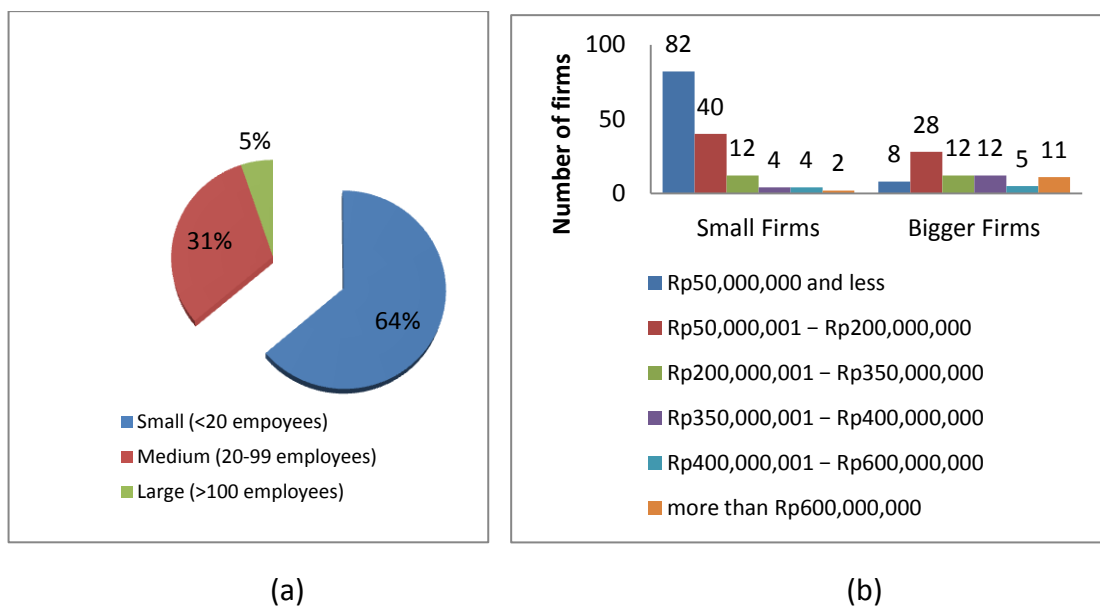


Figure 4.1. Participating Firms by (a) Size and (b) Value of Assets

Comparing the assets of SF_s and BF_s, it is apparent that majority of SF_s (82.44%) have an asset value of up to Rp200 million (AU\$20,000). Therefore, they are small firms in terms of number of employees as well as value of assets, whereas majority of BF_s (61.91%) have an asset value in between more than Rp50 million (AU\$5,000) to Rp400 million (AU\$40,000). This group is dominated by medium sized firms based on their assets.

Chi-square tests showed that the value of assets is significantly different according to firm size ($\chi^2=60.996$, $df=5$, $sig=0.000$). This means that the asset value of SFs was different significantly from that of BFs. The data suggests that the SFs possess lower assets than BFs. As assets can be an indicator of resources, it thus can be inferred that SFs have fewer resources.

4.2.2. Firm Age

The data on firms' establishment (see figure 4.2.) show that participating firms are sustainable being long lived. There are altogether 38.79% firms that have been in business for 20 years or more (were established in 1992 and before) with the oldest being established in 1923. The largest group (28.02%) were established between 1998 and 2002. These firms were established following the economic crisis that happened in Indonesia in mid 1997. As the higher exchange rate between Indonesian rupiah (IDR) and the US dollar resulted in benefits for exporting, this might have attracted new firms, particularly SFs, to enter the market. The majority of SFs (32.43%) were established during this period. A long period in the business indicates that all participating firms whether SF or BF have been able to survive periods of crisis.

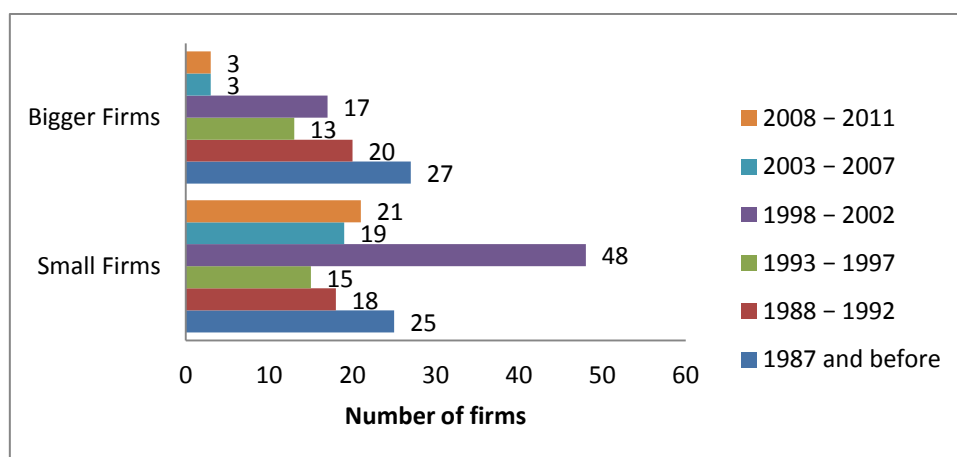


Figure 4.2. Year of Establishment of the Participating Firms

4.2.3. Industry

Most SFs (104 or 70.27%) produce indoor or outdoor furniture, while most BFs (53 or 63.10%) produce a variety of garments ranging from shirts to underwear.

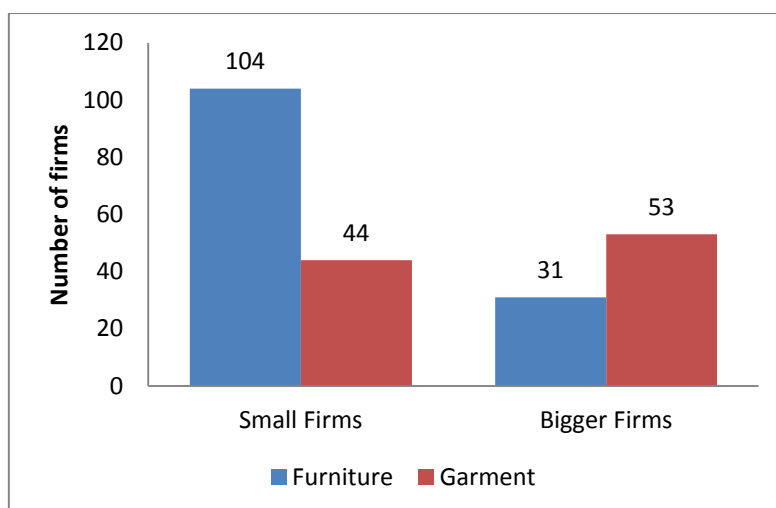


Figure 4.3. Participating Firms by Industries

4.2.4. Engagement in IBAs

There were totally only 67 firms (28.88%) that were engaged in any IBA. They comprise 30 SFs and 37 BFs. Comparing the percentage of firms that were engaged with those that were not engaged in IBAs in each case, it showed that the majority of SFs (79.73%) were not engaged in IBAs and, on the other hand, only 55.95% BFs that were not engaged in IBAs. These figures (see figure 4.4.) indicate that SFs in this study had lesser tendencies to engage in IBAs than BFs.

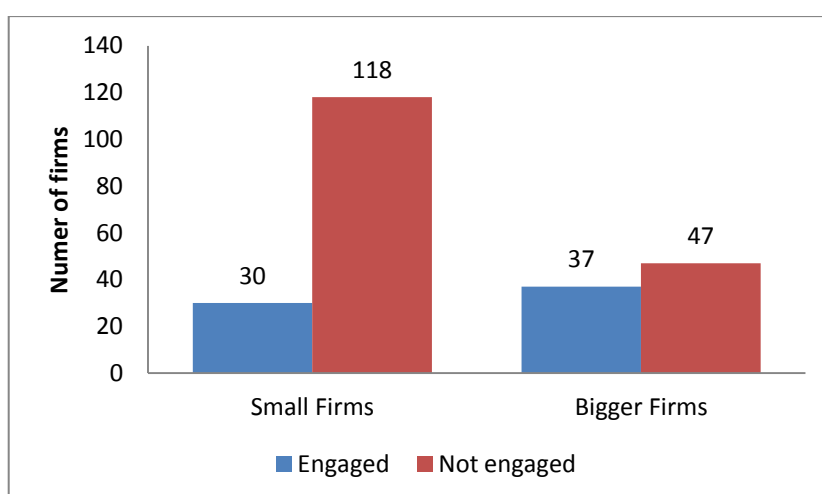


Figure 4.4. Participating Firms by Current Engagement in IBAs

4.2.5. Firm Characteristics and Engagement in IBAs

According to Manolova et al. (2002) internationalization is influenced by firm size. Due to a lack of resources possessed by SFs, they are likely less to internationalize. In other words, BFs have a greater tendency to internationalize. This study confirms the finding: internationalization was significantly different between firm sizes ($\chi^2=15.507$, $\text{sig}=0.000$) (see Table 4.1.). The difference in engagement in IBAs between SFs and BFs was statistically significant at 5%. More specifically stated, SFs were less likely to internationalize than BFs.

Table 4.1. Pearson Chi-Square Tests on Firm Characteristics and Engagement in IBAs

Tests		Value	df	Asymp. Sig. (2-sided)
Firm size and engagement in IBAs		15.507	1	.000 [*]
Asset and engagement in IBAs:	Small Firm	24.630 ^a	5	.000
	Bigger Firm	21.082 ^a	5	.001
Years in the business and engagement in IBAs:	Small Firm	4.111 ^a	5	.534
	Bigger Firm	1.416 ^a	5	.923
Industry and engagement in IBAs:	Small Firm	.004 ^a	1	.950
	Bigger Firm	5.759 ^a	1	.016

a, some cells have an expected count of less than 5.

**. The Chi-square statistic is significant at the 0.05 level.*

Many studies have shown that a lack of resources has been the main factor for SFs not to internationalize. To understand whether assets really affect the engagement of SFs in IBAs, a chi-square test between assets and engagement in IBA was conducted. The results indicate that SF engagement in IBAs is significantly different according to value of asset ($\chi^2=24.630$, $\text{sig}=0.000$). It therefore confirmed that small firm internationalization is associated with a lack of resources. Nevertheless, the same result is obtained in BFs ($\chi^2=21.082$, $\text{sig}=0.001$). In other words, lack of resources is a barrier of internationalization not only for SFs but also for BFs in the case of these manufacturing firms in Indonesia.

A long period in the business may impact on the firm's ability to internationalize as experience increases over time. As stage models theory of internationalization suggests the longer a firm is in the business, the more they learn about business and, in turn, their propensity to internationalize increases. The chi-square test on years in the

business and engagement in IBA, however, does not confirm this assumption either for SFs ($\chi^2=4.111$, $\text{sig}=0.534$) or for BF s ($\chi^2=1.416$, $\text{sig}=0.923$). The results imply that there possibly has been no gradual learning for the not-engaged firms to become engaged firms or for the engaged firms to increase their engagement. This is in line with the result of Eliasson et al.'s (2012) study, which concluded that SMEs do learn how to export but not learn from their exporting activities as their performance after exporting does not increase accordingly.

To understand whether internationalization varies according to industry, a chi-square test was run on industry and engagement in IBA according to firm size. The test on SFs shows that there was no different in the industry in which firms operate between those engaged and not engaged in IBA ($\chi^2= 0.004$, $\text{sig}=0.950$). In other words, those SFs operating in furniture were not necessarily engaged in IBA more than those in the garment industry, and vice versa. The data shows that the proportion of SFs engaged in IBAs, compared to those that were not engaged, was relatively equal in each industry. It can be stated then that internationalization of small firms studied here did not vary according to industry.

The test however shows that variety of internationalization according to industry applies in the case of BF s. The test resulted in a significant difference in industry between BF s that were engaged, and those that were not engaged, in IBAs ($\chi^2=5.759$, $\text{sig}=0.016$). Referring to the data, it is apparent that the proportion of BF s that were engaged in IBA compared to those that were not engaged was higher in the garment industry than those in the furniture industry.

4.3. CHARACTERISTICS OF THE MANAGERS

4.3.1. Demographic Characteristics

There demographic characteristics of the SF and BF managers were similar, except for their educational background. Figure 4.5 shows that the managers were predominantly male (69.59% in SFs and 67.86% in BF s), and were between the ages of 21-60 years old but predominantly were in the age bracket of 41-50 years (31.08% and 39.29% for respectively SFs and BF s).

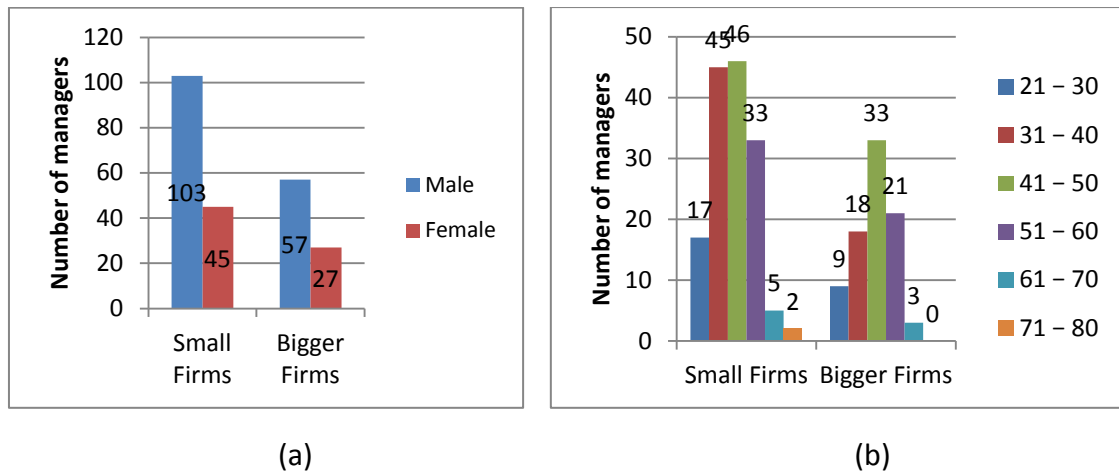


Figure 4.5. Managers by (a) Gender and (b) Age

It is apparent from Figure 4.6 that although most of the managers in both groups (103 or 44.4%) had completed senior high school, more SF managers had an education level lower than senior high school (38 or 25.68%) than BF managers (10 or 11.90%). SF managers having a bachelor degree, or higher, were fewer than BF managers (24 or 16.22% compared to 31 or 36.91% respectively). The data suggests that SF managers generally had a lower education level than BF managers.

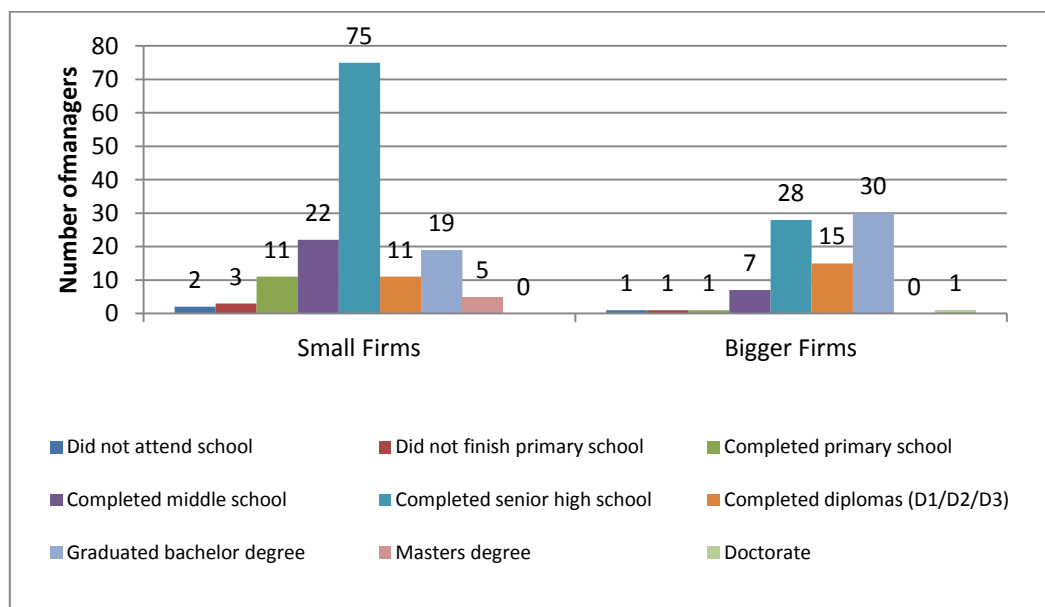


Figure 4.6. Managers by Level of Formal Education

As mentioned before, whether or not to include demographic characteristics as a factor affecting internationalization is still a debatable point. The result shows that there is no difference in demographic characteristics of the majority of managers of SFs and BFs. The Chi-square tests confirmed that gender and age of the SF managers were not significantly different from those of the BF managers (see Table 4.2). However, the two groups were significantly different with regard to level of education. Thus the test supported the data that SF managers had a lower level of education than BF managers. The question still to be answered, however, is whether the demographic characteristics make a difference on engagement in IBAs.

Table 4.2. Pearson Chi-Square Tests on Manager's Demographic Characteristics and Firm Size

Characteristics	Value	df	Asymp. Sig. (2-sided)
Gender	.135	1	.713
Age	3.658	5	.600 ^{a,b}
Education	30.862	8	.000 ^{a,b,*}

a. More than 20% of cells in this subtable have expected cell counts of less than 5. Chi-square results may be invalid.

b. The minimum expected cell count in this subtable is less than one. Chi-square results may be invalid.

*. The Chi-square statistic is significant at the 0.05 level.

A chi-square test on firms' engagement in IBAs and demographic characteristics was run. The test on gender and engagement in IBAs indicates that gender was not a factor influencing internationalization in both SFs and BFs. Table 4.3 shows that the Chi-square tests for SFs and BFs are respectively 0.055 (sig = 0.815) and 0.041 (sig=0.840), which are not significant statistically.

Table 4.3. Pearson Chi-Square Tests on Demographic Characteristics and Engagement in IBAs by Firm Size

Tests		Value	df	Asymp. Sig. (2-sided)
Gender:	Small Firm	.055 ^a	1	.815
	Bigger Firm	.041 ^c	1	.840
Age:	Small Firm	3.629 ^a	5	.604
	Bigger Firm	11.030 ^b	4	.026
Level of Education:	Small Firm	6.808 ^a	7	.449
	Bigger Firm	14.000 ^b	7	.051

a., b. some cells have expected count of less than 5.

The test between managers' age and engagement in IBAs also resulted in no differences in SFs ($\chi^2=3.629$, $\text{sig}=0.604$). A significant difference, however, emerged in the case of BF ($\chi^2=11.030$, $\text{sig}=0.026$). It thus can be stated that age of the manager was not a factor influencing internationalization in SFs but it was a factor in internationalization of BF.

Referring to the level of education, the test showed that it was not the factor influencing engagement in IBAs for SFs ($\chi^2=6.808$, $\text{sig}=0.449$) because the statistics show that there was no difference in education between those SF managers whose firms were engaged and not engaged in IBAs. There is, however, a possibility that a manager's level of education influences engagement in IBA for BF as the test shows significant value of 0.051 which is slightly different from level of significance of 0.05.

So far, it can be concluded that demographic characteristics of the managers (gender, age and level of education) were not factors related to engagement in IBAs for SFs in this study.

4.3.2. Foreign Language Ability

As shown in Figure 4.7a., the percentage of SF managers who identified themselves as not having an ability to speak a language other than Bahasa Indonesia is much higher than that of BF managers (105 or 70.95% for SFs compared to 37 or 44.05% for BF). English was the language other than Bahasa Indonesia that managers were able to speak. Their English ability varied (see Figure 4.7b.).

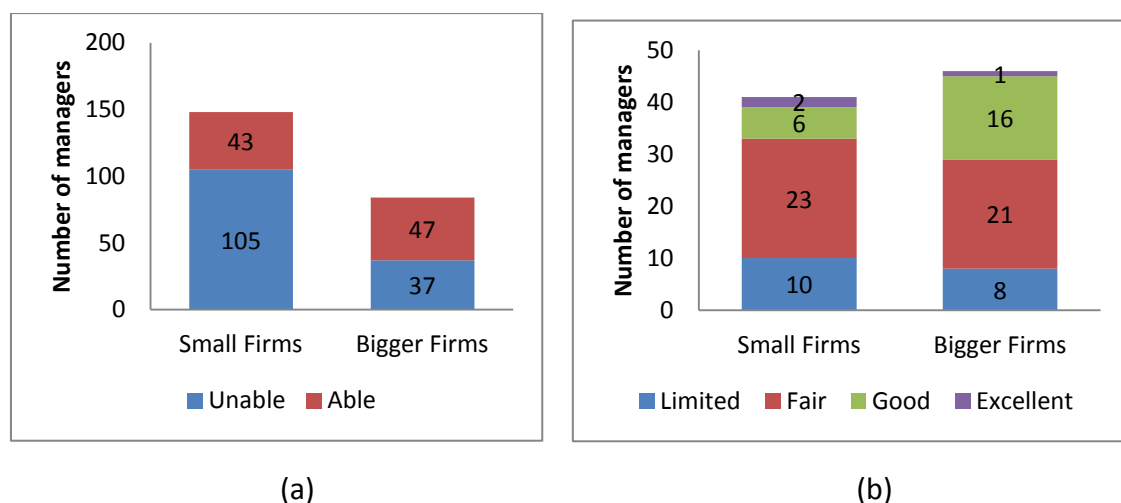


Figure 4.7. Managers by (a) Ability to Speak Foreign Language and (b) Level of Ability in Speaking English

Comparing the English ability between SF and BF managers, it is apparent that SF managers had a lower ability than BF managers. The majority of SF managers (76.75%) had limited to fair English ability, while the majority of BF managers (78.72%) were fair to good. This difference was also apparent in other foreign languages the managers could speak. Amongst the 20 managers who claimed to speak a foreign language other than English, only one was a SF manager. Foreign languages other than English included Arabic (35%), Malay (30%), Japanese, Dutch, Thai (10% each), and French (5%). However, their ability was limited. A study by Lautanen (2000) in manufacturing SMEs in Finland found that the language skills of the managers influenced the decision to export. Whether this language skills ability also influenced managers who participated in this study in deciding to engage in IBAs is discussed below.

For SFs, ability to speak foreign languages was a factor significantly differentiating engagement in IBAs ($\chi^2=7.350$, $\text{sig}=0.007$). Nevertheless this did not apply to the case of BFs. Engagement of BFs in IBAs was independent of the managers' ability to speak a foreign language ($\chi^2=1.610$, $\text{sig}=0.204$) (see Table 4.4.).

Table 4.4. Pearson Chi-Square Tests on Ability to Speak Foreign Language and Engagement in IBAs by Firm Size

Firm Size	Value	df	Asymp. Sig. (2-sided)
Small Firm	7.350 ^a	1	.007
Bigger Firm	1.610 ^b	1	.204

a., b. 0 cells (.0%) have expected count of less than 5.

4.3.3. Ethnic Background

Culture influences the decision for internationalization through the manager's behaviour (Albaum & Hersche, 1999) and it is important to understand the influence of culture on the management style (Poon et al., 2005). According to Lenartowicz and Roth (1999), culture can be assessed using criteria, such as ethnicity, religion and region. In this study, culture was portrayed by the managers' ethnic background. The managers' ethnic background was relatively homogeneous as the questionnaire was distributed in one Indonesian region. One region was usually dominated by a particular ethnic. It was thus unsurprisingly when homogeneity in ethnic background occurred in this study. The

representativeness of the sample to the whole ethnics in Indonesia is still acceptable as national culture might have greater influence over the sub-culture of an ethnic background. However, 24.57% of managers did not answer the question about ethnic background. Of those who did answer the question, most were Javanese (66.81%) and the others were Arab, Chinese, Sundanese, Batak, or a combination such as Javanese-Chinese or Javanese-Batak (see Figure 4.8.). The ethnic combination shows the origin of the parents. For example, Javanese-Chinese indicates that the mother was Javanese and the father was Chinese or vice versa. This homogeneity might result in homogeneity of decision-making style.

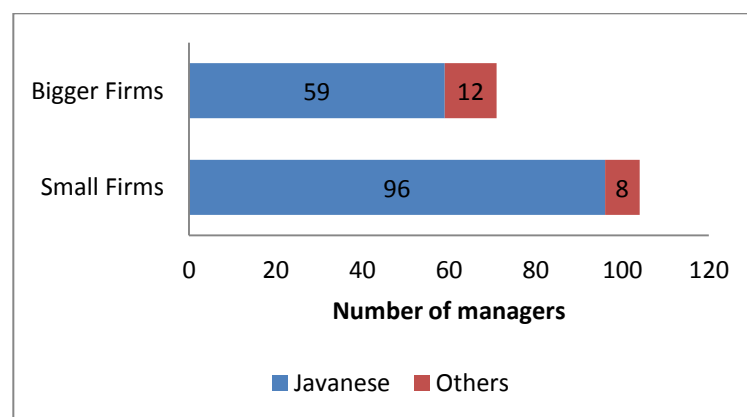


Figure 4.8. Managers by Ethnic Background

As the majority of the managers were Javanese, this may have had an impact on the test outcome. The dependency test of engagement in IBAs according to the manager's ethnic background (see Table 4.5.) showed a statistically insignificant result for SFs ($\chi^2=6.170$, $\text{sig}=0.723$). In other words, engagement in IBAs was not dependent on the manager's ethnicity. Culture, represented here by the ethnic background of the manager, indicates that it was not a factor influencing internationalization. This outcome, however, not only applied for SFs but also for BF ($\chi^2=4.767$, $\text{sig}=0.445$).

Table 4.5. Pearson Chi-Square Tests on Manager's Ethnic Background and Engagement in IBAs by Firm Size

Firm Size	Value	df	Asymp. Sig. (2-sided)
Small Firm	6.170 ^a	9	.723
Bigger Firm	4.767 ^b	5	.445

a., b. some cells have an expected count of less than 5.

The reason behind this outcome possibly resides in the national culture of Indonesia rather than the local culture represented by ethnic background which influences managers' behaviour. As these managers all live in the same national culture and their local culture might have been blended into values and norms accepted nationally, they consequently might behave similarly to each other.

4.3.4. Decision-making Style

When asked about decision-making style based on Muna's model, some managers identified themselves as having more than one style. However, the majority of the managers (101 or 43.53%) were autocratic and made decisions by themselves, relying on the information available to them, and did not consult with their subordinates (see Figure 4.9.). The styles were different between SF and BF managers. SF managers were predominantly autocratic (53.38%) while BF managers had more varied styles with the pseudo-consultative style being predominant (32.14%). A pseudo-consultative manager would consult with the subordinates but not necessarily take into consideration to the subordinates' ideas and suggestions. Their intention would only be to create a feeling of consultation. As such, it can be stated that managers in SFs and BFs dominated decision-making.

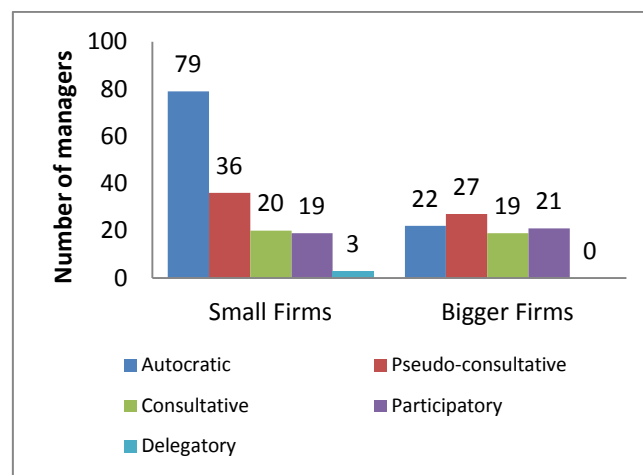


Figure 4.9. Managers' Decision-making Style

The assumption is that decision-making style influences the process of making internationalization decisions and therefore different styles result in different decisions. Thus, the decision-making style of managers of firms engaged in IBAs should differ from the style of those in firms not engaged in IBAs. The statistical tests (see Table 4.6.) indicated this did not occur significantly in SFs ($\chi^2=2.807$, sig=0.591) but did in BFs ($\chi^2=8.937$, sig=0.030). The result implied that decision-making style was not a significant factor related to internationalization for SFs.

Table 4.6. Pearson Chi-Square Tests on Manager's Decision-making Style and Engagement in IBAs by Firm Size

Firm Size	Value	df	Asymp. Sig. (2-sided)
Small Firm	2.807 ^b	4	.591
Bigger Firm	8.937 ^a	3	.030

a., b. some cells have an expected count of less than 5.

While SF managers are decision-makers, their style in making a decision was not a factor in the internationalization decision. Other characteristics may explain the internationalization decision which is where the discussion in the next section moves to.

4.4. INTERNATIONAL BUSINESS ACTIVITIES

4.4.1. Engagement in International Business Activities

As the manager was dominant in making a decision, their characteristics may influence decision to engage in IBAs. This section discusses only those firms that were engaged in IBAs, comprising 30 SFs and 25 BFs. The discussion starts with international business activity and performance of the firms to describe the output of the decision to internationalize the business.

The decision to engage in IBAs concerns the choice of how and where to engage. 'How to' engage relates to the decision of choosing a mode of entry to the target country, that is, entering through exporting or establishing a sales subsidiary in the host country. 'Where to' engage is the decision to choose a foreign country that will be targeted by the activity. A manager may decide to enter a country located near the home country or even those far from the home country.

4.4.1.1. Mode of Entry

Engagement in IBAs by SFs and BF firms operating in furniture and garment businesses was mainly done through exporting, either irregular, regular, or via an agent. As shown in Figure 4.10, irregular exporting was predominantly the mode of entry of SFs and BF firms into foreign countries (45.59% and 50.69% respectively). However, more BF firms (43.75%) conducted regular exporting than SFs (27.94%), and more SFs exported via an agent than BF firms (26.47% SFs compared to 4.86% BF firms).

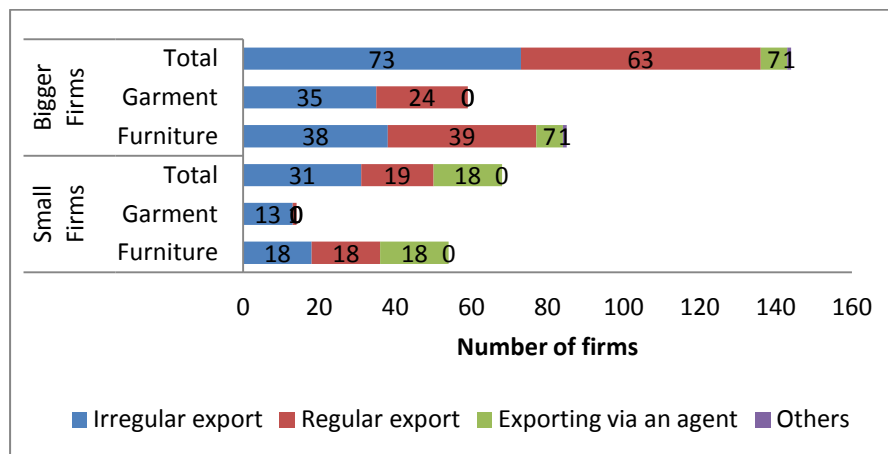


Figure 4.10. Firms' Mode of Entry to the Target Countries

The test on methods of export to foreign countries confirms that the methods used by SFs were not different from those of BF firms ($\chi^2=2.518$ and $\text{sig}=0.284$). However, differences in methods of exporting *between industries* were apparent in SFs.

Freeman (2005) and Zeng et al. (2008) argued that SF internationalization varies across industries and so a comparison of mode of entry between SFs in the furniture and garment industries is necessary. Generally firms in the garment industry had more capability to export on their own compared to those in the furniture industry. Firms in the furniture industry relied on an agent for exporting (33.33% and 8.24% in the case of SFs and BF firms respectively), no firms in the garment industry on the other hand exported via an agent. Focusing on SFs only, the data show SFs in furniture were more varied in their mode of entry, while 92.86% of SFs in garments conducted irregular export.

The chi-square test on SFs' method of exporting between industries resulted in $\chi^2=16.037$, $\text{sig}=0.000$ (see Table 4.7.). This indicated that the method of exporting of the SFs making furniture was significantly different from those of garment firms. As the data revealed, SFs in the furniture industry varied in their mode of entry, while those in the garment industry exported irregularly. A contradictory result occurred for BFs. The export methods of BFs in the furniture industry were not different from those making garments ($\chi^2=4.692$, $\text{sig}=0.096$). The BFs in both industries exported irregularly and regularly.

Table 4.7. Pearson Chi-Square Tests on Mode of Entry and Industry by Firm Size

Firm Size	Value	df	Asymp. Sig. (2-sided)
Small Firm	16.037 ^b	2	.000
Bigger Firm	4.692 ^a	2	.096

a., b. 2 cells (33.3%) have an expected count of less than 5.

4.4.1.2. The Target Country

The target countries for exports were located around the world, ranging from those nearby, such as Singapore and Malaysia, to more distant countries, such as the U.S., the Netherlands and the U.K. The number of target countries of a firm varied from 1 to 13 countries and was not dependent on the firm's size. A SF did not necessarily target fewer countries than a BF or vice versa. However, on average each SF exported to two countries and each BF exported to three.

Generally, SFs and BFs differed in the countries targeted for export (refer to Table 4.8.). The U.S., Australia and the Netherlands (15.63%, 14.06%, and 14.06% respectively) were the countries SFs targeted for exports. On the other hand, most of the BFs exported to the U.S. (13.6%), Malaysia (12%), and Singapore (8.8%). The figures showed that the SF activities did not follow the pattern of the U-model (Carneiro et al., 2008; Manolova et al., 2002) in that they did not export to countries located near the home country or to countries with a similar culture. On the other hand, BFs, which were expected to have more experience and resource to engage in IBAs, exported to the countries located near the home country.

Table 4.8. Target Countries by Firm Size

	Small Firms						Bigger Firms					
	Furniture		Garment		Total		Furniture		Garment		Total	
	N	%	N	%	N	%	N	%	N	%	N	%
U.S.	9	18.00	1	7.14	10	15.63	11	15.49	6	11.11	17	13.60
Australia	9	18.00	0	0.00	9	14.06	9	12.68	1	1.85	10	8.00
The Netherlands	9	18.00	0	0.00	9	14.06	5	7.04	1	1.85	6	4.80
Brunei	0	0.00	0	0.00	0	0.00	1	1.41	3	5.56	4	3.20
China	0	0.00	1	7.14	1	1.56	2	2.82	3	5.56	5	4.00
Hong Kong	1	2.00	0	0.00	1	1.56	0	0.00	1	1.85	1	0.80
U.K.	1	2.00	1	7.14	2	3.13	2	2.82	3	5.56	5	4.00
Italy	0	0.00	0	0.00	0	0.00	1	1.41	0	0.00	1	0.80
Germany	1	2.00	0	0.00	1	1.56	2	2.82	1	1.85	3	2.40
Japan	0	0.00	1	7.14	1	1.56	7	9.86	3	5.56	10	8.00
Canada	0	0.00	0	0.00	0	0.00	2	2.82	2	3.70	4	3.20
Korea	2	4.00	1	7.14	3	4.69	2	2.82	0	0.00	2	1.60
Malaysia	4	8.00	4	28.57	8	12.50	6	8.45	9	16.67	15	12.00
Portugal	1	2.00	0	0.00	1	1.56	1	1.41	0	0.00	1	0.80
France	3	6.00	0	0.00	3	4.69	4	5.63	1	1.85	5	4.00
Russia	0	0.00	0	0.00	0	0.00	2	2.82	2	3.70	4	3.20
Singapore	4	8.00	1	7.14	5	7.81	5	7.04	6	11.11	11	8.80
Spain	1	2.00	1	7.14	2	3.13	2	2.82	1	1.85	3	2.40
Saudi Arabia	2	4.00	0	0.00	2	3.13	0	0.00	2	3.70	2	1.60
Thailand	1	2.00	2	14.29	3	4.69	5	7.04	5	9.26	10	8.00
Middle East	1	2.00	0	0.00	1	1.56	1	1.41	2	3.70	3	2.40
Turkey	1	2.00	1	7.14	2	3.13	0	0.00	0	0.00	0	0.00
UAE	0	0.00	0	0.00	0	0.00	1	1.41	2	3.70	3	2.40
Total	50	100.00	14	100.00	64	100.00	71	100.00	54	100.00	125	100.00

The reasons behind the managers' decision to choose a country for exporting their products were unclear, however, industry holds some clues. Garment firms (both SFs and BF) tended to export to countries located near Indonesia, such as Malaysia, Singapore, and Thailand, while SF and BF furniture firms tended to export to western countries, such as the U.S., Australia, and the Netherlands. Asian countries, such as Japan, Malaysia, Singapore, and Thailand all were also targets for furniture exports but targeting countries is independent of firm size and varies between industries.

This possibly confirms the condition found by Sjöholm (2003) who outlined that furniture firms in Indonesia were less likely to start export and garment firms, on the other hand, showed higher participation in exporting. As the furniture firms targeted

distant countries, which according to the concept of psychic distant of the stage models theory, they might encounter higher difficulties than the garment firms exporting to the countries closed by the home country. This, in turn, has created less likelihood to export on the furniture firms and higher likelihood on the garment firms.

4.4.1.3. Current Engagement

Current engagement in IBAs was similar (see Figure 4.11.) as most firms (70.59% and 80.42% respectively for SFs and BF) were still exporting but had stopped exporting to particular countries and targeted only some. For example, a medium-sized furniture firm that targeted Japan and Korea in 1993, Thailand in 1995 and the U.S. in 1996, had ceased exporting to Korea but still exported to three other countries. Another example is of a small garment firm that exported to Thailand, Malaysia, and China in respectively 1980, 1998, and 2000 but had stopped exporting to China but kept exporting to Thailand and Malaysia. An explanation for this may be that firms only exported based on orders received. A firm stopped exporting to a country when the buyer from that country no longer gave orders, and started exporting to another country as and when a new buyer sent an order.

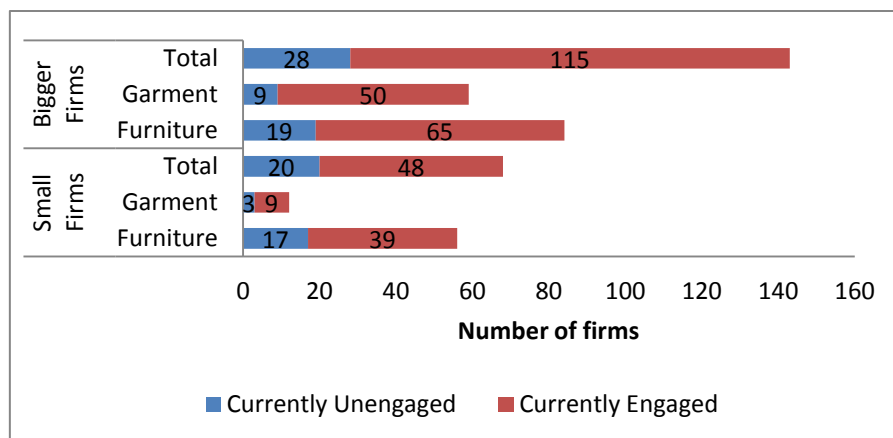


Figure 4.11. Current Engagement in IBAs

4.4.1.4. International Business Performance

How much a firm exports to foreign countries indicates the level of engagement in IBAs. As mentioned by Czinkota (1994) the level of a firm's engagement in IBAs (internationalization level) can be measured using total sales derived from the overseas market compared to total sales overall. In this study, the total annual sales and

percentage of sales derived from the overseas market were used to show this internationalization level. However, some managers were reluctant to reveal information on these items.

Information about total annual sales in 2010, which was the last financial year when the data were gathered, reveals that the sales varied between firm sizes. Figure 4.12 shows that the majority of SFs (24 or 80.01%) had total annual sales of less than Rp600 million (AU\$60,000), while the majority of BFs' total annual sales (20 or 54.05%) were more than Rp500 million (AU\$50,000). This was reasonable if SFs experienced lower sales than BFs as SFs also had lower assets than BFs.

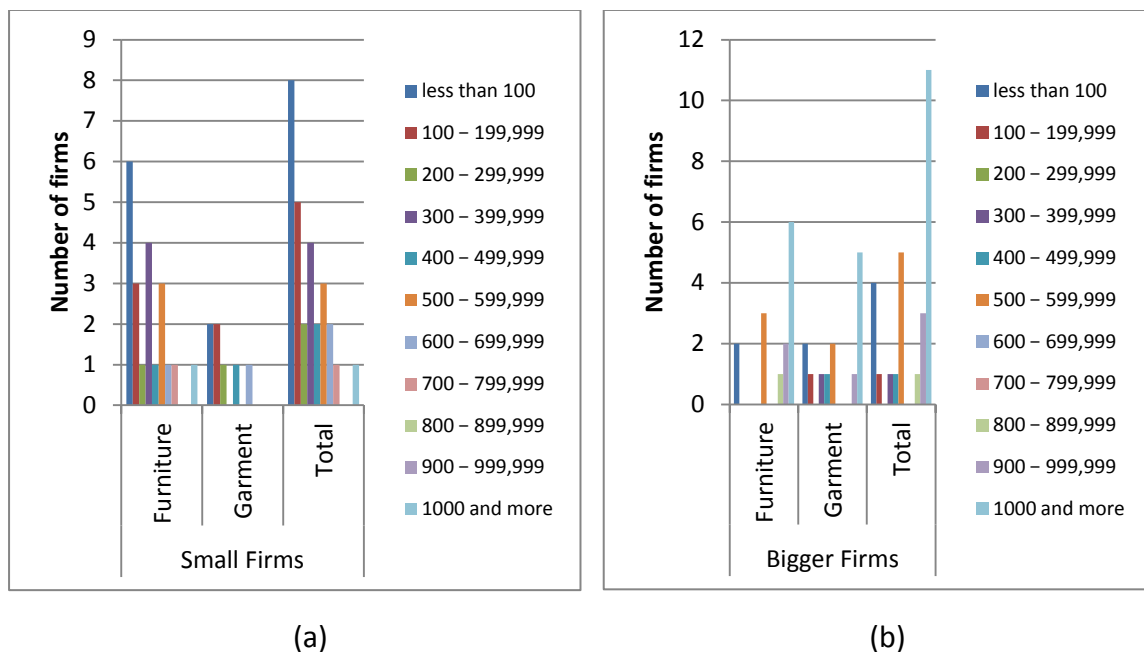


Figure 4.12. Total Annual Sales by Firm Size: (a) Small Firm and (b) Bigger Firm

Sales also differed between industries. In the case of SFs, most garment firms (5 or 62.50%) achieved less than Rp300 million (AU\$30,000) in annual sales, while most furniture firms (14 or 63.64%) achieved total annual sales of up to Rp400 million (AU\$40,000). For BFs, the condition of the furniture and garment firms was relatively similar, and they achieved annual sales of more than Rp900 million (AU\$90,000) a year. The percentage of firms achieving more than Rp1 billion (AU\$100,000) of sales annually was relatively high (6 or 31.58% and 5 or 27.78% respectively for furniture and garment firms). Sales thus were related to firm size: a higher value of sales was generated by BFs.

The percentage of total annual sales derived from export was also related to firm size. SFs showed a lower percentage of export than BF. Generally, SFs and BFs respectively derived 30-79% and 50-89% of sales from export (see Figure 4.13.). Moreover, there were three BFs (two furniture and one garment) that only served the foreign market (100% of sales came from foreign market). The figures show that SFs have a relatively lower level of internationalization involvement than BFs. This was also different between industries. The small garment firms derived a higher percentage of foreign sales than small furniture firms, that was, 40–79% compared to 30–59%. On the other hand, bigger garment and furniture firms derived foreign sales respectively 70–79% and 80–89% of the total sales. The findings suggest that small furniture firms tended to focus more on the local market while the bigger furniture firms were more likely to engage in export.

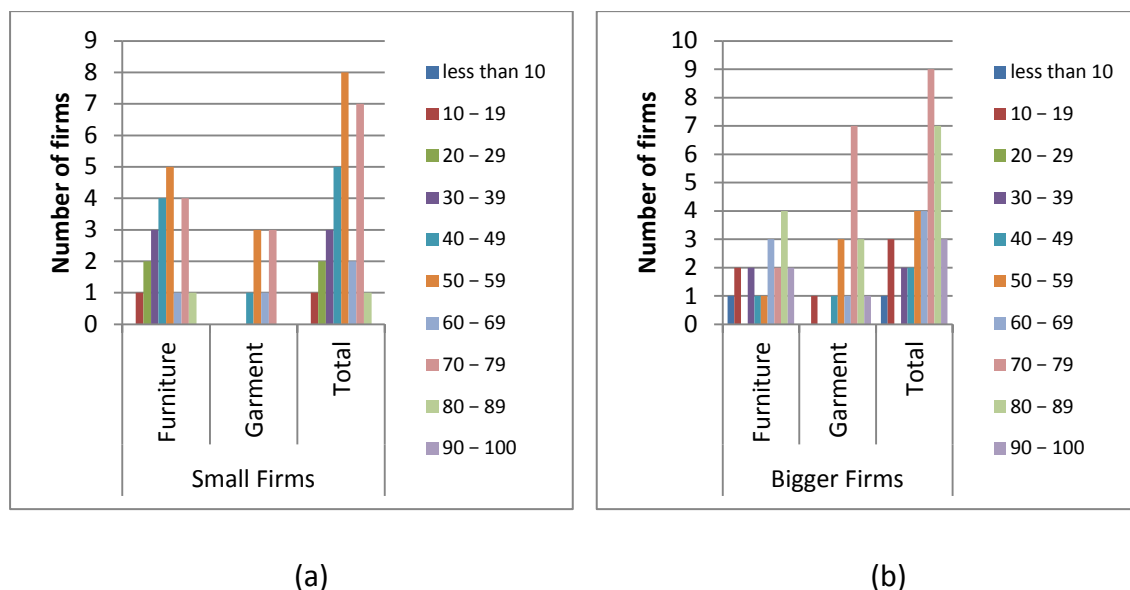


Figure 4.13. Percentage of Total Annual Sales Derived from Export by Firm Size: (a) Small Firm and (b) Bigger Firm

The countries that provided the greatest percentage of total annual overseas sales were also different between firm size and industries. As shown in Figure 4.14, the Netherlands (20%), Malaysia (16.67%) and Australia (13.33%) were the countries from which SFs generated the greatest sales. The same countries also provided the greatest sales for BFs (respectively 13.51%, 10.81% and 10.81%).

However the countries were different according to industry. For furniture firms, The Netherlands, Australia and Malaysia were the dominant countries from which SFs (respectively 6 or 27.27%, 4 or 18.18%, 3 or 13.64%) derived the greatest percentage of total annual overseas sales, while the dominant countries for BF's were The Netherlands, Australia and the U.S (respectively 4 or 21.05%, 3 or 15.79%, 3 or 15.79%). On the other hand, Malaysia, Thailand and Singapore were the countries provided the greatest overseas sales for garment firms, that is, respectively 2 SFs or 25% and 3 BF's or 16.67%. These findings were in line with those concerning the targeted countries: the countries targeted by most firms were those that provided the greatest percentage of overseas sales.

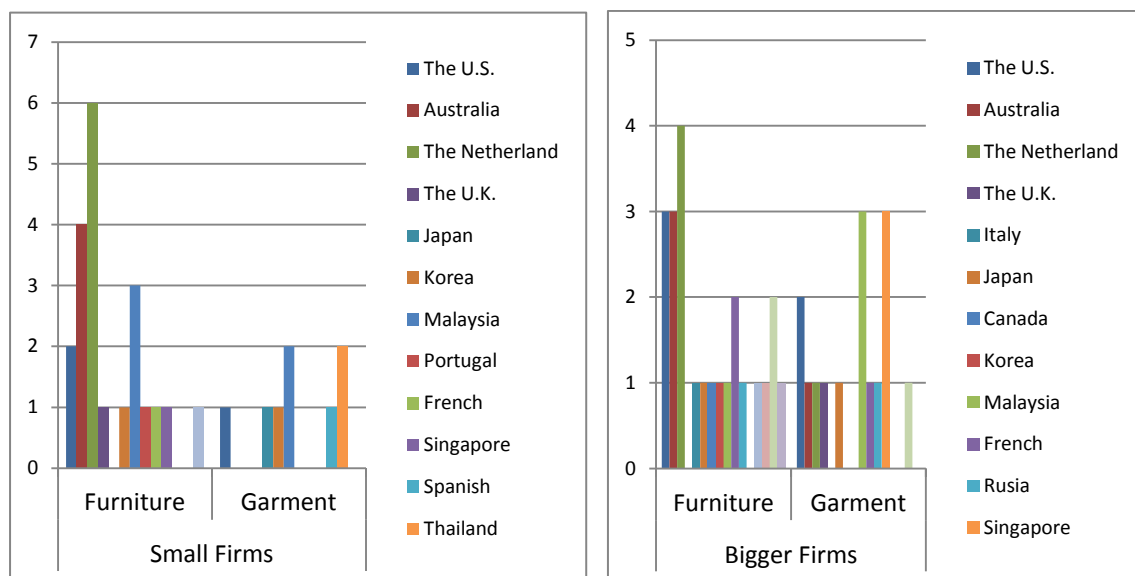


Figure 4.14. Countries Provide the Greatest Overseas Sales for Firms by Firm Size

4.4.2. Not Engaged in International Business Activities

In this section the discussion focuses on firms not engaged in IBAs which comprised 118 SFs and 47 BF's. The focus is on aspects related to the question of why firm did not pursue business opportunities outside Indonesia and only targeted the domestic market.

While these firms were not engaged in IBAs, they were asked if they had explored the possibility of doing so. The majority of these firms (103 or 87.29% for SFs and 42 or 89.36% for BF's respectively) did not explore the possibility of doing business

outside Indonesia (see Figure 4.15.). The majority of SFs in both industries and BFs in the garment industry did not explore business possibility out of the country while no BFs in the furniture industry explored the possibility. The percentage of those that did not explore IBAs, according to firm size and industry, was much higher compared to those that explored the possibility of doing business abroad.

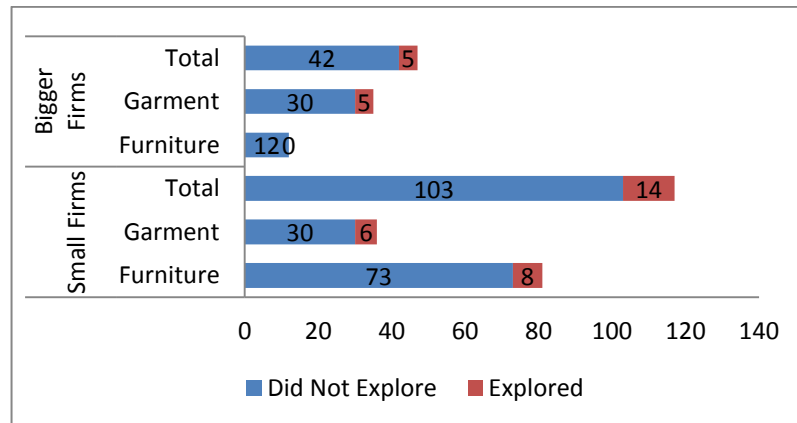


Figure 4.15. Exploration Possibility of Doing Business outside the Home Country

The SFs that explored the possibility of doing business abroad on average searched in two countries. Malaysia, Singapore, and Saudi Arabia were the countries explored by the majority of SFs as having potential business opportunities (see Table 4.9.). Malaysia and Saudi Arabia were the countries explored by the SFs in both industries, while Singapore was explored only by SFs in garment industry.

Table 4.9. Countries Explored for the Possibility to Internationalize

	Small Firms						Bigger Firms					
	Furniture		Garment		Total		Furniture		Garment		Total	
	N	%	N	%	N	%	N	%	N	%	N	%
Malaysia	3	37.50	3	50.00	6	42.86	0	0.00	2	40.00	2	40.00
Singapore	0	0.00	5	83.33	5	35.71	0	0.00	2	40.00	2	40.00
Saudi Arabia	2	25.00	1	16.67	3	21.43	0	0.00	1	20.00	1	20.00
U.S.	2	25.00	0	0.00	2	14.29	0	0.00	2	40.00	2	40.00
Australia	1	12.50	0	0.00	1	7.14	0	0.00	2	40.00	2	40.00
China	1	12.50	1	16.67	2	14.29	0	0.00	0	0.00	0	0.00
France	1	12.50	0	0.00	1	7.14	0	0.00	1	20.00	1	20.00
Japan	0	0.00	1	16.67	1	7.14	0	0.00	1	20.00	1	20.00
The Netherlands	1	12.50	0	0.00	1	7.14	0	0.00	0	0.00	0	0.00
Brunei	1	12.50	0	0.00	1	7.14	0	0.00	0	0.00	0	0.00
Italy	1	12.50	0	0.00	1	7.14	0	0.00	0	0.00	0	0.00
Germany	1	12.50	0	0.00	1	7.14	0	0.00	0	0.00	0	0.00
Thailand	0	0.00	1	16.67	1	7.14	0	0.00	0	0.00	0	0.00
Middle East	0	0.00	1	16.67	1	7.14	0	0.00	0	0.00	0	0.00
Canada	0	0.00	0	0.00	0	0.00	0	0.00	1	20.00	1	20.00
Hong Kong	0	0.00	0	0.00	0	0.00	0	0.00	1	20.00	1	20.00
Total	9	112.50	4	66.67	13	92.86	0	0.00	6	120.00	6	120.00

The BFs in the garment industry on average searched in three countries: Malaysia, Singapore, the U.S. and Australia. However, they decided not to take the business opportunities in the countries they had explored. This may have been because managers did not have enough information at hand to make the decision. The majority of managers (102 or 86.44% and 40 or 85.11% respectively for those in SFs and BFs) admitted that they did not try to find further information before making the decision not to engage in the IBAs, even though they might have only limited knowledge of the target countries. This is interesting as the majority of managers in SFs and BFs made the decision by themselves.

Those few managers who searched for information before deciding not to engage in IBAs (13.56% of SFs and 12.77% of BFs) relied on themselves to find information (see Figure 4.16.a.). This occurred especially in SFs. Of the 16 SF managers who tried to find information before making the decision, 14 managers (87.5%) found the information by themselves (see Figure 4.16.b.). The rest relied on subordinates and/or parties outside the firm in combination with relying on themselves. On the other hand, 50% BF managers who tried to find information found it by themselves. There were BF managers who combined finding information by themselves with finding it

through subordinates. There were four managers (66.67%) who shifted the responsibility to subordinates to find the information.

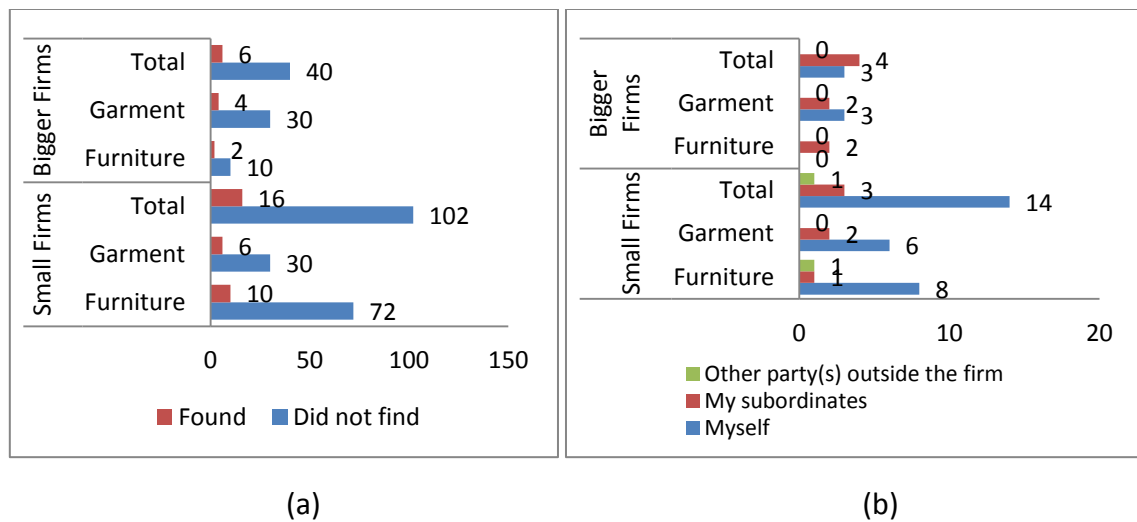


Figure 4.16. (a) Finding Information before Making a Decision Not to Engage and (b) Party Gathering the Information

The chi-square test on information gathering before making the decision not to engage in IBAs (Table 4.10.) indicated that SF and BF managers in furniture and garment industries were not different in information gathering activity ($\chi^2=0.545$, sig=0.460 and $\chi^2=0.088$, sig=0.767). This confirms that most SF and BF managers did not gather information before making the decision.

Table 4.10. Pearson Chi-Square Tests on Information Gathering and Industry by Firm Size

Firm Size	Value	df	Asymp. Sig. (2-sided)
Small Firm	.545 ^a	1	.460
Bigger Firm	.088 ^c	1	.767

a., c. some cells have expected count less than 5.

4.5. THE MANAGER AND THE INTERNATIONALIZATION DECISION

This section discusses manager attributes related to the decision to internationalize or not to internationalize the business. The attributes discussed here are the manager's way of making the internationalization decision, international experience and perception of internationalization and factors influencing the decision. The focus is

on gaining an understanding of whether these attributes correlate with the internationalization decision-making.

4.5.1. Ways of Making Internationalization Decisions

4.5.1.1. Ways of Making the Decision to Engage in IBAs

There were differences in the ways that managers made the decision to engage in business activities in the main overseas country. Most SF managers decided by themselves (63.33%) and some (26.67%) involved family members in the decision (see Figure 4.17.). Meanwhile, BF managers tended to involve others in the firm (48.64%) or made the decision by themselves (45.95%). This was reasonable as in BF there may be a management team or persons in charge for dealing with overseas buyers who would be involved in the decision-making. On the contrary, in SFs the manager was the only decision-maker and in most cases this person was also the owner of the business.

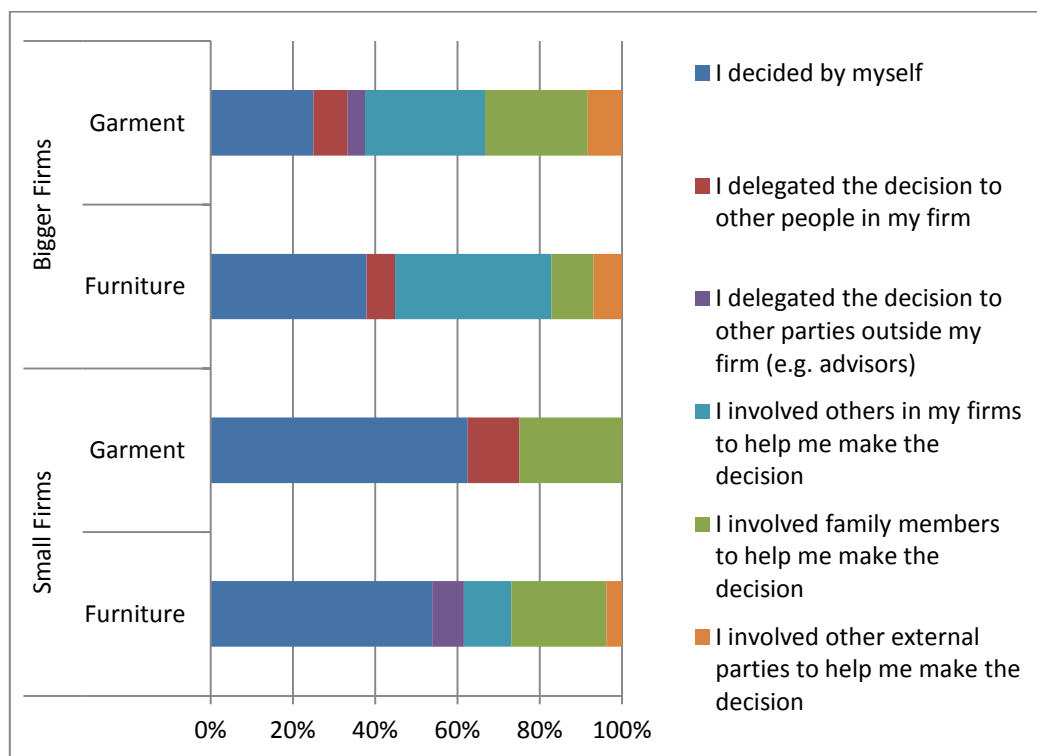


Figure 4.17. Manager's Way of Making Internationalization Decision by Firm Size

When comparing ways of making the internationalization decision based on industry, no differences were found between SF managers in the furniture and garment

industries. However, there were more managers in the garment firms that involved other people in the firms in making a decision, besides those who decided by themselves and involved family members.

4.5.1.2. Ways of Making Decision Not to Engage in IBAs

In accordance with the ways of finding information before deciding not to internationalize, some managers also applied more than one way in making a decision not to internationalize the business. However, two predominant methods were apparent. As shown in Table 4.11, the first method used by most of the managers was to decide by themselves (86 or 72.88% and 23 or 48.94% for respectively SFs and BFs). The second method was for managers to involve a family member in deciding not to internationalize the business (22 or 18.64% SF managers and 15 or 31.92% BF managers). Although there were quite significant numbers of BF managers (25.53%) who involved a party inside the firm, this was not so for SF managers (only 5.08%). Very few managers (respectively 2.54% and 2.12% for SF and BF managers) asked for help or consulted an outside party. The data indicated that ways of making the decision not to internationalize the business across the industry was not different from those of making the decision to internationalize the business as discussed previously in section 4.3.4. The decision not to internationalize the business was also a decision for the manager.

Table 4.11. Ways that Managers Make the Decision Not to Internationalize the Business

	Small Firms						Bigger Firms					
	Furniture		Garment		Total		Furniture		Garment		Total	
	N	%	N	%	N	%	N	%	N	%	N	%
I decided by myself	59	71.95	27	75.00	86	72.88	6	50.00	17	48.57	23	48.94
I delegated the decision to other people in my firm	8	9.76	6	16.67	14	11.86	1	8.33	3	8.57	4	8.51
I delegated the decision to other parties outside my firm (e.g. advisors)	7	8.54	3	8.33	10	8.47	1	8.33	6	17.14	7	14.89
I involved others in my firms to help me make the decision	4	4.88	2	5.56	6	5.08	2	16.67	10	28.57	12	25.53
I involved family members to help me make the decision	16	19.51	6	16.67	22	18.64	5	41.67	10	28.57	15	31.91
I involved other external parties to help me make the decision	3	3.66	0	0.00	3	2.54	0	0.00	1	2.86	1	2.13
Other	0	0.00	1	2.78	1	0.85	0	0.00	0	0.00	0	0.00
Total	97	118.29	45	125.00	142	120.34	15	125.00	47	134.29	62	131.91

4.5.1.3. Differences in Ways of Making an Internationalization Decision

From the discussion above about ways of making a decision to either engage or not to engage in IBAs, it is apparent that the managers predominantly made the decision by themselves. In other words, ways that managers made internationalization decisions were not different according to engagement in IBAs. The statistical tests, presented in Table 4.12, showed that SF and BF managers' ways of making internationalization decisions did not differentiate the engagement of the firm in IBAs (respectively $\chi^2=3.933$, $\text{sig}=0.559$ and $\chi^2=9.252$, $\text{sig}=0.099$). Managers whose firms were engaged in IBAs did not have a different way of making decisions from those whose firms were not engaged in IBAs. Predominantly, managers from both groups made the decisions by themselves.

Table 4.12. Pearson Chi-Square Tests on Manager's Way in Making Decision and Engagement in IBAs by Firm Size

Firm Size	Value	df	Asymp. Sig. (2-sided)
Small Firm	3.933 ^b	5	.559
Bigger Firm	9.252 ^a	5	.099

a., b. some cells have an expected count of less than 5.

4.5.2. Manager's International Experience

4.5.2.1. International Experience of the Manager Whose Firms Were Engaged in IBAs

Visits to target countries can provide managers with international experience. Previous studies showed that international experience of the managers influences the decision for internationalization (Meisenbock, 1988; Reuber & Fischer, 1997; Williams, 2011b). In this study, the data indicated that only five (16.67%) SF managers had ever visited a foreign country; this number was relatively low compared to the 18 (48.65%) BF managers who had visited a foreign country (see Figure 4.18.a.). As a result, SF managers were shown to have less international experience than BF managers. This may explain the lower likelihood of SFs for internationalization but will be explored further in subsection 4.5.2.3.

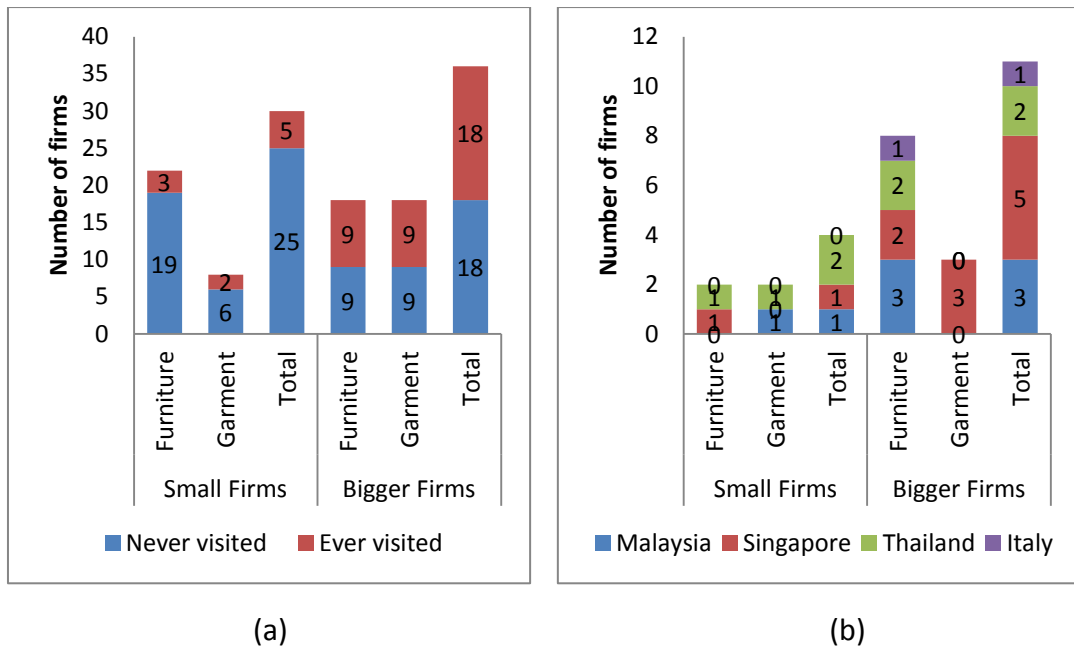


Figure 4.18. (a) International Experience in Visiting Foreign Countries of the Managers Whose Firm Engaged in IBAs and (b) the Visited Countries

Data about the foreign countries visited by the managers having international experience indicated that the SF and BF managers tended to visit foreign countries located near Indonesia, that is, Malaysia, Singapore, and Thailand (see Figure 4.18.b). One BF manager visited a distant country (Italy) but there was no evidence that this BF manager possessed more resources or wider networks.

Managers visited foreign countries for a variety of purposes, for example, business purposes or holidays (refer to Figure 4.19.). The majority of SF and BF managers who visited foreign countries did so predominantly for business-related purposes. However, almost all BF managers in the garment industry (88.89%) visited foreign countries for personal purposes. They might have gained indirect experience benefiting their business from these visits.

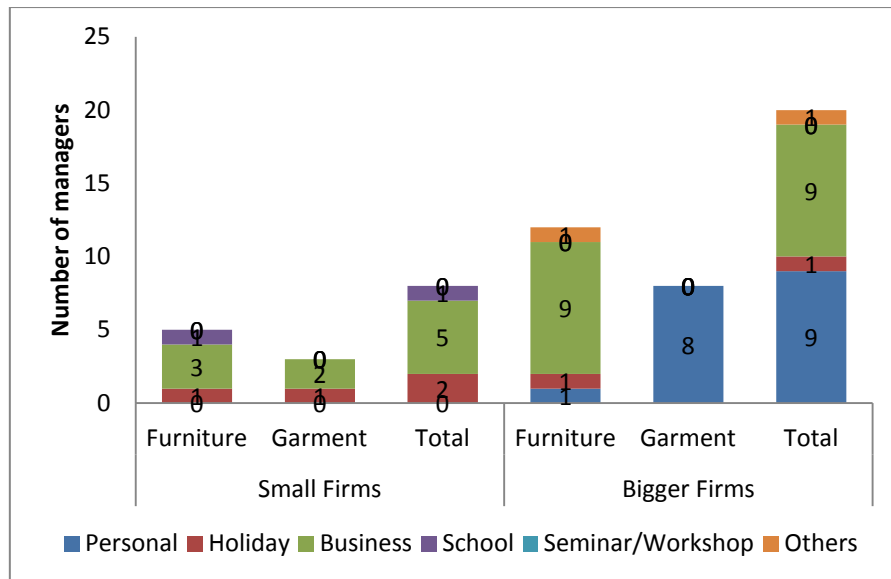


Figure 4.19. Managers' Purposes of Visiting Foreign Country by Firm Size

Although they visited foreign countries predominantly for business purposes, not all managers who had visited foreign countries admitted that they could speak the main language used in the countries than visited. There were fewer SF managers who were able to speak the foreign language (40%) compared to those of BF (61.11%) (see Figure 4.20.). Obben and Magagula (2003) argue that foreign language proficiency influences the propensity to export. As the discussion earlier in section 4.3.2 indicates, SF managers may have lower likelihood of exporting because of their lower ability to speak a foreign language. This will further explored in subsection 4.5.2.3.

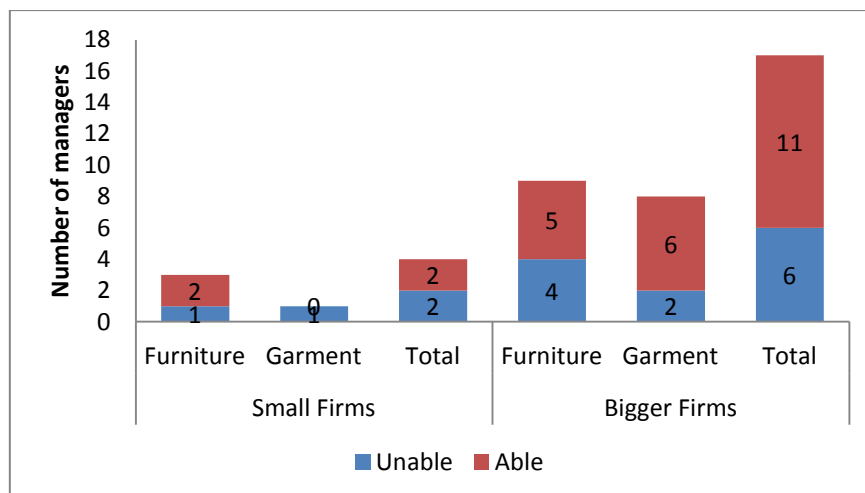


Figure 4.20. Ability of the Managers Whose Firm Engaged in IBAs to Speak the Main Language Used in the Visited Country by Firm Size

4.5.2.2. International Experience of the Managers Whose Firms Were Not Engaged in IBAs

Only a few managers had international experience in firms not engaged in IBAs. As Figure 4.21 shows, only 15 of 118 (12.71%) SF managers and 14 of 47 (29.79%) BF managers had ever visited foreign countries which might explain the lack of internationalization. Managers might not have sufficient knowledge about foreign markets as they had never travelled abroad. According to Johanson and Vahlne (1977), market knowledge is the main driver for internationalization and as others argue international experience of the manager is a factor influencing internationalization (Knight, 2004; Zeng et al., 2008).

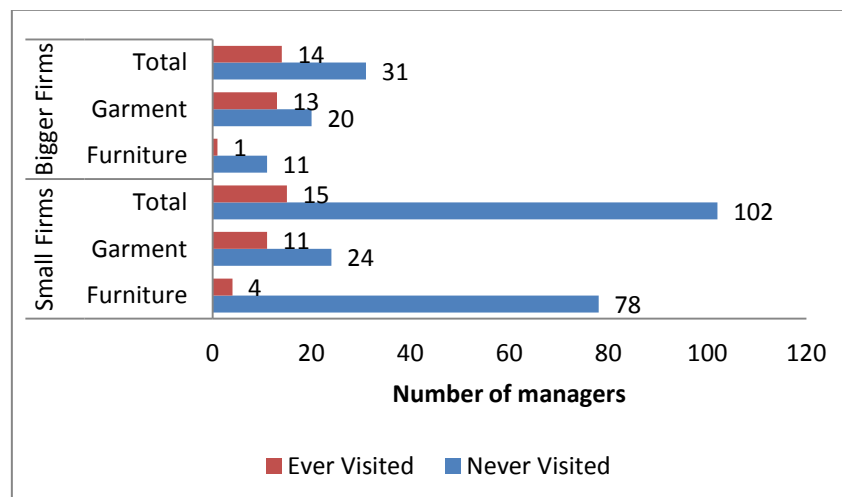


Figure 4.21. Experience of the Managers Whose Firm Were Not Engaged in IBAs in Visiting Foreign Country

Examining the data based on industry, the same phenomena are found in SFs and BF in each industry. The percentage of managers in furniture firms who had ever visited foreign countries was much smaller than that of in garment firms. Only 4.88% and 8.33% respectively of SF and BF managers in the furniture industry had international experience. The number of SF and BF managers in the garment industry who had ever visited a foreign country, on the other hand, was higher, that was respectively 30.56% and 37.14%. This shows that managers in the garment industry had more international

experience than those in the furniture industry. There was however, no evidence that could explain this difference in managers' international experience between industries.

The number of countries visited varied according to firm size. A SF manager visited on average 1.8 countries. A BF manager averaged visits to 2.1 countries. Managers in the garment industry visited a higher average number of countries than those in the furniture industry.

The country visited varied. Countries were Australia, US and those located in Asia and Europe. Table 4.13 shows countries visited by most of the managers were Saudi Arabia, Malaysia, and Singapore. Saudi Arabia was the country visited most by the SF managers in the garment industry, while a greater variety of countries were visited by the BF managers in the industry. In the furniture industry, SF managers predominantly visited Saudi Arabia and the rest visited Malaysia and Singapore. There was only one BF manager in the furniture industry who visited a foreign country, that being Malaysia.

Table 4.13. Country Visited by the Managers Whose Firms Not Engaged in IBAs

	Small Firms						Bigger Firms					
	Furniture		Garment		Total		Furniture		Garment		Total	
	N	%	N	%	N	%	N	%	N	%	N	%
Saudi Arabia	3	75.00	7	63.64	10	66.67	0	0.00	4	30.77	4	28.57
Malaysia	2	50.00	1	9.09	3	20.00	1	100.00	6	46.15	7	50.00
Singapore	1	25.00	5	45.45	6	40.00	0	0.00	4	30.77	4	28.57
Thailand	0	0.00	1	9.09	1	6.67	0	0.00	3	23.08	3	21.43
China	0	0.00	2	18.18	2	13.33	0	0.00	2	15.38	2	14.29
Australia	0	0.00	1	9.09	1	6.67	0	0.00	2	15.38	2	14.29
Japan	0	0.00	0	0.00	0	0.00	0	0.00	2	15.38	2	14.29
U.S.	0	0.00	0	0.00	0	0.00	0	0.00	2	15.38	2	14.29
India	0	0.00	1	9.09	1	6.67	0	0.00	0	0.00	0	0.00
Cambodia	0	0.00	1	9.09	1	6.67	0	0.00	0	0.00	0	0.00
Philippine	0	0.00	1	9.09	1	6.67	0	0.00	0	0.00	0	0.00
Swedish	0	0.00	1	9.09	1	6.67	0	0.00	0	0.00	0	0.00
ASEAN	0	0.00	0	0.00	0	0.00	0	0.00	1	7.69	1	7.14
France	0	0.00	0	0.00	0	0.00	0	0.00	1	7.69	1	7.14
Germany	0	0.00	0	0.00	0	0.00	0	0.00	1	7.69	1	7.14
U.K.	0	0.00	0	0.00	0	0.00	0	0.00	1	7.69	1	7.14
Total	6	150.00	21	190.91	27	180.00	1	100.00	29	223.08	30	214.29

Comparing data on the number of managers who visited a foreign country with data about the country they spent most of their time, it was found that managers probably visited a country only once for a specific purpose, which will be discussed below.

In general, the countries where most managers spent most of their time abroad were the same as those visited most, that is Saudi Arabia, Malaysia and Singapore (see Table 4.14.). However, it seems that there was some inconsistency between the data of the country visited and the country in which the managers spent most of their time. For example, one BF furniture firm manager visited Malaysia but there were no BF managers who spent most of their time in Malaysia, only China. This indicates that they may visit a country once and go to another more often.

Table 4.14. Country in Which the Managers Whose Firms Were Not Engaged in IBAs Spent Most of the Time

	Small Firms						Bigger Firms					
	Furniture		Garment		Total		Furniture		Garment		Total	
	N	%	N	%	N	%	N	%	N	%	N	%
Saudi Arabia	1	25.00	5	45.45	6	40.00	0	0.00	4	30.77	4	28.57
Singapore	1	25.00	3	27.27	4	26.67	0	0.00	1	7.69	1	7.14
Malaysia	0	0.00	0	0.00	0	0.00	0	0.00	3	23.08	3	21.43
Thailand	0	0.00	0	0.00	0	0.00	0	0.00	2	15.38	2	14.29
Philippine	0	0.00	1	9.09	1	6.67	0	0.00	0	0.00	0	0.00
Australia	0	0.00	0	0.00	0	0.00	0	0.00	1	7.69	1	7.14
China	0	0.00	0	0.00	0	0.00	1	100.00	1	7.69	2	14.29
Germany	0	0.00	0	0.00	0	0.00	0	0.00	1	7.69	1	7.14
Japan	0	0.00	0	0.00	0	0.00	0	0.00	1	7.69	1	7.14
Total	2	50.00	9	81.82	11	73.33	1	100.00	14	107.69	15	107.14

The purpose for visiting a foreign country was not for business but for ‘other’ purposes, mainly religious, for hajji or pilgrimage to Mecca for Muslim managers (see Figure 4.22.). There were, respectively, seven SF managers (46.67%) and four BF managers (28.57%) who travelled abroad for hajji. On the contrary, very few managers travelled abroad for business purposes (3 or 20% SF managers and 5 or 35.71% BF managers). Another dominant purpose for visiting a foreign country was to holiday (6 SF managers or 40% and 6 BF managers or 42.86%). This evidence helps us to understand that visiting a foreign country, especially for religions-related activities, may not influence the decision for internationalization. This, however, there was no evidence from this study which shows this conclusively.

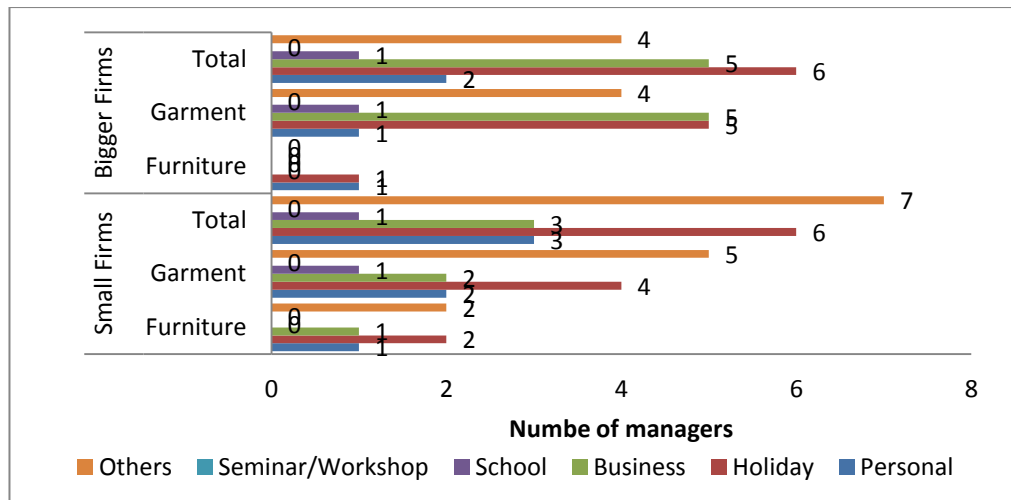


Figure 4.22. Purpose to Visit Foreign Countries by the Managers Whose Firms Not Were Engaged in IBAs

Managers who visited a foreign country were not able to speak the main language used in that country. Approximately half of those who visited a foreign country (53.33% SF managers and 50% BF managers) identified themselves as able to speak the language used in the country they visited. Only some managers had foreign language skills and this may explain their reluctance to do business abroad.

Ability to speak the main language of the country they visited was slightly different according to industry and this was apparent in the garment industry. As Figure 4.23 shows, there were more SF managers in the garment industry (63.64%) who were able to speak the main language in the visited country compared to those of BF (46.15%). On the contrary, more SF managers in the furniture industry (75%) identified themselves as not having the ability to speak the main language of the country they visited, while BF managers showed a greater ability. Similar to the English ability, ability to speak the language used in the country they visited also did not differentiate decision to internationalize across industries.

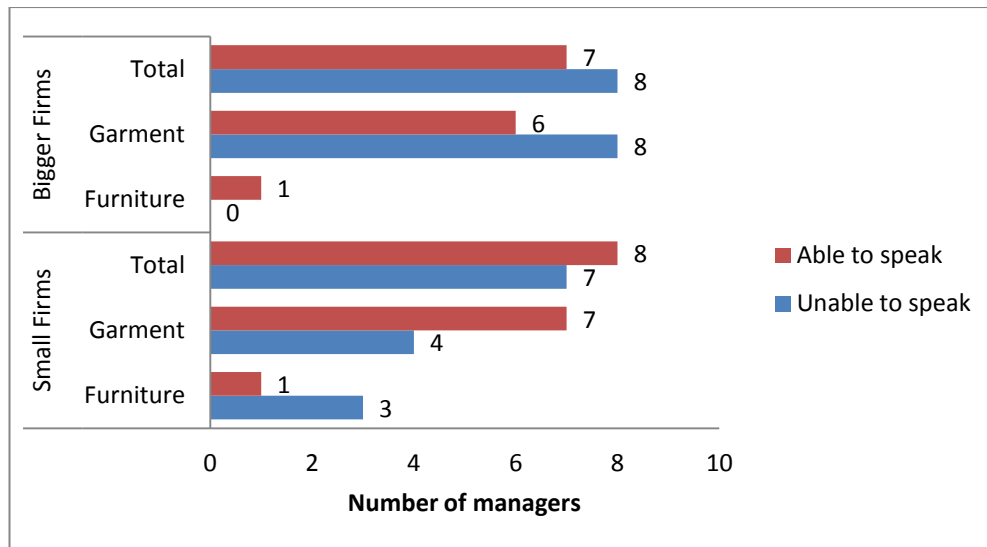


Figure 4.23. Ability of the Managers Having Firms Not Engaged in IBAs to Speak the Main Language Used in the Country

4.5.2.3. Differences in International Experience

Engagement in IBAs was independent of the managers' experience in visiting a foreign country (see Table 4.15.). Managers having experience in visiting a foreign country did not necessarily have a higher likelihood of internationalization the business and vice versa ($\chi^2=0.557$, sig=0.455 for SFs and $\chi^2=3.032$, sig=0.082 for BFs) and may be why indirect exporting occurred where orders were placed by a foreign buyer on a visit to Indonesia.

Table 4.15. Pearson Chi-Square Tests on Manager's Experience in Visiting Foreign Country and Engagement in IBAs by Firm Size

Firm Size	Value	df	Asymp. Sig. (2-sided)
Small Firm	.557 ^a	1	.455
Bigger Firm	3.032	1	.082

a. 1 cells (25.0%) have an expected count of less than 5.

Managers visited foreign countries for a variety of purposes. The statistical tests presented in Table 4.16 shows that the purpose of the SF managers whose firms were engaged in IBAs was possibly different from those whose firms were not engaged in IBAs ($\chi^2=9.426$, sig=0.051). This possibility was indicated by the significant level of 0.051, which was very closely to the accepted level of 0.05, revealing SF managers of firms

engaged in IBAs visited out for business purposes, while those not engaged in IBAs visited for religious purposes (hajji).

Table 4.16. Pearson Chi-Square Tests on Purpose of Visiting Foreign Country and Engagement in IBAs by Firm Size

Firm Size	Value	df	Asymp. Sig. (2-sided)
Small Firm	9.426 ^b	4	.051
Bigger Firm	12.091 ^a	4	.017

a., b. some cells have an expected count of less than 5.

In the case of BFs, the difference in purpose was significant ($\chi^2=12.091$, sig=.017). So BF managers of firms engaged in IBAs had a different purpose for visiting a foreign country to those whose firms were not engaged in IBAs. Personal reasons and business were the purposes of the former and holidaying was the purpose for the latter.

4.5.3. Perceptions of Internationalization

4.5.3.1. Perceptions of the Manager Whose Firms Were Engaged in IBAs

The likelihood of internationalization may be related to perceptions of internationalization. Previous studies show that managers with positive perceptions of internationalization tend to pursue an internationalization strategy (Manolova et al., 2002). To understand their perception of internationalization, managers were asked to evaluate statements about internationalization using five-point Likert scale. A lower score indicates higher agreement with the statement.

The SF and BF managers agreed or strongly agreed to all statements provided, with average scores being respectively 1.87 and 1.95. They agreed internationalization needed large financial resources with scores of 1.6 for SFs and of 1.68 for BFs (see Table 4.17.). They also agreed that doing business internationally provided important opportunities for firm growth (1.63 and 1.68 respectively for SFs and BFs). This could be interpreted as managers acknowledging the risks as well as the opportunities of internationalization.

Table 4.17. Perception of the Managers Whose Firm Were Engaged in IBAs of Internationalization

		Small Firms			Bigger Firms		
		Furniture	Garment	Total	Furniture	Garment	Total
1	For my firm, doing business internationally is riskier than doing it in the domestic market	1.91	1.63	1.83	2.39	2.72	2.56
2	Doing business internationally provides an important opportunity for growing my firm	1.68	1.50	1.63	1.79	1.56	1.68
3	Internationalizing my firm is a difficult and complex process	2.05	1.50	1.90	2.21	1.61	1.92
4	Internationalizing my firm needs a large amount of financial support	1.64	1.50	1.60	1.84	1.50	1.68
5	The international market of my firm is highly competitive	1.77	2.13	1.87	1.95	1.72	1.84
6	There are many barriers to encounter for my firm to enter markets in other countries	1.95	1.50	1.83	2.26	1.50	1.89
7	International markets have great potential to increase demand for my firm's product(s)	1.59	2.13	1.73	1.84	1.72	1.78
8	To internationalize my firm requires considerable managerial skills	1.64	2.13	1.77	1.74	1.72	1.73
9	To internationalize my firm requires considerable technical skills	1.73	2.25	1.87	1.63	1.78	1.70
10	There are good opportunities to pursue a strategy of internationalization for my firm	1.77	2.63	2.00	1.74	2.67	2.19
11	For my firm's products, international markets are changing very rapidly	2.32	3.13	2.53	2.16	2.78	2.46

In addition to the positive perception of opportunities for growth, SF managers also agreed with the statement that international markets had great potential to increase demand for the firm's product(s) (1.73). Arguably SF managers had positive perceptions of internationalization but BF managers, whilst also positive, perceived internationalization more pragmatically. Besides financial support, BF managers agreed that internationalization required considerable technical skills (1.70) and managerial skills (1.73).

Different perceptions of internationalization appeared between SF managers in the furniture and garment industries. SF managers of furniture firms were more optimistic about internationalization compared with those in garment firms. They felt internationalization provided great potential to increase demand for products (1.59) and opportunities for growth (1.64). SF managers in the garment industry agreed that internationalization provided opportunity for growth, needed of large amount of financial support and has a difficult and complex process, with score of 1.5 for each.

Similarly, BF managers in the furniture industry perceived internationalization as a technical matter. For them, internationalization required considerable technical skills (1.63) and managerial skills (1.74) but were good opportunities to pursue a strategy of internationalization (1.74). BF managers in the garment industry perceived internationalization less optimistically: for them, internationalization needed a large amount of financial support (1.50) and presented many barriers (1.50). They, however, perceived that internationalization provided growth opportunities (1.56).

Different perceptions of internationalization by industry may be important and could suggest that variety in internationalization across industry relates to managers' perceptions of internationalization.

4.5.3.2. Perception of the Managers Whose Firms Were Not Engaged in IBAs

Positive perceptions of internationalization are related to the decision to internationalize. Using the same measures as those applied in measuring the perceptions of managers whose firms were engaged in IBAs, it was found that SF managers whose firms were not engaged in IBAs had negative perception of internationalization (see Table 4.18.). They agreed more strongly with the negative statements about internationalization, such as statements that doing business internationally was riskier than doing business in the domestic market (1.68), or internationalizing the firm needed a large amount of financial support (1.68). They also were less likely to agree with statements that there were good opportunities to pursue an internationalization strategy (2.23), and that international markets had potential to increase demand (2.22).

Table 4.18. Perception of the Managers Whose Firms Were Not Engaged in IBAs of Internationalization

		Small Firms			Bigger Firms		
		Furniture	Garment	Total	Furniture	Garment	Total
1	For my firm, doing business internationally is riskier than doing it in the domestic market	1.72	1.58	1.68	2.17	2.09	2.11
2	Doing business internationally provides an important opportunity for growing my firm	2.01	1.56	1.87	2.17	1.51	1.68
3	Internationalizing my firm is a difficult and complex process	1.99	2.06	2.01	1.67	1.54	1.57
4	Internationalizing my firm needs a large amount of financial support	1.80	1.39	1.68	1.58	1.47	1.50
5	The international market of my firm is highly competitive	2.07	1.61	1.93	2.08	1.91	1.96
6	There are many barriers to encounter for my firm to enter markets in other countries	1.98	1.75	1.91	2.00	1.69	1.77
7	International markets have great potential to increase demand for my firm's product(s)	2.22	2.22	2.22	2.42	1.86	2.00
8	To internationalize my firm requires considerable managerial skills	1.83	1.72	1.80	1.83	1.74	1.77
9	To internationalize my firm requires considerable technical skills	1.88	1.78	1.85	1.75	1.63	1.66
10	There are good opportunities to pursue a strategy of internationalization for my firm	2.26	2.17	2.23	2.00	1.74	1.81
11	For my firm's products, international markets are changing very rapidly	2.38	2.36	2.38	2.25	1.94	2.02

BF managers in firms not engaged in IBAs were relatively more optimistic than SF managers. The BF managers were less likely to agree that internationalization was riskier than doing business in the domestic market (2.11) and considered practical matters of internationalization. They strongly agreed with the statements that internationalizing the firm needed a large amount of financial support (1.50), internationalizing the firm was difficult and complex (1.57), and internationalizing the firm required considerable technical skills (1.66).

Examining the data across the industries, shows perceptions of managers in the furniture industry differed from managers in the garment industry. SF garment firm managers had more positive perceptions than those in furniture firms. Although SF managers in both industries strongly agreed that internationalization needed financial support and was riskier than doing business locally, SF managers in garment firms agreed more strongly that internationalization provides an important opportunity for growing the firm (1.56) compared to those in furniture firms (2.01). A similar tendency occurred in the case of BFs. BF managers in both the furniture and garment industries strongly agreed that internationalization needed financial support and was a difficult

and complex process; however, the BF managers in garments agreed more (1.51) with the statement that there was an opportunity for growing the business through internationalization than those in furniture (2.17). It could be noted thus that the managers in the garment industry were more positive in perceiving internationalization.

4.5.3.3. Differences in Perceptions of Internationalization

Perceptions of internationalization can determine propensity to engage in IBAs. Managers with positive perceptions will have a higher propensity for internationalization and vice versa. Only two items were significantly different between the perceptions of the SF managers whose firms were engaged and those who were not engaged in IBAs (see Table 4.19.). These were the perception that “international markets have a great potential to increase demand for my firm's product(s)” (sig=0.010), and that “to internationalize my firm requires considerable technical skills” (sig=0.025). This means that the potential demand and technical skills required for internationalization were statements perceived differently by the SF managers. The data revealed potential demand in international markets was perceived as more important by the SF managers whose firms were engaged in IBAs than those were not engaged in IBAs. The reverse occurred with the perception about technical skills, which was perceived as less important by the managers whose firms were engaged in IBAs than those whose firms were not engaged in IBAs. This also implies that the SF managers whose firms were engaged in IBAs perceived international markets had potential and this outweighed internal barriers. Arguably, such a perception creates the propensity to internationalize.

Table 4.19. Pearson Chi-Square Tests on Manager's Perceptions of Internationalization and Engagement in IBAs by Firm Size

Items	Small Firms			Bigger Firms		
	Value	df	Asymp. Sig. (2-sided)	Value	df	Asymp. Sig. (2-sided)
1 For my firm, doing business internationally is riskier than doing it in the domestic market	4.933 ^a	4	.294	6.102 ^b	4	.192
2 Doing business internationally provides an important opportunity for growing my firm	4.109 ^a	4	.391	7.419 ^b	4	.115
3 Internationalizing my firm is a difficult and complex process	7.419 ^b	4	.115	4.270 ^b	4	.371
4 Internationalizing my firm needs a large amount of financial support	1.209 ^a	4	.877	6.367 ^b	3	.095
5 The international market of my firm is highly competitive	2.367 ^a	4	.669	3.820 ^b	4	.431
6 There are many barriers to encounter for my firm to enter markets in other countries	1.650 ^a	4	.800	5.877 ^b	3	.118
7 International markets have a great potential to increase demand for my firm's product(s)	13.263 ^a	4	.010	10.635 ^b	3	.014
8 To internationalize my firm requires considerable managerial skills	2.714 ^a	3	.438	3.176 ^b	3	.365
9 To internationalize my firm requires considerable technical skills	9.311 ^a	3	.025	.073 ^b	1	.787
10 There are good opportunities to pursue a strategy of internationalization for my firm	3.363 ^a	4	.499	3.604 ^b	3	.308
11 For my firm's products, international markets are changing very rapidly	3.098 ^a	4	.542	4.594 ^b	4	.332

a, b. some cells have an expected count of less than 5.

In the case of BFs, the managers whose firms were engaged and were not engaged in IBAs had a significantly different agreement with only one statement of perception, and this was the same one as that of SFs, that was “international markets have a great potential to increase demand for my firm's product(s)” (sig=0.014). It could be noted from this that the potential demand from international markets was a factor differentiating both SF and BF managers whose firms were engaged and not engaged in IBAs. This implies that lack of technical skills was a barrier to internationalization for SFs.

Factor Analysis on Perceptions of Internationalization

Factor analysis was applied to SF managers' perceptions of internationalization to understand the factors really perceived by the managers about internationalization. Field (2005) notes that a KMO value above 0.7 is good and the score on Bartlett's test being lower than 0.5 is significant, so that factor analysis is appropriate technique to be applied to the perception data. The analysis resulted in KMO value of 0.826 and Bartlett's test of 0.000.

The purpose of the factor analysis was to reduce items in order to gain a better understanding of managers' perceptions of internationalization. The test of total variance indicated that the factors resulting from the analysis explained 47.05% of the total variance (see Table 4.20.).

Table 4.20. Total Variance Explained in Perception of Internationalization

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	4.680	42.546	42.546	4.156	37.784	37.784	3.449
2	1.497	13.607	56.153	1.020	9.269	47.053	3.343
3	.958	8.713	64.866				
4	.721	6.553	71.419				
5	.689	6.260	77.679				
6	.620	5.635	83.314				
7	.560	5.089	88.403				
8	.415	3.777	92.180				
9	.355	3.229	95.409				
10	.286	2.601	98.010				
11	.219	1.990	100.000				

Extraction Method: Maximum Likelihood.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy=.826

Bartlett's Test of Sphericity: Approx. Chi-Square=642.223, df=55, Sig. =.000

The extraction process presented in Table 4.21 resulted in two factors. The first factor contained ten items and the second contained only one item (i.e., item 10). The items in the first factor addressed perception of conditions in the international market (external conditions) and the firm (internal conditions) that may benefit or hinder internationalization of the business. The first factor was therefore attributed as 'conditions enabling internationalization'. The item in the second factor was related to opportunity for firm to pursue internationalization strategy and was attributed 'internationalization opportunity'.

Table 4.21. Factor Matrix of Perception of Internationalization

	Factor	
	1	2
IntRisk	.526	-.307
IntOppGrow	.577	.003
IntCompPros	.635	-.339
IntFinSup	.600	-.237
IntCompet	.578	-.055
IntBarr	.774	-.373
IntDemPot	.589	.301
IntMgrSkil	.727	.294
IntTecSkil	.677	.350
IntStrat	.483	.532
IntMktChange	.532	.171

Extraction Method: Maximum Likelihood.

It could be noted from the factor analysis that SF managers perceived both external and internal conditions as the conditions that enable internationalization. This indicates that internationalization was perceived by SF managers as a complex process or strategy. On the other hand, as indicated by the second factor, internationalization was also be perceived as an opportunity to be pursued. It was thus understandable if only few SFs internationalized as they might not be able to deal with the complexity of the internationalization and the opportunity was not much considered.

4.5.4. Perception of Factors Influencing Internationalization

4.5.4.1. Perception of the Managers Whose Firms Were Engaged in IBAs of Factors Influencing Internationalization

Perceptions of international market impact on the decision to internationalize (Arbaugh et al., 2008; Johanson & Vahlne, 1977; Manolova et al., 2002; Sommer, 2010). Using a seven-point scale of importance (ranging from 1 for extremely unimportant to 7 for extremely important), the SF and BF managers were asked about their perceptions of the factors considered important in making an internationalization decision in order to understand whether these perceptions had an influence on the internationalization decision.

All SF and BF managers indicated the nine factors listed as important, with the average score being respectively 5.79 for SFs and 6.12 for BFs (see Table 4.22.). As indicated by the scores, it was apparent that SF managers valued the factors as relatively less important than BF managers, and this occurred for each factor.

Table 4.22. Perception of the Managers Whose Firms Were Engaged in IBAs of Factors Influencing the Internationalization Decision

		Small Firms			Bigger Firms		
		Furniture	Garment	Total	Furniture	Garment	Total
1	Economic conditions in the target country	6.09	6.75	6.27	6.58	6.56	6.57
2	Political conditions in the target country	5.36	5.88	5.50	5.68	6.28	5.97
3	My knowledge of the government regulations in the country relating to my type of business	5.77	5.88	5.80	5.74	6.33	6.03
4	My knowledge of the market conditions in the target country	5.77	6.25	5.90	6.47	6.44	6.46
5	The ability of my firm to manufacture products that meet the technical standard determined by the government and buyers in the target country	6.09	6.00	6.07	6.16	6.50	6.32
6	My ability to speak the language used in the target country	4.59	6.75	5.17	5.74	6.17	5.95
7	My knowledge of the culture (in terms of habits, attitude, and behaviors of the people) of the target country	4.95	6.25	5.30	5.21	6.11	5.65
8	My level of skills to manage the business in the target country	5.77	6.75	6.03	5.58	6.17	5.86
9	The availability of buyers of my firm's products in the target country	5.95	6.50	6.10	6.37	6.22	6.30

Although the reasons behind this different valuation of importance were unclear, SF and BF managers, however, perceived economic conditions in the target country as the most important factor (the score respectively 6.27 and 6.57). Regarding the other factors, SF managers had slightly different considerations of those valued as important in making an internationalization decision compared to the BF managers. The SF managers valued the availability of buyers of the firm's products in the target country (6.10), the ability of the firm to manufacture products that met the technical standard determined by the government and buyers in the target country (6.07), and the manager's level of skill to manage the business in the target country (6.03) as important factors after the economic conditions. This suggests that external conditions were necessary but not sufficient for internationalization. If the manager perceived that the

firm did not have the internal capability sufficiently for internationalization, they may not decide to engage in IBAs.

On the other hand, the BF managers placed more emphasis on the external conditions in the foreign country when considering the internationalization decision. Economic conditions in the target country (6.57), the manager's knowledge of market conditions in the target country (6.46), the ability of the firm to manufacture products that met the technical standard determined by the government and buyers in the target country (6.32), and the availability of buyers for the firm's products in the target country (6.30), were the important factors influencing the BF managers in making a decision to internationalize the business. This may suggest that BFs were more likely to be ready for internationalization as they may not have experienced a lack of resources enabling internationalization.

Factors influencing managers to make an internationalization decision also varied according to the industry. SF managers of furniture and garment firms perceived economic conditions as the most important factor (respectively 6.09 and 6.75). SF managers in the garment industry perceived internal capabilities, such as the ability to manage the business in the target country (6.75) and the ability to speak the language used in the target country (6.75), as more important than the external conditions, such as the availability of buyers in the target country (6.5) and political conditions in the target country (5.88). SF managers in the furniture industry, on the other hand, considered the external conditions, such as the availability of buyers in the target country (5.95), as more important than any other internal capabilities.

The different perceptions between BF managers in the industries were less obvious. The managers perceived economic conditions and their knowledge about the market conditions in the target country as the most important factors. As a result, perceptions of factors influencing the decision to internationalize the business varied between industries but were less varied in BFs, than SFs.

4.5.4.2. Perception of the Managers Whose Firms Were Not Engaged in IBAs of Factors Influencing the Decision

To explore the reasons behind the decision not to engage in IBAs, managers were asked to rank the nine factors influencing the decision not to engage in IBAs using a seven-point scale with 1 being extremely unimportant and 7 being extremely important.

Examining each factor confirms that there were different levels of importance between SF and BF managers in evaluating the factors influencing the decision not to engage in business overseas. The SF managers put lower importance on the listed factors than the BF managers did. Most SF managers perceived the listed factors as neither important nor unimportant to slightly important with an average score is 4.54. This is lower than the average score of BF managers, which was 5.35.

Amongst others, the availability of buyers of the firm's products in the target country had the highest score (5.07) and, thus, was considered the most important factor by the SF managers when making the decision to stay local instead of going abroad (see Table 4.23.). Their knowledge of the culture of the target country was least important (4.36). This suggests that SF managers were not sure whether their knowledge about culture influenced the decision or not. Here, culture refers to habits, attitude and behaviour of the people in foreign countries; it may also reinforce that the SF managers' knowledge about foreign country was limited.

Table 4.23. Manager's Perception of Factors Influencing the Decision Not to Engage in IBAs

		Small Firms			Bigger Firms		
		Furniture	Garment	Total	Furniture	Garment	Total
1	Economic conditions in the target country	4.67	4.72	4.69	5.67	5.51	5.55
2	Political conditions in the target country	4.50	4.39	4.47	5.33	5.17	5.21
3	My knowledge of the government regulations in the country relating to my type of business	4.60	4.64	4.62	5.58	5.54	5.55
4	My knowledge of the market conditions in the target country	5.01	4.86	4.97	5.92	5.49	5.60
5	The ability of my firm to manufacture products that meet the technical standard determined by the government and buyers in the target country	4.82	4.92	4.85	5.83	5.34	5.47
6	My ability to speak the language used in the target country	4.48	4.94	4.62	6.00	5.74	5.81
7	My knowledge of the culture (in terms of habits, attitude, and behaviors of the people) of the target country	4.33	4.42	4.36	5.50	5.57	5.55
8	My level of skills to manage the business in the target country	5.00	4.78	4.93	5.92	5.43	5.55
9	The availability of buyers of my firm's products in the target country	5.13	4.92	5.07	6.17	5.57	5.72

On the other hand, BF managers perceived their ability to speak the language used in the target country as most important (5.81) in influencing their decision not to engage in business overseas. This was consistent with the data on managers' ability to speak foreign language, which showed many BF managers were unable to speak a foreign language. Of importance was availability of buyers of the firm products in the target country (5.72), but political conditions in the target country was the least important factor (5.21).

It can be noted from the discussion that factors perceived as important in making the decision not to engage in IBAs differed by firm size. The difference in factors considered important by the managers also occurred between industries. SF managers in the furniture industry perceived the availability of buyers in the target country and level of skill to manage the business as the most important factors, with scores respectively 5.13 and 5.00. For SF managers in the garment industry, the most important factors were ability to speak the language used in the target country (4.94), ability to

manufacture products that met technical standards (4.92) and availability of buyers in the target country (4.92).

Factors perceived as the most important by the BF managers were similar by industry. For BF managers in the furniture industry, the important factors were availability of buyers in the target country (6.17) and ability to speak a foreign language (6.00). These two factors were the only factors having a score of 6 and above. These two factors were also those perceived as important by BF managers in the garment industry. They, however, scored lower (5.74 and 5.57 respectively) and differed in level of importance.

4.5.4.3. Difference in Perception of Factors Influencing the Decision to Internationalization

Statistical tests of difference supported the discussion above that the managers' perceptions of the factors differed by firm size. Table 4.24 shows that factors differentiating SF managers whose firms were engaged and not engaged in IBAs were not the same as those differentiating BF managers. For SF managers, economic conditions (sig=0.029) and political conditions in the target country (sig=0.005) as well as availability of buyers in the target country (sig=0.29) were the factors that significantly differentiated consideration of SF managers whose firms were engaged in IBAs from those whose firms were not engaged in IBAs.

Table 4.24. Pearson Chi-Square Tests on Manager's Perceptions of Factor Influencing the Decision to Internationalization and Engagement in IBAs by Firm Size

Influencing Factors	Small Firms			Bigger Firms		
	Value	df	Asymp. Sig. (2-sided)	Value	df	Asymp. Sig. (2-sided)
1 Economic conditions in the target country	14.077 ^a	6	.029	13.364 ^b	6	.038
2 Political conditions in the target country	18.561 ^a	6	.005	12.062 ^b	6	.061
3 My knowledge of the government regulations in the country relating to my type of business	9.362 ^a	6	.154	7.769 ^b	6	.255
4 My knowledge of the market conditions in the target country	6.160 ^a	6	.406	9.981 ^b	6	.125
5 The ability of my firm to manufacture products that meet the technical standard determined by the government and buyers in the target country	8.388 ^a	6	.211	11.674 ^b	6	.070
6 My ability to speak the language used in the target country	6.494 ^a	6	.370	5.297 ^b	6	.506
7 My knowledge of the culture (in terms of habits, attitude, and behaviours of the people) of the target country	9.378 ^a	6	.153	1.814 ^b	6	.936
8 My level of skills to manage the business in the target country	11.004 ^a	6	.088	6.907 ^b	6	.330
9 The availability of buyers of my firm's products in the target country	14.097 ^a	6	.029	6.475 ^b	6	.372

a, b. some cells have an expected count of less than 5.

On the other hand, the economic conditions in the target country (sig=0.038) was the only significantly different factor for BF managers whose firms were engaged in IBAs compared to those whose firms were not engaged in IBAs. It can be noted that factors influencing decision to internationalize were perceived differently between SF and BF managers.

Factor Analysis on Perceptions of Factors Influencing the Decision to Internationalization

To gain a better understanding of the factor influencing the decision to internationalize in SFs, factor analysis was applied on items of SF managers' perceptions of factors influencing decision to internationalize the business. The KMO test score of 0.945 (above 0.7, which is considered to be good) and the Barlett's test score of 0.000

(lower than 0.5, which is significant) (Field, 2005) implied that factor analysis was appropriate for the data. The analysis reduced the nine items to one factor which explained 73.843% of the total variance (see Table 4.25.). This meant that the items analysed were relatively good in explaining variety in the phenomena.

Table 4.25. Total Variance Explained in Perception of Factors Influencing Internationalization

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.904	76.715	76.715	6.646	73.843	73.843
2	.584	6.487	83.202			
3	.370	4.106	87.309			
4	.296	3.294	90.603			
5	.223	2.473	93.075			
6	.219	2.431	95.506			
7	.163	1.816	97.322			
8	.134	1.485	98.807			
9	.107	1.193	100.000			

Extraction Method: Maximum Likelihood.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy=.945

Bartlett's Test of Sphericity: Approx. Chi-Square=1416.636, df=36, Sig.= .000

By screening the items with the highest factor loading, perceptions of the capability of the manager emerged as the highest factor. From Table 4.26, items with the highest factor loading were knowledge of the managers about market conditions in the target market (0.924), manager's ability to manage business overseas (0.901) and manager's knowledge about government regulation in the target country (0.895). The name attributed to the factor is thus 'manager's capability'.

Table 4.26. Factor Matrix of Perceptions of Factors Influencing Internationalization

	Factor
	1
<i>Economic conditions</i>	.881
<i>Political conditions</i>	.870
<i>Knowledge of government regulations</i>	.895
<i>Knowledge of market conditions</i>	.924
<i>Ability to manufacture products</i>	.880
<i>Ability to speak</i>	.758
<i>Knowledge of culture</i>	.776
<i>Ability to manage</i>	.901
<i>Availability of buyers</i>	.834

Extraction Method: Maximum Likelihood.

4.6. SUMMARY

Some factors affecting internationalization applied only to SFs, while others applied also to BF. SFs were less likely to engage in IBAs than BFs due to lack of resources. Accordingly, internationalization was not an alternative for SF managers to grow the business. However, a lack of resources was also an issue for internationalization of BFs. SF engagement in IBAs did not vary by industry but did so for BFs. BFs in the furniture industry were more likely to export than those in the garment industry. Export was the mode of engagement for SFs and BFs. SF exporting varied by industry but this was not so for BFs. SFs in the garment industry showed higher capability to export than those in the furniture industry. SFs and BFs engagement in IBAs did not follow gradual learning of the U-model (Schulz et al., 2009).

SF engagement in IBAs was not related to manager's demographic characteristics and decision-making style, but to their ability to speak a foreign language. For BFs, the manager's age and education differentiated engagement in IBAs, but ability to speak a foreign language did not.

The SF manager was the only decision-maker in relation to internationalization, while the BF managers involved others in making the decision. Before deciding not to engage in IBAs, the majority of SF and BF managers did not explore the possibility or search for information. Their international experience related also to this decision.

Furniture firm managers indicated greater reluctance to internationalize than garment firm managers.

Managers' perceptions of internationalization related to their decision to internationalize. SF and BF managers of firms engaged and not engaged in IBAs showed respectively positive perceptions and negative perceptions about internationalization. Their perceptions varied by industry. Managers of furniture firms engaged in IBAs were more optimistic than those of garment firms. On the contrary, managers of furniture firms not engaged in IBAs had less positive perceptions of internationalization than those of garment firms. Perceptions of external conditions and internal conditions were factors related to the internationalization decision.

SF managers of firms engaged in IBAs perceived the factors influencing their internationalization decision as less important compared to BF managers. While external conditions were more important than internal conditions for SF managers, BF managers perceived internal conditions as more important than external conditions. However, economic conditions of the target countries were the most important factor amongst others. SF manager's limited knowledge about conditions in foreign countries was the factor influencing the decision not to engage in IBAs. The manager's capability was the factor playing an important part in the decision to internationalize.

Internationalization process taken by Indonesian small manufacturing firms

Indonesian small manufacturing firms were still at the very early stage of internationalization. They started from serving the domestic market and then exported to foreign countries. The forms of export taken were irregular, regular, and via an agent. However, they did not represent a sequential process. Irregular export was not the stage preceding regular export and export via an agent was not the stage following regular export. The steps in the internationalization process for small firms developed by Cullen and Parboteeah (2005) shows that Indonesian small manufacturing firms were at the first step of 'passive exporting', in which managers did not acknowledge they had an international market and did not conduct any efforts to create export sales. The internationalization process taken by SFs participating in this study can be drawn as in Figure 4.24.

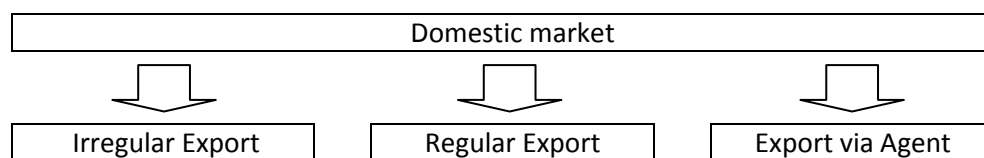


Figure 4.24. Internationalization Process of Indonesian Small Manufacturing Firms

The U-model shows internationalization as a gradual process resulting from learning (Johanson & Vahlne, 1977). It seems that this gradual process did not apply here. Some firms exported regularly to one country but at the same time exported to another irregularly or via an agent. Also, firms did not expand their market abroad by exporting although they had been many years in the business. The engagement in IBAs started either several years after the establishment or at the beginning of the firm's existence. Considering this, internationalization might not be seen as a means for expanding the business. As the role of the managers in the internationalization process was quite clear in the participating firms, it arguably followed the international entrepreneurship model which emphasizes the role of managers and their characteristics in the internationalization process (Ruzzier et al., 2006). However, this needs to be studied further.

Management decision-making style of the managers

It was apparent that the style of the SF managers in making an internationalization decision was autocratic and managers made the decision themselves. The manager's characteristics could affect the decision and SF managers had lower levels of education, international experience measured by experience in visiting foreign country and ability to speak foreign languages. These have been identified as factors associated with internationalization. Limited knowledge possessed by managers could have resulted in the decision not to internationalize.

Process of decision making to internationalize the business

The internationalization decision was the manager's decision and concern. Managers made the decisions by themselves and their style was autocratic. The process of making a decision to internationalize the business in Indonesian small manufacturing

firms was informal and relatively quick. As the managers decided on their own, they did not need formal meetings to discuss alternatives of the decision with other parties. The process of making the decision was conducted informally in the head of the manager. Also, since there were no efforts to gather further information before making the decision and SF managers relied only on the information at hand, it could be assumed that the process of making the internationalization decision was relatively quick.

The preliminary findings from this chapter will be used as a context for analysing the decision-making process drawn from the interviews. The analysis of data from the interviews will be discussed in the next chapter.

CHAPTER 5

UNDERSTANDING THE INTERNATIONALIZATION DECISION- MAKING PROCESS

5.1. OVERVIEW

In the preceding chapter the internationalization of Indonesian small manufacturing firms was found to consist only of exporting. The manager was central to the internationalization decision. In this chapter, the decision-making processes applied by managers are discussed. The discussion is based on interviews with six managers of small furniture firms and two in small garment firms. The chapter starts with a brief description of the participants and their business activities.

This is followed by a discussion of the exporting activities of the participants to provide the context for the decision-making process. In this section, export activity characteristics, method of exporting and stimuli for exporting are outlined. Data analysis is used to build a model of the internationalization decision-making process and this is discussed in two parts. In part one, the practical decision is discussed and in the part two the strategic decision is discussed. At the end of the chapter, a summary of the preliminary model of internationalization decision-making process is presented.

5.2. PARTICIPANTS DESCRIPTION

A brief description of the eight interviews is presented in Table 5.1. Six participants were owner-managers of their firms and two identified themselves as the manager. The owner-managers had established and managed their firm since its inception. One owner-manager (i.e. DS) had inherited (in 2000) the firm from his mother who had established it in 1981. All had the authority to make decisions in their firm.

Table 5.1. Description of the Participants

	Interviewee Initials	Position	Firm	Year of Establishment	Location	Number of Employees	Firm Characteristics
F1	DS	O-M*	Furniture	1981	Yogyakarta	5	Traditional
F2	SM	O-M*	Garment	1988	Yogyakarta	10	Traditional
F3	HK	O-M*	Furniture	2009	Jepara	17	Strategic
F4	KA	O-M*	Furniture	2000	Semarang	15	Strategic
F5	AN	O-M*	Furniture	2001	Yogyakarta	15	Strategic
F6	SC	O-M*	Furniture	2002	Yogyakarta	6	Traditional
F7	MW	Manager	Furniture	1993	Sukoharjo	20	Strategic
F8	RU	Manager	Garment	2005	Sukoharjo	20	Strategic

*O-M: Owner-manager

The decision to establish a firm did not necessarily coincide with a decision to engage in international business activities (IBAs). Four firms were dedicated to serving the international market since their inception, and four others had served the domestic market before engaging in IBAs. In HK's case, he established a furniture firm in 1998 to serve the domestic market but realizing the potency of the international market, he then established a separate firm in 2009 dedicated to exporting. While HK had been in business for a long time, his engagement in IBAs was a relatively new experience. Similarly, SM started her business in 1988 without thinking about the international market. Her first export was made in 1998 when she received an order from a foreign buyer. She then continued her engagement in IBAs. In these eight firms, the majority were new to IBAs at the time of the study as they had been established in or around the year 2000.

Fluctuation in the number of employees was common in the participating firms as they used subcontractors for producing orders. They recruited more people if the orders were many and employed fewer when orders were low. For example, AN's firm was classified as a big firm with 150 people at the time he started his firm. However, after the economic crisis of 1997–1998 he employed no more than 30 people, but by the time of this study he only had 15 employees. The global economic crisis caused fluctuation in foreign orders and firms had to reduce employment levels as a consequence.

All the furniture firms produced indoor and outdoor furniture, such as dining suites, beds, cupboards, cabinets, kitchenettes and settings. They also made other furniture depending on orders. They usually had a showroom to display their stock. Completion depended on the buyer's desire and was done in the workshop, usually located behind or in the front of the showroom. Only DS had the showroom in a different location to his workshop. Firms outsourced elements of products, such as carved works, which were bought from producers in other cities, such as Jepara.

In contrast to the furniture firms, garment firms did not display stocks as production was mainly based on orders received. A variety of apparel, such as shirts and pants either for children, women or men were produced. Firms did not have a showroom and the workshop was usually located in the owner's house.

5.3. INTERNATIONAL BUSINESS ACTIVITIES

5.3.1. Export Activity Characteristics

Based on their export-related activities, firms could be classified as either 'traditional' or 'strategic' firms. Traditional firms were those that focused on selling products to the local market and exported if there was an order from a foreign buyer. Strategic firms were those that targeted foreign markets from their inception or during their growth. One of the three traditional firms had been very active finding buyers and the manager, SM, was motivated to participate in trade shows without worrying about the nature of buyers targeted by the trade shows (local, regional or international buyers). Her main purpose in participating in trade shows was to find markets for exporting:

I was participating in a trade show sponsored by PLN [Perusahaan Listrik Negara, National Electricity Company]. ... For me, it was to create markets. I would produce products as local consumers preferred them. For example, people in Bali preferred these kinds of style. By participating in a comparative study I'll know consumers' preference in a particular area. For me, comparative study is important (SM, 2012).

Participating in trade shows was not a method used by the other two traditional firms to find export opportunities. They conducted their business passively, by simply running a showroom and waiting for buyers to come in and buy their products. They did not engage in promotions. Their showrooms were their means to attract buyers.

However, the managers, SC and DS, stated that they had been attracting buyers and receiving orders continuously. They did not want to do anything differently. SC responded, *“Never. I’ve never done that”* when she was asked about promotion activities. She added, *“Yes, only from word of mouth. From word of mouth.”*

The main focus of the traditional firms was selling products in the domestic market and they exported only if there was an order for exporting. In contrast, strategic firms had targeted foreign markets since their inception or during their growth. Their reasons varied – from recognition of the potential of the local products for consumption by foreign buyers, identification of potential demand in foreign markets, to availability of continuous demand from abroad. Three firms had started by targeting foreign markets, while two others had developed the existing firm from a local market to an international market.

HK had experience in exporting from managing his previous firm, which had produced products for a particular local market. He depended on subcontractors in producing the products. However, the firm received orders from abroad and exported regularly. His preference was for simpler product designs and his passion to fully control product quality resulted in his building a new firm targeting the foreign market from the beginning: an export-oriented furniture business.

KA turned his business from being import-oriented to export-oriented. He was an importer, but the economic crisis had negatively impacted on his business. During the period of decline, he received an offer from a friend who was already an exporter to cooperate in exporting wood. Although it was a completely new business for KA, he accepted the offer and invested his capital in buying machines and materials for the new operation. He worked on the production section of his friend’s firm. His friend found buyers or orders and then offered part of the order to KA to produce. He then expanded the business by cooperating with other friends to export furniture, which gave him a higher return than exporting wood alone.

Offering part of the order to manufacturers in a production cluster was a strategic reason why MW started a business targeting international markets. The stimulus was the recognition of the potency of local products produced in production

cluster for international consumption. His strategy was to position producers in the production clusters as export partners: they manufactured products ordered and the firm did the finishing before the products were exported.

AN's strategy was to apply his work experience in foreign firms to start a business exporting furniture. Occupying a managerial position in a foreign company exporting furniture and having relationships with foreigners gave him knowledge of exporting. According to AN, he did not have difficulties in starting to export by himself.

"I was a General Manager of a French furniture company and was responsible for handling export and I got the experience from there. Difficulties I encountered in the beginning of exporting might not be a problem for me." (AN, 2012)

RU had no difficulties in turning her firm from a home-based business producing garments for the local market to an export-oriented one. A foreign buyer discovered the firm in his search for suppliers with low cost production and standardized products. As the order was regular and increased continuously, RU established a firm dedicated to producing export products.

Although the five strategic firms were dedicated to producing for the foreign market, they still sold goods to the local market. They were not solely exporters, but their emphasis was on selling abroad. As AN noted, *"We exported since the beginning. We sell only a few products for local market."*

5.3.2. Methods of Exporting

Methods of sending products abroad were similar amongst the participating firms. All participating firms exported indirectly through other outside parties. The participating firms were only responsible for preparing products to be ready for shipping. The remaining processes – shipping the products to the destined country and processing documents accompanying the products – were the responsibilities of an outside party: a forwarder. A forwarder was selected based on buyer nomination and/or the firm's own choice. KA explained how he chose a forwarder.

"CW [the partner] chose the forwarder... Sometimes, buyers chose the forwarder. Yes, it had to be an appointed forwarder and could only be that one. However, we predominantly chose it." (KA, 2012)

Managers generally considered the exporting procedures to be complicated and challenging. In the process, many parties needed to be dealt with and considerable paper work prepared. It was more effective to hand this process to a forwarder who knew the procedure well. By doing so the managers could focus on preparing products. As AN explained:

"We could encounter difficulties in the procedure of exporting by using EMKL [Ekspedisi Muatan Kapal Laut, Shipment Expedition. It is a forwarder]. We did not need to handle container arrangement.... The important thing was that we prepared the products." (AN, 2012)

This point was emphasized by KA:

"For procedure of exporting, there was someone who takes care of it: a forwarder. Yes, a forwarder. I did not really know the procedure actually. I just forwarded everything to the forwarder and they would give me the export-related documents and invoices. That's all." (KA, 2012)

Production was the focus of the firms that exported via an agent. Products manufactured by the firms were sent to the agent who would then export them abroad, directly or indirectly, through a forwarder. Agents can be analogized as a buyer who orders products from the firm and sell them to customers abroad. According to SM, she did not even know where the products were exported or the price at which they were sold:

"About the procedure, I relied on an agent. I did not need to handle export consent, fill in invoices, do this and that... I just need to pack. I did not even know the country where the products would be sold." (SM, 2012)

Not knowing and not engaging in the whole process of exporting apparently indicates that the firm was not totally involved in export activity. Citing Robbins et al. (2006), exporting involves activities of making products in the home country and selling them overseas. Selling the products can be indirect through intermediaries or direct through the firm's own department/branch/representatives (Kotler et al., 1998). The participating firms were only involved in making the products. Selling them overseas was not the firm's responsibility but the buyers. The firms may do a 'quasi-exporting'. In the Macquarie ABC Dictionary (2003), quasi is defined as "seemingly, but not actually" (p.807). The term 'quasi exporting' is used to show that the participating firms seem to

be exporting but they actually only make products for other entities who sell them overseas.

Assuming that participating firms did export, knowledge about exporting resided in the manager. The behaviour of the firm in exporting therefore depended on the manager. In other words, the manager was central in export activities of the firm; their central role will be analysed later. Preceding this discussion, stimuli for exporting are outlined in order to provide a background for the roles of the manager discussion. Considering the proposed model of internationalization decision-making process, which consists of three phases, stimuli for exporting is an input for a decision, the first phase of the model. The stimuli for exporting may affect how a decision is made as a stimulus may be responded to differently by different managers. Different stimuli thus result in different decision-making processes.

5.3.3. Stimuli for Exporting

5.3.3.1. External Stimuli

The study revealed that a stimulus triggered a firm to start exporting. The ways managers responded to the stimulus identified the 'personality' of the firm. It may be a reactive, proactive or combination of both labelled as 'reproactive'.

Referring to Czinkota et al. (1994)¹, a reactive exporting firm can be defined as a firm doing export as a response to a stimulus received from either inside or outside the firm. Predominant stimulus for exporting received by the participating firms was an unsolicited order from a foreign buyer. DS's, SC's, and KA's firms are categorized as reactive ones as they exported only if there was an order from abroad or for purposes of selling abroad. Otherwise, they sold products only to domestic markets.

Selling products to domestic markets was not the orientation of the proactive exporting firms. According to Newbould et al. (1978), a firm with a proactive motivation formulates strategies to achieve the firm's long-term goals. The stimuli can thus come from inside and/or outside the firm. Although the stimulus of participating firms in this

¹ According to Czinkota et al., reactive motivations relate to stimuli that result in a firm's response and adaptation to change imposed by the outside environment. Proactive motivations, on the other hand, relate to stimuli for firm-initiated strategic change.

category was also an order from a foreign buyer, there were differences in the way the firm received the order. As their focus was on foreign markets, these firms actively searched for buyers who were able to sell their products abroad. AN's firms actively participated in trade shows in searching for foreign buyers. AN believed that trade shows were the most effective way of searching for buyers. MW depended more on the internet as the media for attracting foreign buyers. Meanwhile, RU actively looked for information about orders from brokers and friends. An exception applied to SM's case. SM very actively participated in trade shows. She took any opportunity offered by the government to participate in trade shows, as she could do so at no cost. However, SM's purpose of participating was not only to search for foreign buyers but also to find local buyers in order to build the market for her products.

HK's firm used a combination of reactive and proactive methods to search for foreign buyers. HK built showrooms in strategic locations. He hoped foreign buyers would visit his showrooms as they searched for suppliers, and he levered off the conditions of the city where his business resided. The city was very popular for furniture production, and buyers from many countries came to this city to buy furniture products. According to HK, foreign buyers visited shop after shop comparing quality, designs, and price before they ordered supplies. He built showrooms to attract foreign buyers. He would then bring the buyers to the factory, which was located in a different place, if the buyers were interested in ordering. On one hand, HK strategically created the way to attract buyers (proactive) and on the other hand, he passively waited for buyers to visit (reactive). To illustrate this combination, HK's firm was classified as a reproactive exporting firm. However, the stimulus for exporting was similar to the other firms': orders from foreign buyers.

The discussion about stimuli for conducting export provides insight into the 'personality' of the firm, which is reflected in the export behaviour. How a stimulus elicits action relates to the manager as the decision-maker. The role of the manager in making a decision is outlined below.

5.3.3.2. Internal Stimuli: Role of the Manager in Making Decisions

The central role of the manager in exporting is clear, because the manager is the only person making decisions. The firm's ethos is therefore identical with the manager's and the manager's characteristics will possibly reflect on the firm. As SM explained:

"Absolutely, I made all decisions. I am the director and am responsible for the production too. ... I did everything from making patterns, producing, managing sales, marketing, to packing. Although I had someone to do a thing, the decisions were still on me." (SM, 2012)

As KA was in a partnership with friends for exporting, he made decisions as they related to his own firm but jointly with the partners as they related to the partnership. He admitted that making a decision with the partners was much more difficult as it potentially produced disagreement among them. The difficulty in synchronizing the goals of each party finally made him end the partnership and continue on his own in business. He could thus make decisions by himself. KA outlined it as follows:

"At the beginning, three people joined in this partnership. Then, one person withdrew his share. For me, joining with three people was very difficult. Yes, synchronizing three heads with different thoughts was extremely difficult." (KA, 2012)

In his journey of managing the business, DS learnt to make decisions by himself. As he inherited the business from his mother, in the beginning his involvement in making decisions was part of the learning process in managing the business. He was responsible for making operational decisions by himself and involved his mother for strategic decisions, for example whether to accept an order for export or not. The proportion of decisions made with his mother reduced gradually until he made them himself when his mother left the business.

Involving staff in making operational decisions was AN's way. He believed that the staff knew more about operational conditions in the firm. Their knowledge on product specifications and production capacity was beneficial in making decisions. However, AN made strategic decisions himself, such as those about developing the business.

As health conditions did not enable HK to be involved in the daily management of the firm, he took responsibility for strategic decision-making, such as export decisions,

but shifted responsibility for making day-to-day operational decisions to an operational manager he hired. He noted:

I was a one-man-show: from handling the production system, managing suppliers, controlling quality, finishing, controlling quality of finishing, packaging, to delivering. ... Then I thought about creating a new management in which I did not need to be involved and manage daily activities directly. ... I hired a person to manage the business with a ready production system. ... I was then really relieved of the daily running of the business. ... I should think about my health. (HK, 2012)

SC was responsible for daily operational management together with her husband. However, she admitted that she was more dependent on her husband's decision-making and followed his decisions, especially as they related to exporting. When she was asked who made the decision to export or not to export, SC outlined:

"I decided together with my husband, yes, with my husband. I, however, preferred to follow his decision. I reckoned that my husband did not want to do something complicated. He just wanted to do a thing that is simple." (SC, 2012)

Although RU and MW did not explain clearly about their role in making a decision, it was clear that they were responsible for the most part for the decision-making. They were responsible for affirmative action to be taken following a stimulus. It was RU's responsibility to process export activities in the firm and she noted:

"We examined it inside the firm whether we were capable to take the order and whether it generates profit." (RU, 2012)

MW explained this role differently:

"I had to think how to bring the products to customers or to enter to a country." (MW, 2012)

The predominant role of the manager in making an export decision reflected the manager's level in the hierarchy of the firm, which provided them with the authority to make a decision. As a consequence, the manager's personal characteristics – motivation, attitude, perceptions, experience, and knowledge – coloured and shaped the firm through the ways the manager made a decision.

As he had already had experience in exporting from his previous business, 'learning by doing' was HK's way of learning more about exporting. As he noted, he became more knowledgeable from the mistakes he made and became more aware of

serving customers better in the future. He, however, was not confident enough to learn directly from customers abroad or about markets abroad. Although he had an opportunity to visit foreign countries under buyer invitations, HK did not take this up even though he knew it was a good opportunity. He noted:

"I was actually too lethargic or I might be too insecure, I think. I was invited by my buyer to come to his country on him. He would like to pay for the tickets and provide me his place for spending nights. But, I proposed many reasons for not coming." (HK, 2012)

He admitted that his decision not to go was not good for building a relationship with the buyer. Feeling insecure about communication and having little experience directly with foreign buyers hindered HK from exploring opportunities abroad. He, however, was optimistic about market opportunities abroad, although he knew some countries were experiencing a downturn due to the economic crisis. He outlined his optimistic view as:

"However, we kept optimistic, still optimistic. We still made new samples, new products and etc." (HK, 2012)

He even tried to invent a new production system in order to respond better to orders. As he said:

"I have already invented and found a system. I have already mastered the system and was good at handling the process from material procurements to production. The system has been operating currently." (HK, 2012)

HK also created a mapping system to locate raw material sources, suppliers, and contact persons. The map made it easy to find suppliers. His self-confidence was apparent when he described the role of his formal education background in creating this mapping. He cited:

"I could use this map if I need to buy samples. I would know where to find them. I just called the suppliers and asked whether they have products as specified by a buyer. ... This really helped me." (HK, 2012)

Although he believed that his firm was capable of taking an order, he considered other factors, such as order quantity, profit margin and ease of production in deciding whether to take an order on or not. He described this as follows:

"I did not need to spend much energy on it because it's easy, produces only components. Its margin was also incredibly high. I therefore take the order." (HK, 2012)

Similar to what HK considered, KA considered continuity of the order besides order quantity and profit margin before taking an order:

"It's too complicated and the profit was too small. Yes, the profit was very small... but if the quantity was thousands of units, it should not be abandoned. Yes, it could be regular income for the firm." (KA, 2012)

KA was risk-averse in considering whether to take on orders and in selecting foreign countries for exports. On the contrary, he was a risk-taker in turning his business from an import-orientated into an export-oriented firm. As he stated, KA avoided the U.S market and preferred to enter markets in other countries to minimize risks. According to KA, buyers from the U.S set a very high level of quality control and therefore risk for product rejection would be higher. He admitted that he hesitated in taking an order for export even when the buyer offered him a fifty per cent down payment in advance:

"I haven't had the experience yet. It actually was not about the experience, instead I needed to consider financial matters much more." (KA, 2012)

He was not worried about risk when he decided to transform his business and started exporting. He was so confident with his decision. He claimed:

"Yes, at that time that was an incredible decision as I did not know anything about wood and... and I finally got much experience from it." (KA, 2012)

As he noted, this new experience motivated him to enter the business although he did not have any background in the business:

"Different. It was totally different business since the beginning. ... That, however, motivated me to learn more." (KA, 2012)

He added:

"I was an importer and there was an offer to become an exporter. I wanted to try it. What actually did exporting look like?" (KA 2012)

Although he experienced a significant loss in the business, this did not deter him from continuing to run the business. He did not give up and kept trying.

Age played a role in SM's consideration not to continue exporting. Being 68, she felt that she was no longer agile. Previously, she had been motivated to go to other cities at any time to find materials for producing the orders, or to attend training, or to participate in trade shows. She now did not have the energy for the activities; she felt tired, so she decided to serve the local market only. She was, however, still open to taking orders for exporting if they came to her. In her previous journey in exporting, she was highly motivated to learn anything related to her business and never gave up when she faced difficulties. Every time she encountered a difficulty, SM tried to find help from other parties, such as an expert in a university and Department of Industry offices. She attended training in export and import, marketing, management, packing, making invoices, etc. She even attended technical training in, for example, making patterns and cutting. She emphasized it thus: *"... and I participated in all trainings."* She also participated in many comparative studies of regions that were conducted in relation to government support and knowing about local consumers' need. She enthusiastically took an order for a product that she had never produced before. She explained this:

"Although I did not know how to produce it, I told the buyer I can make it. For me, it is always possible to produce any products as long as I have a picture of the product." (SM, 2012)

Her motivation to do business aggressively had waned with her age. More recently she conducted her business at a slower pace.

AN conducted the business based on the belief that the opportunity and right time were important in exporting. As he noted:

"I wanted to. Yes, I really wanted to. Nevertheless, there had not been an opportunity for me yet." (AN, 2012)

Furthermore, he explained:

"Although we actively searched for buyers, we might not find them if there was no opportunity for us. Thank God, we had just the right timing." (AN, 2012)

However, he did not always take the opportunities that came to him. Although AN had an opportunity to visit a foreign country – (he was invited to participate in a trade show in a foreign country) – he did not take the opportunity as he thought he was not ready for that. For him, the opportunity might not come at the right time:

“But, what I can say. I might not be ready yet.” (AN, 2012)

His lack of readiness resulted in the decision to only send his products to the trade show without his own presence there. He was cautious and a risk-averse manager. In order to avoid problems, he was selective. As he admitted:

“We are supposed to reach a minimal target of sales, but we must be selective anyway so we don’t have problems in the future. If we thought the ordered products were too complicated to produce, we would admit that we couldn’t produce them.” (AN, 2012)

Also, AN admitted:

“Yes, we tried to minimize risk because not every foreigner is good.” (AN, 2012)

Unlike AN, MW visited foreign countries in Asia and Europe to promote his products or participated in trade shows. He spoke English well and was the only participating manager who had international experience. He continuously exported.

In DS’s case, his self-confidence hindered him from continuing to export. He admitted that he was not a person who had the characteristics of an exporter. This self-judgement meant he decided not to export continuously. He would only export if he knew there would be no difficulties in processing the export order. He noted:

“The buyer was amenable in what he ordered. The majority of the items he ordered were those available in my stock. ... Thus I did not need to think a lot about materials etc. Then, my mother and I decided to take an order from that buyer. He also gave made payment easy. He paid about almost half of the order value in advance. That was another reason for accepting the order.” (DS, 2012)

DS emphasized:

“Luckily, we could export with no difficulties. I took the order as I took a local order.” (DS, 2012)

He, however, was hesitant about contacting his foreign buyers: *“I just feel uncomfortable to do that.”* This made it problematic for him to find new orders from buyers. In addition, the bad experiences of relatives and friends in business discouraged him from continuing exporting. As he described:

“I was afraid because many relatives and friends had received complaints from the buyers, and the products that had been in the destined country could not be

withdrawn back to the home country. The products were stagnant; they could not be withdrawn back here and could not be traded there. As a result, no payment was received.” (DS, 2012)

His fearfulness was cultivated as he witnessed many big exporters collapse during the economic crisis. This made him realize that exporting was a high-risk business and he decided to export passively.

The decision to export can be classified as either a practical decision or a strategic decision. A practical decision relates to a decision to process an order for exporting. It starts from receiving an intention to order from a buyer (stimulus for exporting) and ends with delivery of the products ordered. A strategic decision, on the other hand, relates to a long-term decision to continue or discontinue exporting.

5.4. THE PROCESS OF MAKING AN INTERNATIONALIZATION DECISION

To understand the decision-making process of the managers, a discussion of all the practical decisions will be presented. Practical decisions made by the managers comprise three consecutive processes: the order process, production process, and delivery process. Each will be presented in a diagram to help identify areas in the process in which a decision has to be made by the manager. Following this, a model illustrating the whole process will be presented to show the practical decisions.

5.4.1. Order Process

The order process starts when a foreign buyer shows an intention to buy products. In this study, the process was slightly different depending on product specifications and designs. The manager discussed the specification and design of the products with the buyer and decided whether the firm was able to produce them or not. If the manager thought that the firm was able to produce them, they took the order, otherwise they rejected it. Generally, the decision to take or reject an order was made relatively quickly. The managers did not consult with subordinates but instead made the decision by themselves based on the firm’s experiences.

In DS’s and SC’s experiences, they made the decision about product specifications and designs very quickly as the buyers selected the products to order from the collections available in the store. This gave DS and SC benefits in processing the

order quickly as the products were readily available, were ready for the finishing process, and then were ready to be shipped in a relatively short time.

The decision took longer in the case where the buyers brought their product specifications and designs with them. The manager needed time to decide whether the firm could produce them or not. For SM, however, she had been in the habit of accepting all specifications and designs even though her firm had never produced them before. She perceived that anything was possible and she just had to find ways to produce the products.

Quite often, buyers brought pictures of the products they wanted from magazines, photos, or flyers and asked the manager to make technical designs for the products in determined specifications. In such cases, the decision took even longer. As described by AN and HK, they had to select first among the alternative specifications and designs brought by the buyers before following it up by creating technical designs and deciding which the firm was able to produce. AN preferred the buyers to determine which products were to be ordered as according to AN they knew more about market preference than he did.

Buyers then asked to see the production facility before they were ready to make an order. This was for assurance that the ordered products would be manufactured in a way that warranted the quality of the products. Being satisfied with the production facility and process, the buyers then gave their intention to order for selling back to their home country.

Following the agreement on product specifications and designs, negotiation on price and payment took place. Pricing was the most critical part of the negotiation in deciding whether the buyer and the manager had a deal, and the order was then set.

Preceding the negotiation, the manager calculated the price for each product and offered it to the buyer. In other cases, the buyer offered the price to the manager and the manager evaluated the price to determine whether it covered production costs and had a profit margin. As AN outlined, from among the alternatives brought by the buyer, he would select products to produce at a price that covered the costs. All

managers calculated price that covered only production costs. Other costs (packing, trucking, shipping, etc.) were at the buyer's expense. They termed this pricing system as either 'ex-factory' or 'franco'.

The price was set in Indonesian rupiah (IDR) for different purposes. For SC, the reason was merely that she positioned foreign buyers as any buyers who came and bought products from her store. She did not want to be bothered with the price abroad.

As she did not want to be bothered with the difficulty of setting prices in foreign currencies, SM set the price in IDR. SM admitted that she did not have knowledge about foreign currency. Setting the price in IDR was thus the easiest way for her. She added that it was the buyer's responsibility to set the price in their own currency. She, however, still considered price competitiveness for her products by setting a relatively fair price. Costs of production were used to set the basic price. Adding a certain profit margin resulted in the final price. SM set prices flexibly enough depending on the buyer's interest. She might charge different prices for similar products to different buyers by setting a flexible profit margin. Her prediction and guess work played a role in this part. As she outlined:

"If I reckon the buyer is really interested in the products, I set a different price ... I set the price flexibly depending on buyers' interests." (SM, 2012)

His interest in receiving payment of an exact amount made KA set prices in IDR. This way gave him a more secure situation as he could minimize the risk of exchange rate fluctuations. Although AN set prices in dollars, he minimized the risk by setting the price using the f.o.b (free on board) method and 'ex-factory'. The f.o.b covers not only production costs but also transportation costs for the products from the factory to the shipping board. He rejected any other method, such as c.i.f (costs, insurance and freight). He then negotiated the price and made the decision based on the deal price. He noted this as:

"Most was f.o.b. Yes. There were buyers who asked for c.i.f, but we rejected it. ... It was too risky for us. So, we prefer f.o.b or ... also ex-factory." (AN, 2012)

For HK, the decision to apply the 'ex-factory' method was to be more competitive than other producers. His firm was located in the city, in which many

producers made similar products and so competition was relatively high. HK dealt with this competition with his ex-factory pricing method. He showed the production costs included in the price calculation to the buyer. The buyer could then compare it against other producers' prices before making the decision to buy. HK explained that he would not be able to do so if he used f.o.b. According to HK, the final price might be the same as or even higher than competitors' and might not reflect the real costs of production in which he might be more competitive than others. For HK, the quality of the products was another consideration. He offered a higher price because he perceived that his product quality was better. He also explained this reason to the buyer.

The final price was determined in the negotiation. The majority of managers claimed that they had bargaining power in negotiating the price over the buyers. In the case that their price was higher than the buyers' expectations, the managers would stick to the determined price. Managers rejected the order if they thought price was not able to cover the costs. As SM outlined, she would give a buyer the choice to take the offer or to leave it as price comprised only production costs and targeted profit:

"If the buyers really needed the products, they would take the offer. If they needed them, they would agree with me. ... If they didn't, I would not take their orders. ... If I did not want to accept the order, there would be no a deal." (SM, 2012)

The deal was achieved if buyers agreed with the offered price.

The negotiation might take time or could be achieved quickly. As DS explained, the buyer gave him time to evaluate the offer and to make a decision.

"O yes, of course the buyer did not want us to decide in the first meeting. They said I might consider it first in case further questions were needed. When I was given time to consider, I contacted my relations and asked whether they might be able to produce the ordered items." (DS, 2012)

MW liked to minimize risks in accepting the agreement. As the business was new for KA, evaluation was an important thing for him to do before he agreed to take the order. Meanwhile, SM and HK noted that they accepted the order quickly if they had already agreed on the price. If the buyer could not accept the price, HK would advise the buyers to go to other producers who offered lower prices instead of lowering his prices.

Agreement on price seemed to be a key factor in making the decision to take an order. However, not only agreement on price but also agreement on other conditions was the basis for RU to decide to accept the order. She did not outline clearly the conditions of making the decision, rather she emphasized it by noting:

“If both parties have already dealt and each agreed on the determined conditions, a deal is achieved.” (RU, 2012)

Managers also considered the payment system when deciding to take or reject the order. They preferred that the buyer gave advance payment or a deposit as they could use the payment for production. DS, HK, and KA explained that they decided to take the order because the buyers paid fifty per cent deposit.

AN explained he set the payment system from the beginning. He demanded a deposit once an order was dealt, although it was not clear how much of a deposit he demanded. The final amount had to be paid soon after the delivery and before sending the original documents to the buyer. This was to ensure that the buyer really wanted to buy his products. He added that he did not receive a L/C (letter of credit) as there was a possibility for unclaimed payment. It could be stated that AN wanted to minimize the risk of the transactions with this system.

Time needed to complete the order process varied. It might take days or weeks. In DS's experience, it took three meetings in a week to discuss such things as price and delivery before the deal was set. For HK it might takes weeks before a buyer placed the order. In HK's case, the time depended on the buyers' decisions. After comparing products, production system, and prices from shop to shop, buyers would then choose a firm in which they would place the order. On the last day they were in the country, they would come back to the firm and further negotiations would take place for finishing the deal.

The agreement to place the order was relatively informal. There were no complicated documents accompanying the agreement. HK just made a purchase order (PO) and SM filled in an invoice only. The agreement was built on trust between the producer and the buyer. As KA explained, an order was a sign of trust from a buyer after the buyer had taken a look at the production facility and location before placing an

order. Risk was also minimized as buyers paid a deposit as a guarantee of the order and they would pay the rest just before the products were delivered. HK emphasized this:

No, we created only POs. No more than that. I don't know whether this traditional system is good or bad, but very often buyers trusted us. After they observed our stores and production system, they thought they might not need to sign a contract. No. Here it is – 'I give you an order with this much and I give you a deposit'. That's all. Then they went back to their home country. We communicated dates when the products were ready and when ready for stuffing [loading products in to the truck]. And they would pay the rest. (KA, 2012)

The decision to take an order from a buyer was thus identical to the decision for to export as managers had to produce products for selling abroad. Figure 5.1 presents decisions made by the manager during the order process. The next decision following the decision to take an order is a decision relating to the production process, which is outlined below.

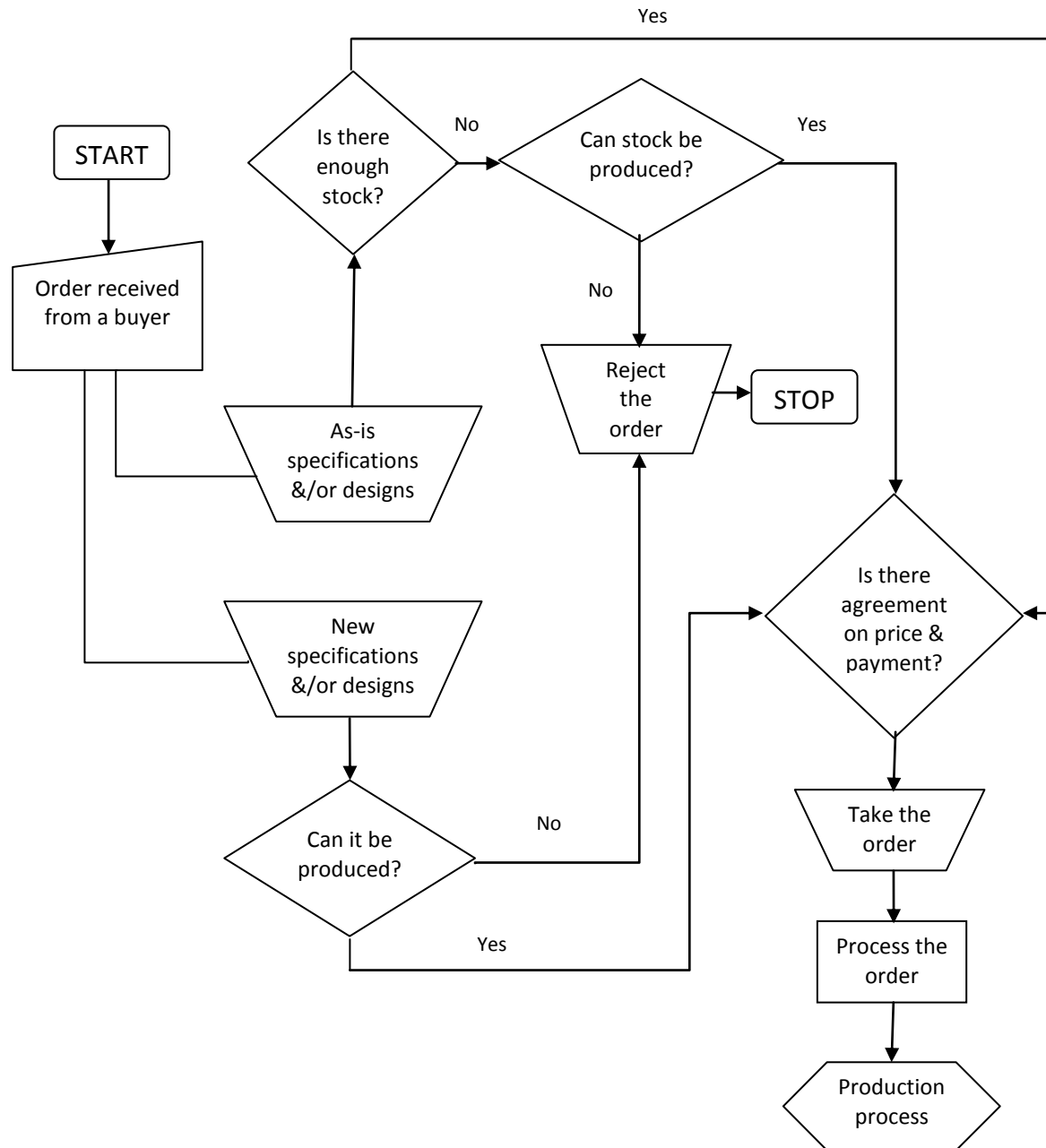


Figure 5.1. Decision-making during the Order Process

5.4.2. Production Process

Production is the main focus of each firm's activities. As AN emphasized:

"The most important thing is that we produced the products." (AN, 2012)

During the production process, the decision made by the managers was to produce the order in the firm (self-production) and/or to subcontract the production. The majority of furniture firms used a subcontracting production system. In this system, firms bought or

ordered products from other suppliers and put the finishing touch on the products as specified in the order. AN noted this as:

"We did not produce the products in the firm, but we subcontracted to other firms in Klaten and Jepara. After receiving the products, we did the finishing and then sent them. Yes, sent them. It was kind of that we uh, did not start from zero." (AN, 2012)

Previously, HK subcontracted the production. Realizing the shortage of subcontractors with quality control systems, he then created a production system that enabled him to control quality and produce the orders more quickly in the firm. As HK admitted:

"At that time, we still subcontracted or used sub-suppliers, a term used locally here, to produce our products. Consequently, we could not control the quality from the beginning of the process of production." (HK, 2012)

Furthermore, he added that the production system he had built could support quality control, as he expected:

"We produced based on buyers' designs as the buyers were more knowledgeable about market conditions in Japan, but our production system could support their designs with the quality as they want." (HK, 2012)

However, self-production affected pricing. His price was higher than that offered by the subcontractors. He explained this:

"And unfortunately we could not compete with the sub-suppliers in pricing or production costs since they produced much cheaper than ours." (HK, 2012)

HK created a system to deal with this maintenance issue by using drying machines so that he could produce better quality products and reduce the possibility of them being damaged. This was important since a particular wood needed specific maintenance or treatment. KA agreed that special treatment for wood was problematic. He noted:

"However, wood is unique. It might not be as we expected. It might be a big problem if the climate was changed." (KA, 2012)

At the beginning of his business KA sent one of his employees on an apprenticeship to learn how to choose good wood. KA focused more on self-production. He invented machines that could support him to produce the orders offered by his partner. His decision was thus more focused on where to find materials, how much to

buy materials for, and when to finish the production. For orders coming to him directly, he subcontracted part of the production if he experienced a work-overload.

DS decided to self-produce or to subcontract based on the style of the ordered products. He did not produce carved products himself but subcontracted these:

"I bought almost 90 percent of the carved work products in what we called Asian style from Jepara. By doing so, I did not need to think too much about materials and any production related things." (DS, 2012)

He continued:

"The products arrived in an unfinished condition. We processed them further here. We built them up and did further processing until they were finished. ... An exception was for non-carved work products. ... I have my own carpenters for producing them." (DS, 2012)

Networking with the subcontractors made it easy for DS to order products he needed:

"Because we have been ordering products from them for a long time, we only needed to take note of codes of products when ordering through a phone call. ... Nevertheless, we sometimes came by for surveying other products. ... and just called for the standard products." (DS, 2012)

SC had the same system as DS. She bought carved work products from Jepara and produced those without carving in the firm. She made samples and put them in her store. In the case where a buyer wanted the products available in the store she just needed to do the finishing. Otherwise, she had to manage the whole production process from finding materials, to finishing, to producing the designs as the buyer wanted.

SM accepted and self-produced any designs the buyers desired. As described before, she accepted the order first and then decided how to produce the products. At her late age, she subcontracted the production but still controlled the quality. If the products were not to the standardized quality, she returned them to the subcontractor. As buyers did not accept the products that did not exactly meet their specifications and returned them to the firm, the risk of default products was thus on the firm. Controlling quality of products from the subcontractors was therefore to minimize the risk.

Figure 5.2 shows the process of making a production decision. It does not present technical or practical processes in production since its purpose is to emphasize

internationalization decisions in this case represented by exporting. Following the illustration of the production process below is a description of how the ordered products is brought to the buyer, covered in the subsection ‘delivery process’.

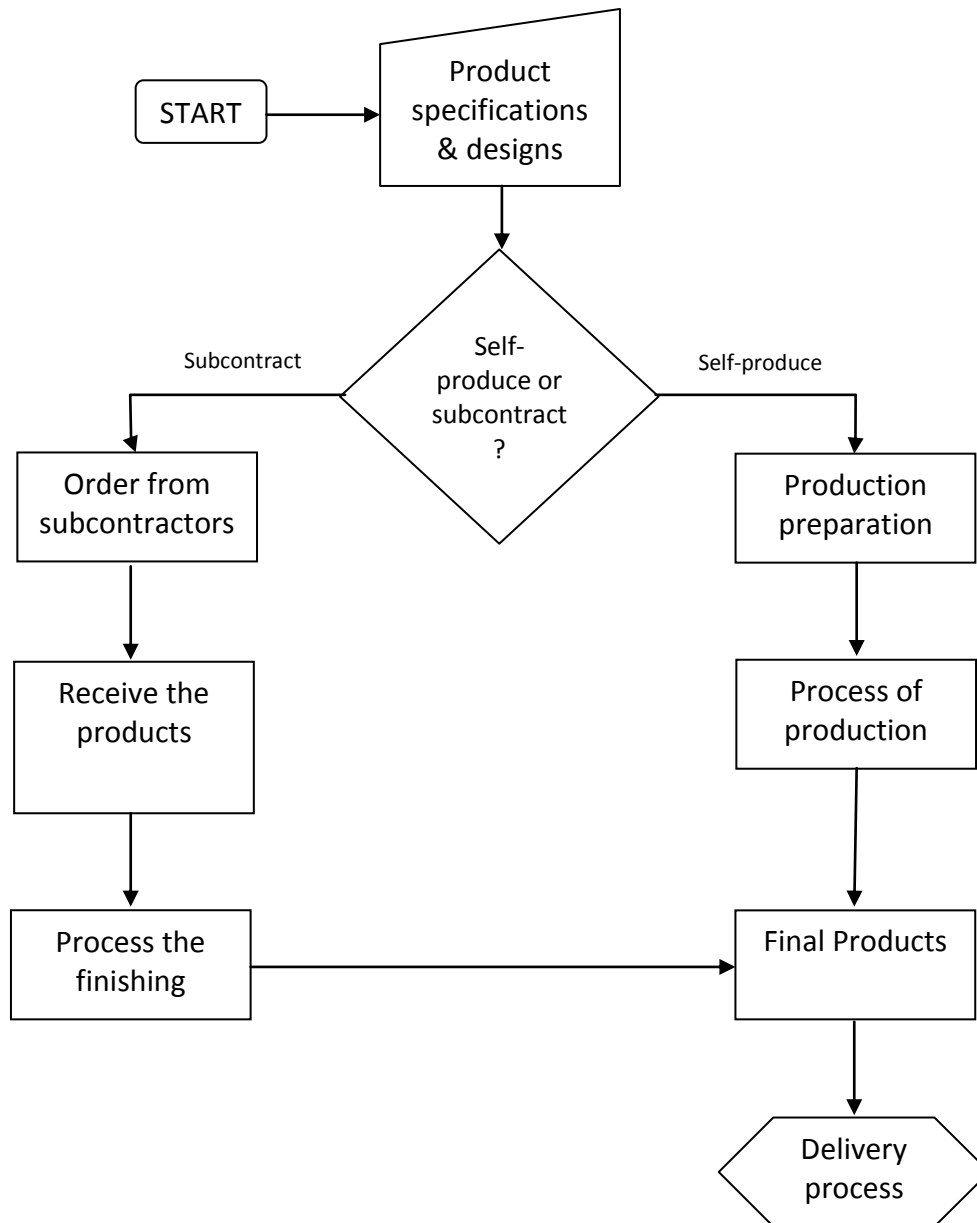


Figure 5.2. Decision-making in the Production Process

5.4.3. Delivery Process

For these participants, the final products were handed to a forwarder, agent or partner for delivery who handled all documents related to the delivery of the products to the buyer in the destination country. When the products were ready for delivery, the managers contacted the forwarder to make an appointment for delivery. At the

specified time, the managers sent the products to a determined area for loading onto the container. The area was arranged by the forwarder. It was usually a place with a lot of space to enable stuffing, packing and loading the products easily. As HK noted:

"If we had a lot of space, the forwarder and buyer would be happy. Okay, we do stuffing here." (HK, 2012)

Since the volume was not always a full container, the products were sent to the buyer in a shared container with another firm's products or other products bought by the buyer. This shared container might be the case when a buyer ordered from a range of firms or ordered different products from other firms. In SM's case, she had to contact other firms to arrange sharing a container. SM noted:

"The buyer did not only order from me. They might have ordered also from firms in Jepara. I sometimes contacted the other firms to confirm when they would finish their products so we could send our own in a shared container. We would reduce delivery costs by doing so." (SM, 2012)

There were no particular decisions made by the managers at this stage, as the main responsibility of the managers was only to prepare products on time for delivery including coordinating with others if sharing container was the case. As KA explained:

"After the container arrived, we did packing and other preparations at my place. But, it was not... not my responsibility. It was a transaction between the forwarder and the buyer." (KA, 2012)

SC emphasized that delivery processing was not her responsibility. She said:

The buyer processed the documents. The important thing for the buyer was that the products had to be ready at the specified date. As the container would be sent at this date, the products must have already been in the warehouse at the date. So, what I did was to prepare the products so they were ready on time. They had to be readily packed and sent to the warehouse. Other things were the buyer's responsibility. I only needed to make an invoice. (SC, 2012)

Forwarders sent the documents to the managers for claiming final payment from the buyers. Upon receiving final payment from the buyer, the process of exporting finished. The decision making in the delivery process is presented in Figure 5.3.

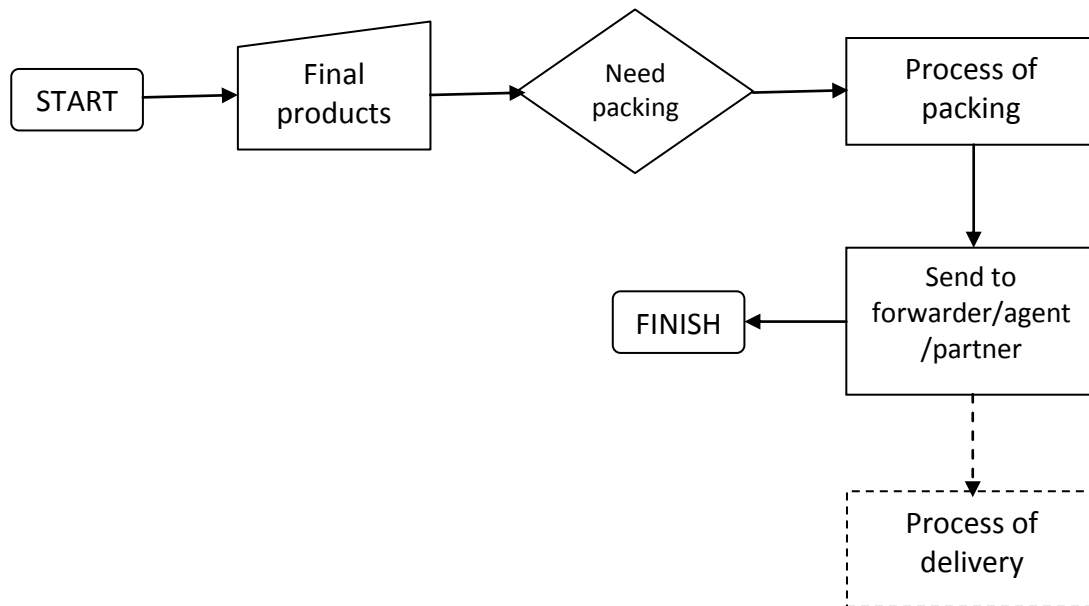


Figure 5.3. Decision-making in the Delivery Process

Decisions at the practical level were short-term decisions and could be made every time an order was received. The manager responded based on particular considerations and sequential processes to be followed. The whole process of practical decisions (see Figure 5.4.) would take approximately three months. As SC outlined, the first month was for preparation, the second month was for production, and the third month was for packing, quality control and sending the products to the destined address.

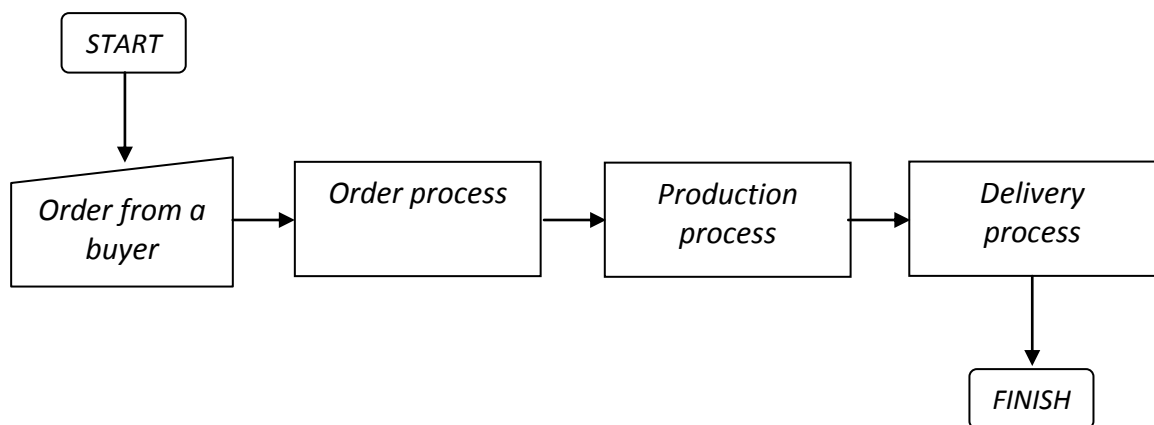


Figure 5.4. Practical Internationalization Decision-making Process

5.5. STRATEGIC DECISIONS

Although the participating managers had experience in exporting, some did not want to continue IBAs. Considerations relating to external or internal conditions were

the reasons cited. The external conditions related to conditions outside the firm's influence on the decision and the internal conditions related to the internal capability of the firm. The external and internal conditions directed the managers to make a decision to continue or discontinue IBAs.

5.5.1. Decision to Continue IBAs

The decision to continue exporting had two related dimensions: continuing without the required conditions and continuing with the required conditions.

The decision to continue exporting without the required conditions was mainly based on the manager's optimism about international market conditions. According to MU, wide market opportunities abroad were the reason to continue exporting. The opportunity was indefinite, as it comprised hundreds of countries and millions of customers. It seems that MU considered only the potential demand and did not consider other factors influencing the demand, such as ability to buy and market competition. His optimism brought him to target markets overseas and he did not rely only on one country to sell his products. He participated in trade shows to find markets abroad and continued to build customer lists from which he could find export orders.

The ability to find orders for exporting created confidence in RU to continue exporting. Her confidence was supported by the long experience of her firm in serving foreign markets well. She explained:

"The firm is experienced in receiving orders from abroad and has been able to maintain it." (RU 2012)

RU added that commitment was the key for her to be a successful exporter. Furthermore, RU believed that foreign markets were indefinite and therefore demand would continuously be received. Her belief may not realistic. It, however, indicated her optimism about the market conditions. Receiving payment on time and reasonable prices offered by the buyers were other good experiences that made RU continue to export.

For AN, there were two reasons for continuing exporting. First, he predicted that orders would continually exist. This optimism created confidence that the firm would experience income generated from continuous orders, even though profit from

exporting was not high. The second reason was payment. According to AN, foreign buyers usually paid on time, while local buyers often delayed payments. However, the economic crisis in many countries motivated AN to deviate to domestic markets because he experienced declining orders from abroad. The crisis urged AN to re-evaluate his target markets. AN decided to switch from serving markets comprising consumers from middle to low economic society - which was influenced much by the crisis through lower ability to buy - to those from middle to upper economic society - which according to him were not influenced by the crisis.

Optimism and good experiences in dealing with foreign buyers directed MU, RU and AN to continue engaging in IBAs regardless of existing conditions in their firms. However, the decision to continue exporting was made by the managers with no analytical process. It was based on the managers' belief, experience and knowledge. There was no information gathered and analysed to support this belief, and their knowledge of what happened in the past created optimism in them continuing.

The decision to continue exporting, if supporting conditions were met, was another case. Two managers had stopped exporting and would only consider exporting in the future if certain conditions were met. KA discontinued exporting due to a big loss he experienced and he had inadequate capital to continue exporting. The logs he bought for producing furniture that had been ordered were suspected of being illegal. Production was suspended by the police while they undertook their investigations, and this resulted in him being unable to finish the order in the given time. The buyer said KA failed to fulfil the commitment and stopped the order. He lost the capital invested in the logs. As KA explained, he would consider exporting if his financial condition were strong enough to restart exporting. According to KA, financial conditions were critical in being able to export. He already had the experience in exporting, the physical resources (machines, workspace, and warehouse) and the human resources (employees). Therefore, there would be no difficulty for him in starting production for export. His employees even encouraged him to export again and they were ready to work toward this aim. He, however, planned to export by himself and not jointly with friends if his financial condition enabled him to start exporting.

Financial conditions underpinned HK's 'on-and-off' strategy. He allocated the finance on an order if he thought it benefited him to take the order (an 'on-strategy'). Ease of producing the products ordered, the possibility of giving less attention to processing the order, and good profit margins were HK's considerations when deciding to take the order and were an 'on-strategy'. Otherwise, he reallocated the finance and resources to serving the domestic market if he predicted the opportunity was better (an 'off-strategy'). He outlined this on-and-off strategy:

It's amazing. Local demand never ends. It needed a simple production system, and there was almost no complaint from buyers. The price was even better, much better. The price could be set higher for markets, especially in eastern Indonesia, and it was even better than the export price. ... Then, a buyer from Italy came in. ... I calculated costs, it seems ... I wanted to take the order. So, I used the fund that I allocated for Makasar to fill the order from Italy. Why did I do it? I thought it was easier for me to do if I compared it to investing in Makasar. I have to go there. I have to arrange staff here to help in settling up a branch there. I have to boost the market there. ... But when the Italian buyer came in, ... I did not need to expend much energy because the order was easy ... and it had good margin. (HK, 2012)

HK also applied this on-and-off strategy in selecting countries. For example, he stopped accepting orders from buyers in a country, even though the orders were quite big, because the payment was always delayed. He then allocated the resources for processing orders from other countries. Finances were therefore a consideration of whether to continue or to discontinue exporting. However, HK was an optimist and he thought his firm could serve the international and domestic markets. He was confident that he could penetrate the domestic markets well because he had better quality products. The export quality of the products was his competitiveness.

Confidence, optimism, and positive experience were triggers for managers to continue exporting. In other words, the stimuli to continue exporting mainly resided in the manager. Even disruption in international market conditions due to economic crisis did not hinder managers in continuing to export, they simply adjusted their targets. Financial conditions within the firm were another factor that supported their decisions. These characteristics were not present in the managers who decided to discontinue exporting. The following section discusses the reasons behind the decision to discontinue exporting.

5.5.2. Decision to Discontinue IBAs

After experiencing export, some managers decided to discontinue exporting. This decision was made by three managers mainly because of the complexities involved in exporting. For SC, exporting was much more complicated and risky than selling to domestic markets. SC explained that she and her husband did not want to do complicated things such as exporting but just wanted to do things that were simple and a definite result. For her, export products had to be perfect, otherwise, buyers complained and she might not get paid or products might not be returned if they had already left Indonesia. A double loss could result for the business. This did not happen for products sold domestically. Products complained about could be fixed and re-sold as distance was not an issue. Furthermore, selling products to domestic markets enabled fast capital turnover. This was beneficial for growing the business continuously. Her confidence to serve domestic markets was only emphasized when she noted:

“For sure, my husband and I wanted to serve local markets only. We were confident because our business keeps running and receives orders continuously. We keep receiving orders. Thank God, never no orders.” (SC, 2012)

Good domestic demand was the external condition attracting SC to focus on the domestic markets. SC explained that demand from the domestic markets never ended and continuously existed even during the economic crisis in Indonesia. The income generated from the domestic sales had been able to keep the business existing. According to her, selling to the domestic market was a simple process: buyers buy from the collections available in the store, the products are sent to the buyer and the transaction finished if payment was received. This simplicity was SC's reason to abandon export markets.

Attractiveness of the domestic market was also DS's reason to abandon export markets. According to DS, the domestic market offered lower risk and faster capital turnover. However, his evaluation of this lower risk was based only on failure and unfortunate experiences of others. He witnessed many big exporters going bankrupt and having to sell their businesses. Empty factories and idle buildings made him afraid to continue. Moreover, he perceived exporting to be more difficult than before and he

justified rejecting orders from potential buyers who came to his showroom because their prices were below his expectations.

Limited capital and workspace were other reasons why DS did not continue to export. When exporting, the lead time between production and payment was long. Therefore, he needed more working capital to be able to keep producing before payment was received. He admitted that he did not have much capital for that purpose. A bigger workspace to store products before shipping was required for exports. In the past, he had to rent and spend extra for, space to store goods preventing from rain damage, before they were shipped.

Although DS had limited networks, he admitted that he did not spend extra time networking that he believed was more important for allocated to promoting the firm to potential buyers. He explained that he was not that type of an exporter and sold products passively through his showroom. However, he was open to the opportunity of exporting if he could do so without the difficulties he had experienced before. In his previous experience, the buyer provided him with assistance in processing the export, had ordered from the available collections, paid fifty per cent in advance, and given him extra time to finish the order without penalty, as weather caused the production to be behind schedule. He considered continuing to export in the future if such conditions were met. In short, it can be said that DS was trying to minimize risk by not continuing exporting.

Risk was also the consideration for SM not to continue exporting. She once had experienced a penalty because she was late by two hours in sending the products for shipping. This experience made her stop exporting directly and continue exporting only via an agent. Like SC, SM confirmed that the economic crisis caused orders from abroad to decline. SM also admitted that the Bali bombing in 2002 had seen her lose contacts with buyers after the bombing and no orders had arrived since. Her age finally made her decide to stop exporting and serve the domestic market only.

As the discussion shows, like the decision to continue exporting, the decision to discontinue exporting also resides in the manager. Managers' perceptions of the complexity of exporting and export-related risks, and lack of self-confidence were the

internal factors that hindered export for managers. Domestic market perceived as attractive by managers was also supported the decision to focus domestically. The managers were central in making the decision.

The process of making a strategic decision to continue exporting, which was explained in section 5.5.1., and decision not to continue exporting, which was explained in section 5.5.2., was refined and is presented in Figure 5.5. Decision to continue or not to continue exporting was stimulated by internal conditions (i.e. manager's characteristics, lack of capital) and external conditions (i.e. domestic market attractiveness, economic conditions). The information was processed in the head of the manager who was influenced by many factors before arriving at the decision. As the process was intangible, it was represented as a black box containing compounding factors influencing the manager in conducting the decision-making process.

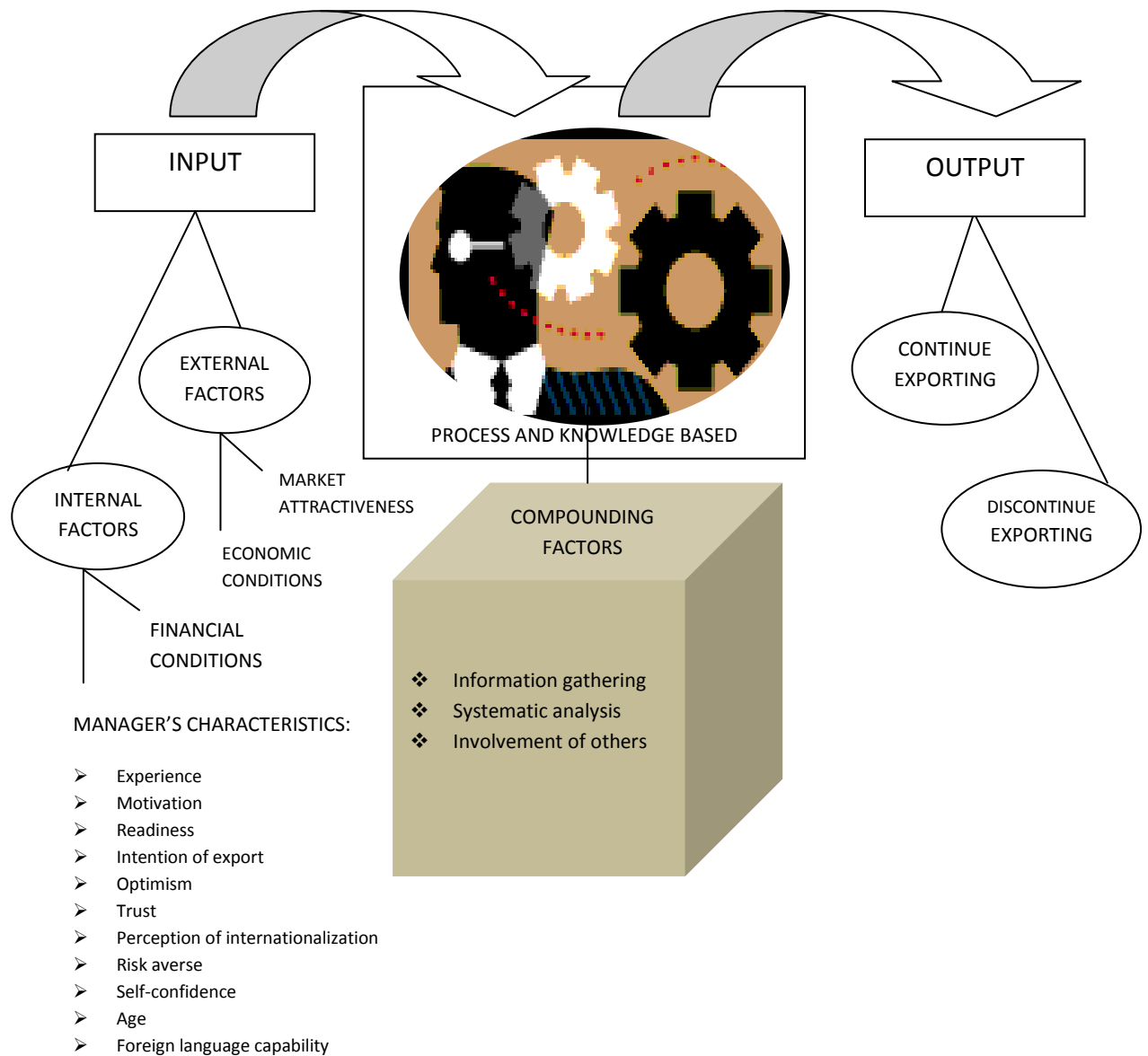


Figure 5.5. Strategic Internationalization Decision-making Process

5.6. SUMMARY

Indirect exports were undertaken because of the complexities and challenging procedures and were stimulated by orders from buyers. Arguably, firms engaged in quasi exporting and focused on production processes.

Managers were the only decision-maker and played the central role in making export decisions. Their experience, motivation, intention, optimism, perception, self-confidence and age were associated to practical and strategic export decisions.

Practical decisions consisting of three inter-related decisions (order process, production process and delivery process) were bounded by trust between managers and buyers. The process of making this decision was informal, unplanned with no systematic analysis to evaluate capability, advantages or disadvantages of the decision. It was decided intuitively (Dmitratos, et al., 2011). Strategic decisions were made with no prior information gathering and analysis, rather than relied on manager's knowledge, motivation, experience and self-confidence, and firm's limited resources.

The internationalization decision-making process may follow the proposed model consisting of three stages of the process: input, process and knowledge based, and output. However, the second stage is unclear as the processes are an internal to the manager. There were no visible activities that could be used to identify this process and it remained an invisible part of the decision-making process. It seems that the decision was generated soon after an input was received. The process of gathering information for further examination was also unclear. The process and knowledge based stage becomes a black box and it is necessary to find a light so we can find out what is inside that black box.

In the next chapter is the thematic analysis of the interview data which is used to build an internationalization decision-making model where the internationalization refers only to exporting. The model may be the key to opening the black box and provides an explanation of the second stage of the decision-making process.

CHAPTER 6

BUILDING AN INTERNATIONALIZATION DECISION-MAKING PROCESS MODEL

6.1. OVERVIEW

To model the decision-making process, the interview findings about the processes of making an internationalization decision are used. The model provides an explanation of variety in small firm internationalization through understanding the decision-making process.

Interview transcriptions are thematically analysed as previously outlined in Chapter 3. This chapter opens with the development of the themes, which is the fifth step in thematic analysis. The themes are used to build the model which is presented as a diagram showing systematic relationships between themes. This is to confirm the preliminary model of the complete process of the practical internationalization decision (Figure 5.4) and process in making a strategic internationalization decision (Figure 5.5) as discussed in Chapter 5.

Following the model, critical discussion of the model is conducted in the next section. The discussion compares similarities and differences of factors or themes that make up the different element of the preliminary model with that resulting from the thematic analysis. The revised model is then presented as the final model of the research.

6.2. DEVELOPING THEMES

The thematic analysis presented as dendrogram in Figure 3.4 will be referred to for discussing themes development in this section. A theme was a group of concepts with a similar meaning. Referring back to the steps of thematic analysis using NVivo outlined in section 3.6.3.2, the thematic analysis resulted in seven clusters and thus seven themes. Each cluster was shown in a different colour in the dendrogram. The codes having similar meaning in each cluster were linked to each other with lines. The connecting lines showed how similar a code with the others in meaning it is embedded.

Following the lines connected to the codes thus helped in developing themes. The process of developing each theme will be discussed following the inter-links between codes as shown in the dendrogram. Codes in each cluster will be presented in tables to show the ideas, and concepts comprising the theme will be presented to better understand the theme.

6.2.1. Cluster One

Cluster one consisted of five codes, with three substantive embedded meanings:

1. simple decision making (1st code)
2. risk aversion (2nd and 3rd codes)
3. product-related conditions (4th and 5th codes).

Following the links in the dendrogram, the 4th and 5th codes are discussed first as they showed the most similar meaning in cluster one. The orders received were characterized by ease of production as the manager could choose among those that the firm could produce. By accepting such orders, the risk of product complaints and rejections could be minimized. Avoiding product complaints and rejections meant avoiding the risk of losing payment, which might happen if the products received by the buyers were considerably damaged.

Before accepting an order, the manager evaluated the price. If the price offered by the buyer covered the cost of production, the manager accepted the order, as a profit could be made. However, the manager made that decision in a simple and non-analytical way. Risk minimization was important and managers created a system in order to reduce risk by demanding advance payment of up to 50%.

Risk minimization can be drawn from the codes in cluster one and, thus, this is the theme generated. Table 6.1 presents the codes and the resulting theme for cluster one.

Table 6.1. Developing the Theme of Cluster One

Cluster 1			
	Codes	Substantive Meaning	Theme
1	Method of making a decision	Simple and non-analytical way	Exporting risk minimization
2	Payment system	Using deposit for minimizing risk	
3	Managers' attitude	Risk aversion	
4	Order characteristics	Product specification based	
5	Product complaints	Complaints about product quality	

6.2.2. Cluster Two

Cluster two contained five codes, which could be easily recognized in that they related to the managers' experience (1st, 2nd and 3rd codes) and perceptions (4th and 5th codes). The managers' experience was differentiated into three codes to emphasize the situation in which the experience was gained. Experience from the previous job (1st code) was different from the managers' prior experience in relation to IBA, such as experience in visiting foreign countries, participating in trade shows or dealing with foreign buyers. Experience in managing daily activities of the current business was coded separately as experience in management (3rd code). While somewhat different, the codes addressed similar meanings around management experience.

The 4th and 5th codes addressed managers' perceptions. The 4th code addresses their perceptions of barriers and opportunities for exporting. The 5th code covered types of barriers managers mentioned as hindering exporting. Both codes dealt with managers' judgements or perceptions based on their own or others' export-related experience.

The dendrogram showed that the 4th and 5th codes were linked to the code of management experience (3rd code). This indicated that the perception was created during managing the day-to-day operational activities of the current business, especially in activities of exporting (2nd code). It was also created from previous experience (1st code). This inferred that the managers learnt about export activity from their direct and indirect experiences. The managers' learning processes may thus underlie the meaning of cluster two. Table 6.2 shows codes and theme resulted in cluster two.

Table 6.2. Developing the Theme of Cluster Two

Cluster 2			
	Codes	Substantive Meaning	Theme
1	Experience from previous job	Experience in the business-related jobs before establishment of the firm	Manager's learning process
2	Managers' experience	Experience in international business-related activities	
3	Management experience	Experience in managing the current business	
4	Managers' perceptions	Perceptions of barriers and opportunity for exporting	
5	Barriers to export	Perceived internal and external barriers to export	

6.2.3. Cluster Three

Cluster three contained three codes. The first code concerned the way of exporting whether indirectly through another party, such as a partner, agent or forwarder or otherwise. The second code captured the history of exporting, whether the firms started exporting from day one or later in the firm's history. The third code expressed how managers found information about export markets, buyers and products from external sources, such as associations, friends, colleagues, the internet and government-related offices. The theme for cluster three in Table 6.3 was characteristics of export activity.

Table 6.3. Developing the Theme of Cluster Three

Cluster 3			
	Codes	Substantive Meaning	Theme
1	Ways of exporting	Indirect exporting	Characteristics of export activity
2	History of export activities	Export from day one	
3	Source of information	Gained from external sources	

6.2.4. Cluster Four

There were 14 codes comprising cluster four. However, they could be divided into two sub-clusters based on the links associated with each code. Each sub-cluster comprised seven codes, respectively codes 1–7 and codes 8–14. Each sub-cluster is discussed to determine its theme before the theme of cluster four is determined. The

discussion follows the links of similarity in the dendrogram and starts from the most similar codes before moving to less similar ones.

In the first sub-cluster, the most similar codes were the 6th and 7th. The substantive meaning of the 6th code was the history of firms – journey from establishment to ways of surviving and growing. The 7th code described managers' effort in finding buyers by either participating actively in trade shows or waiting passively for buyers to come to the shop and relying on previous buyers' word of mouth. Finding buyers could be identical with surviving and growing the business and it became part of the history of the firm. However, no strategic method was applied to find buyers as the managers conducted more passive than active ways.

When buyers were found and they placed orders, the managers considered certain conditions in deciding to accept or reject an order. The 5th code indicated the conditions of making the decision in which the managers considered the firm's capabilities to produce the ordered products. They might negotiate the product specification and price with the buyers to make the order match the firm's capabilities. Adjusting the order was seemingly the way to survive and grow the business.

The 4th code, 'information gathering strategy', comprised activities managers conducted in finding information to fulfil the order received. Managers might look for information about, for example, availability of products from suppliers and ways to produce the products through friends. Generally, there were no systematic ways or plans in gathering information. The 4th–7th codes showed that there were no strategic plans for growing exports in many firms. Some firms did have a strategic plan for growing the business as was shown in the 2nd code.

The 2nd code, 'strategic plan', covered plans for business longevity and included creating a production system enabling the control of product quality, finding new markets and empowering local suppliers. This code was closely related to the 3rd code, 'consideration for engagement in exporting'. The same managers in the 2nd code considered opportunities in international markets before deciding to engage in exporting. For them, export orders were continuous, payment was on time, risk was low and markets were unlimited. External market conditions were considered when deciding

to export. What binds the 2nd and 3rd codes was that external conditions triggered strategic growth of export market. Nevertheless, the strategic plan, as discovered from other parts of the transcriptions, was not formally executed: there was no analytical process in creating the plan and no written documentation. It was in the manager's head. The term 'strategic plan' was applied, however, to emphasize the long-term nature of the actions.

Some contradiction appeared between the 2nd and 3rd codes and the 4th–7th codes. The former codes indicated strategic planning while the later indicated an absence of a strategic plan. However, they were linked to each other by manager's efforts, either planned or unplanned, to keep exporting.

The 1st code (bargaining position) related to how managers bargained with buyers or partners to maintain export orders. For example, the manager set the conditions for exporting in advance with the buyer, requested final payment before the original export documents were sent to the buyer and tried to comply with buyer standards. The position was negotiable with the buyers. It could be summarized that the theme for the first sub-cluster was the manager's behaviour in maintaining exports.

The discussion to develop themes for the second sub-cluster starts with the 13th and 14th codes, as these were the most similar codes. The 13th code identified skills gained by managers engaging in export activities. By engaging in export activities, managers gained understanding about market opportunities, consumer needs, international languages and international standards. Knowledge was gained by engaging in export activity. The 14th code identified that information gathered by the manager was processed internally and informally in the firm for making a decision and was stored for future needs. The information gathered and stored became knowledge possessed within the firm. The similar meanings of the 13th and 14th codes related to knowledge generated through export-related activities.

The next similarity occurred between the 11th and 12th codes. The 11th code addressed the position and responsibilities of the manager in managing the business, particularly in directing and making decisions about export-related activities. In connection to this responsibility, managers figured out ways to enter the foreign market

and to evaluate whether an action would be profitable (the 12th code). The similarity between both codes thus related to the manager's direction of the business. This meaning was similar to the intrinsic abilities of the manager covered in the 13th and 14th codes and which may be described as the capacity of the manager, since the manager's knowledge and ability to direct the business reflected capability.

The 10th code addressed ways managers experienced stimuli for export. This was either found through active search or passively from buyers who came to the shop. How the manager responded depended on their cognitive ability and quality as a manager. Strategic view (the 9th code) was another indicator of the manager's quality. This code addressed the manager's ability to assess strengths and weaknesses of export opportunities. Products were assessed as strengths, and human resources and time were weaknesses for expanding export in the future. The ability to assess current conditions in terms of future opportunities is indicative of the managerial vision.

For the 8th code, managers were identified as having less intention to export, as they preferred to sell products domestically. Referring to the Macquarie ABC Dictionary (2003), intention is "the act of determining mentally upon some action or result" (p.508). Intention may not reflect the quality of the manager, instead it was a tendency in the behaviour of an individual. From the data, managers' behaviour sought to minimize risk. This code was least similar to the others in the sub-cluster. Nevertheless, together they reflected managerial capacity and which was the theme of the second sub-cluster.

The cluster theme could be found in the sub-cluster themes addressing different managerial elements. The first sub-cluster covered behaviour elements, while the second was about the cognitive aspects of the manager related to capability. The most suitable theme for cluster four was the 'manager's behavioural and cognitive capability in exporting'. Table 6.4 shows the resulting theme of cluster four.

Table 6.4. Developing the Theme of Cluster Four

Cluster 4				
	Codes	Substantive Meaning	Sub-cluster Theme	Theme
1	Bargaining position	Negotiable position to the buyers	Manager's behaviour in maintaining export	Manager's behavioural and cognitive capability in exporting
2	Strategic plan	Keeping the business running		
3	Considerations for engagement	Considering the external conditions more		
4	Information gathering strategy	No strategy for gathering information		
5	Decision-making condition	Deciding based on firm's internal capability		
6	History of firm	Start, survive and grow the business		
7	Ways of gaining buyers	Actively and passively search for foreign buyers		
8	Intention to export	Limited intention to export	Manager's cognitive capability in maintaining export	
9	Strategic view	Ability to see potencies for future opportunities		
10	Ways of gaining stimuli	Actively and passively search for stimuli		
11	Managers' responsibility	Managing the business		
12	Affirmative actions	Deciding follow-up actions		
13	Skills gained from engagement	Knowledge in exporting		
14	Information processing	Processed internally and stored as internal knowledge		

6.2.5. Cluster Five

Cluster five was the biggest as it comprised 24 codes. Based on the dendrogram, it could be divided into two sub-clusters, each of which also comprised two sub-groups. In the first sub-cluster, there were respectively five codes (codes 1–5) and 13 codes (codes 6–18) comprising the first and second sub-groups. In the second sub-cluster, the first sub-group consisted of six codes (codes 19–24) and the second one consisted of four codes (codes 25–28). The discussion focuses only on sub-groups and sub-clusters to arrive at the cluster's theme as the codes in this cluster are too many to be discussed individually.

The 1st–3rd codes in the first sub-group indicated limitation in export activity, while the 4th and 5th codes reflected export activities that were not different from those of domestic markets. The theme embedded in the first sub-group of the first sub-cluster (1st–5th codes) was identified as ‘no differentiation export activity’.

The second sub-group of the first sub-cluster contained 13 codes (codes 6–18). There were four parts contributing to the meaning of this sub-group. The first part contained the 6th and 7th codes addressing manager’s motivation and behaviour in exporting. The second part comprised the 8th–10th codes identifying reliance on external parties in exporting due to manager’s lack of confidence in ability to export. The third part comprising the 11th–14th codes was about factors affecting export activity. The factors could be divided into two: external factors (the 11th and 12th codes), such as government support, economic crisis, competition, weather condition and product delivery, and internal factors (the 13th and 14th codes) indicating limitations in production capability. The fourth part covering the 15th–18th codes identified the manager’s passive behaviour in selecting destination countries (the 15th code), product characteristics (the 16th code), forwarder (the 17th code) and price determination (the 18th code). The similar meaning of the combined four parts was ‘reliance on external factors in exporting’ and this was the theme for the second sub-group of the first sub-cluster.

A similar meaning linking the themes of the first and second sub-groups was passive behaviour in exporting. The theme for the first sub-cluster was thus identified as ‘passive export activity’.

Developing the theme for the second sub-cluster started from identifying the theme for the first sub-group covering the 19th–24th codes. The 19th code identified limited manager’s prior export experiences. This was linked to the meaning of the 20th and 21st codes addressing manager’s considerations not to engage in exporting which related to limitations in resources possessed by the firm. The 22nd–24th codes indicated the condition of limited personnel in which manager was the only person responsible for export activities. The theme of the first sub-group of the second sub-cluster thus related to ‘limited personnel’.

The second sub-group contained the 25th–28th codes. The 25th code was about buyers, while the 26th code revealed the manager's limited language skills. The 27th code identified the manager's considerations to focus on domestic markets which related to the 28th code indicating manager's lack of experience in visiting abroad. Meaning embedded in the 26th–28th codes was managers' limited communication ability. Together with the 25th code, they form the theme of the second sub-group: 'passive communication with buyers'.

By connecting the themes of both sub-groups (comprising respectively the 19th–24th codes and the 25th–28th codes) what was found was limited personnel with the ability to form relationships and communicate with foreign buyers. It thus can be summarized that the second sub-cluster carries the meaning of 'limited capable human resources to manage export activity'.

To develop a theme for cluster five entailed combining the themes of the sub-clusters. The first sub-cluster carried the theme of passive export activity and the second carried the meaning of limited capable human resources in export activity. Identifying the similarity between them arrived at the meaning of 'limited capability of human resources'. Table 6.5 shows themes for cluster five.

Table 6.5. Developing the Theme of Cluster Five

Cluster 5					
	Codes	Substantive Meaning	Sub-cluster Theme		Theme
1	Manager's knowledge	Continuous learning of the manager	No differentiation for export activity	Passive export activity	Limited capability of human resources
2	Export volume	Low volume of export			
3	Export frequency	Low frequency of export			
4	Pricing system	To minimize risk			
5	Promotional activity	Roughly no promotional activities to foreign markets			
6	Manager's motivation	Driven by the internal motivation of the manager	Reliance on external factors		
7	Product -related risk	Risk of complying with product quality			
8	Manager's characteristics	Not having the self-confidence to internationalize the business			
9	Export procedure	Dependent on external parties			
10	Order process	Determined by the buyers			
11	Government supports	Supported or unsupported by the government programs			
12	External factors	Uncontrollable factors			
13	Firm size	Small firms			
14	Production system	Product specification-based system			
15	Foreign market	Destined countries for exporting			
16	Product characteristics	Order based			
17	Forwarder selection	Appointed by the buyers			
18	Pricing strategy	To minimize risk			
19	Experience in exporting	Limited experience in exporting	Limited personnel	Limited capable human resources to manage export activity	
20	Consideration not to export	Limited resources of the firm			
21	Person gathering information	The manager			
22	Decision-makers	The manager			
23	Relationship with buyers	No continuous relationship with the buyers			
24	Domestic market	Destined cities for selling products domestically	Passive communication with buyers		
25	Buyers	Retailers or wholesalers			
26	Language skills	Very limited ability to speak English			
27	Consideration to focus on domestic market	Less risk and complexity in selling domestically			
28	Experience visiting abroad	No experience visiting abroad			

6.2.6. Cluster Six

Cluster six contained two inter-related codes. These were the relationships between buyers and the order process and between external factors and the consideration to focus on the domestic market. The first relationship showed dependency on buyers which occur as buyer actively searched for suppliers and managers passively waited for the buyers to come. Buyers took control of this dependency (post-export condition).

The second relationship identified the situation in which decisions to focus on the domestic markets were made based on the uncontrollable external factors and the factors will be the considerations in every decision (post-export condition). Cluster six thus identified manager's intention to run a business in a controllable condition. The theme for the cluster was therefore 'low-risk strategy' (see Table 6.6.).

Table 6.6. Developing the Theme of Cluster Six

Cluster 6				
	Codes	Substantive Meaning	Sub-cluster Theme	Theme
1	Buyers (post-export)	Retailers or wholesalers	Dependency on buyer for future orders	Low-risk strategy
2	Order process	Determined by the buyers		
3	External factors (post-export)	Uncontrollable factors	Reducing risk from uncontrollable factors	
4	Consideration to focus on domestic market	Less risk and complexity in selling domestically		

6.2.7. Cluster Seven

Cluster seven contained three inter-related codes (i.e. two codes were connected each other) and one independent code. The first inter-related code was between post-export order characteristics and product characteristics. This indicated production was based primarily on buyer's orders. The second inter-related code showed order processes being associated with pricing strategy, meaning that pricing was used as a tool to minimize risk when dealing with a buyer who determines the process of ordering. Both inter-related codes mean negotiation with the buyer using pricing. They were linked to each other carrying a sub-theme of 'trade-off in export transaction'.

The third inter-related code between order processes for post-export and production system indicated the conditions under which buyers dominated the process of ordering and managers built the production-based system on product specification as ordered by the buyer. This code was linked to the code of domestic pricing system in which the price for products sold domestically was set based on the cost of production. The codes create sub-theme of 'production-centred system'.

The sub-theme of a production-centred system was linked to the sub-theme of trade-off in export transactions. Together, a theme of 'production focussed activity' was discerned (see Table 6.7).

Table 6.7. Developing the Theme of Cluster Seven

Cluster 7					
	Codes	Substantive Meaning	Sub-cluster Theme	Sub-theme	Theme
1	Order characteristics (post-export)	Specification-based products	Order specification-based products	Trade-off in export transaction	Production-focused activity
	Product characteristics	Order-based products			
2	Order process (associated)	Determined by the buyers	Negotiation in price with buyer		
	Pricing strategy	To minimize risk			
3	Order process (post-export)	Determined by the buyers	Specification-based order system	Production-centred system	
	Production system	Specification-based products system			
4	Domestic pricing system	Cost-based system	Cost-based system		

6.2.8. Creating a Single Theme

All themes are shown in Table 6.8. An overall theme based on the links between clusters refers to the manager's decision for export activity. Tracing back this final theme, it can be detected that the decision covers three dimensions of time: past, current and future.

Table 6.8. Inter-Cluster Themes

Cluster	Theme	Inter-Cluster Themes			
Cluster 1	Risk minimization in exporting	Decision-making aim	Manager's contributions	Manager's decision	
Cluster 2	Manager's learning process				
Cluster 3	Profile of the export activity	Current decision			
Cluster 4	Manager's role in exporting				
Cluster 5	Personal quality of the manager	Future direction	Internal-focused activity		
Cluster 6	More controllable business				
Cluster 7	Production-focused activity	Orientation			

Cluster one and two showed the dimension of past time. They showed managers learning about exporting from their experiences. Knowledge gathered could later be used to develop export-related systems in the firm. Production and pricing systems were generated by managers to minimize risk. In other words, managers used their knowledge to develop systems for minimizing risk in exporting.

The dimension of current time was covered in clusters three and four. Here, the focus was on manager's role in determining export activities. They decided how to export and made efforts to maintain exporting activity. The effect of their decisions on these matters could be identified from the profile of the firm's export activities (cluster three). Managing export activities was a current managerial role.

The future represented managers directing the firm into particular ways of doing business. Business could be controlled by internalizing activities, such as focusing on production and shifting export processes onto external parties. Risk could be minimized and this was the basic aim when making export decisions now or in the future.

6.3. BUILDING THE MODEL

Themes developed from the clusters can be used to modify the practical and strategic decision-making models discussed in Chapter 5. It was apparent that the export decision-making process was a manager-centred process. The manager was the only decision maker on export-related activities whether they were now or in the future. The manager's experience, perceptions, intentions, attitudes, motivation and capabilities were critical to the decision. Not only does the managerial decision-making style affect

the process of making an internationalization decision, but so too does their psychological, behavioural and cognitive aspects. These aspects reside in the managerial 'black box', as identified in section 5.6 in Chapter 5, and therefore relate closely to the process and knowledge base phase of the decision-making process. Variety in small firm internationalization can be understood by understanding the manager, as managers vary in their psychological capacity, behavioural capability and cognitive ability.

The framework of internationalization decision-making process in a small firm in Figure 1.1 can be revised and is presented in Figure 6.1. The internationalization decision-making process is amended to show the role played by the manager's psychological aspects (internal motivation and attitude); cognitive aspects (knowledge-related process); and behavioural aspects (managerial capability and intention). This figure thus represents broader understanding about role of the manager in decision-making process that was not only in terms of managerial aspects, which was identified in Figure 1.1 as decision-making style, but also of all personal aspects of the manager. This offers a new concept confirming the extent of the manager's role that has not been outlined precisely by previous studies.

These aspects help in understanding the process of making an internationalization decision. As discussed in Chapter 2, managerial decision-making style is referred to as the managerial behaviour of the manager. Decision-making style is thus included in the behavioural aspects. It was assumed that decision-making process is a cognitive process. The cognitive aspects thus confirm this assumption.

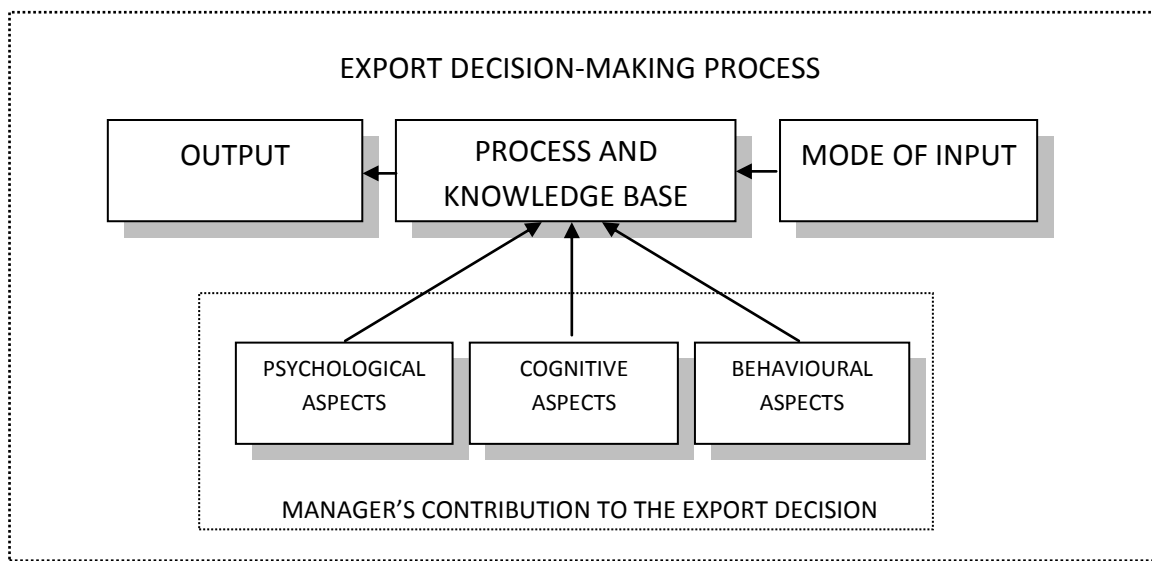


Figure 6.1. Revised Framework of the Internationalization Decision-Making Process in a Small Firm

The process of making the internationalization decision was a process residing with the manager. Although the decision can be traced back to its input, the second phase (process and knowledge base) remains unclear. The manager gathered the information needed, searched through any sources available to them, processed the information internally in their head and decided on actions. There were no tangible forms showing the process, such as written documents outlining evaluation and analysis of the information, or a meeting discussing alternatives. Uncovering the process phase in making a decision was thus another challenge.

The themes generated from the cluster analysis showed that the decision to export could be categorized into two types of decision (current/on-going decisions and future oriented decisions), with one characteristic underlying the decisions. The two types of decisions were those labelled respectively as practical and strategic decisions in Chapter 5. The underlying characteristic not identified in Chapter 5, was the basic aim of the decisions, which the cluster analysis has revealed. Each of these aspects is discussed below, starting with the basic aim of making a decision.

6.3.1. Basic Aim of Making a Decision

As mentioned above, this aim was indicated by cluster one and two. Cluster two indicated that managers learnt about exporting from previous experience in export-related activities. The experience created knowledge about exporting, which later was used by the managers to conduct the business. The managers accumulated the knowledge of exporting from learning by doing. Along the way, the learning process brought the managers to the point of acknowledging barriers that might be encountered in exporting and opportunities that were wide open for exporting. The knowledge about barriers and opportunities in exporting possibly created perceptions of exporting in the minds of the managers. The managers perceived that they had the capacity for exporting (an opportunity), but limited capabilities (barriers) hindered their efforts to export.

Furthermore, the accumulated knowledge directed the managers to behave in such a way that was aimed at minimizing risk. This was identified in cluster one. The managers created a payment system for this purpose. They demanded that the buyer pay a deposit of up to 50% for the order and this secured the order. They also considered product-related conditions to minimize the risks of accepting the order if the firm could produce the design and specification as ordered. Such behaviour was also identified in the managers' attitude towards export. They tended to avoid risks.

A risk averse attitude directed the managers to make evaluations before making a decision. However, the evaluation made by the managers was very simple and not analytical. As long as they perceived the risk was low, they would decide to accept the order or to be involved in exporting. The consideration in making the decision was much more perceptive than analytical and more experience- or learning-based than strategic. The ultimate aim of the decision-making was to minimize risk and this was seemingly the basis of all activities. Figure 6.2 shows this basic aim.

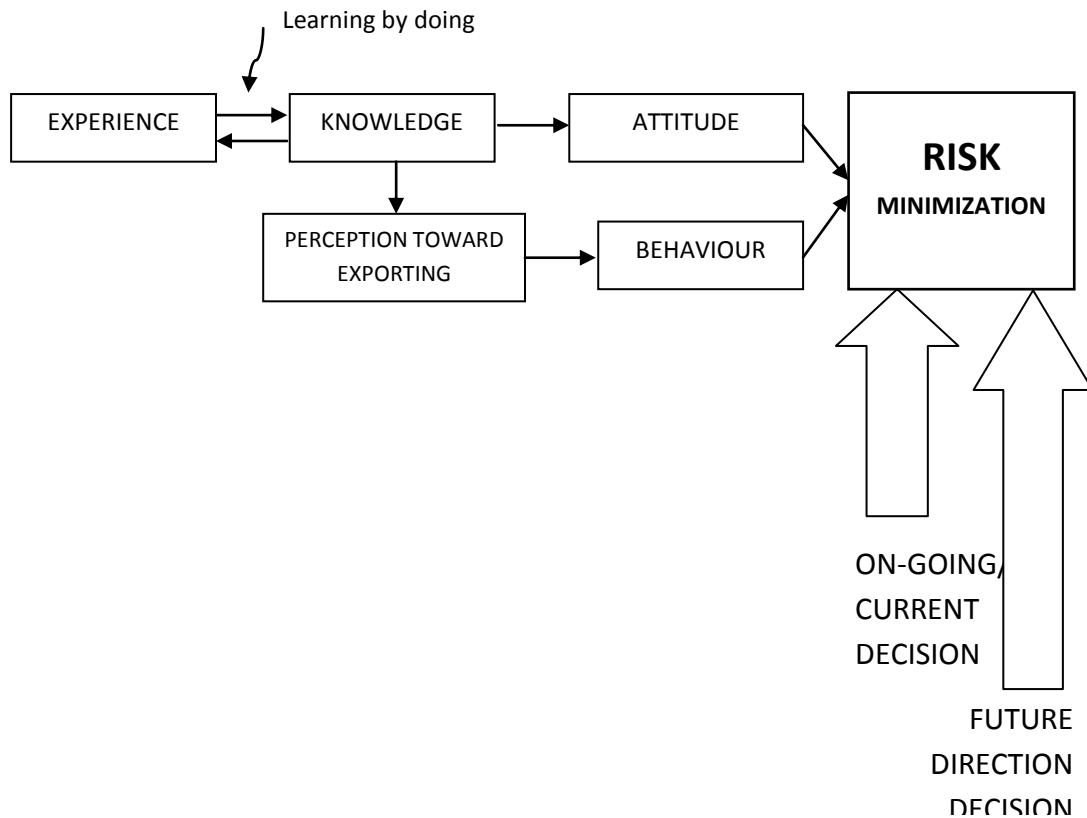


Figure 6.2. The Basic Aim of Making an Internationalization Decision

6.3.2. On-going/Current Decision

Output

The output of the decision was identified from cluster three showing firms' export profile. Firms exported indirectly through outside parties. Indirect export could minimize risks as they started exporting with no experience. This was part of the managers' learning process.

Mode of Input

Cluster four showed that managers searched for export stimuli (i.e. orders) actively or passively. Once an order was acquired, managers started further decision-making process by considering internal capability, especially production ability.

Process and Knowledge Base

As additional information was needed before making the decision, managers then gathered the information from any available sources in a reactive manner and without a strategic plan. They relied on their networking with friends, suppliers, colleagues or partners.

In processing information, managers used their knowledge about foreign market attractiveness. The process was in the heads of the managers as it was done informally, did not involve others and there was no application of analytical tools available from the literature.

Managers might negotiate with buyers to strengthen their bargaining position before a decision was made. The negotiation was associated with price, product design and specification, time for finishing the order and, to a lesser extent, delivery. Usually negotiation led to with a win-win solution that helped managers to process the order without any difficulties.

Managerial capability played role in gathering and processing information. The information would become the manager's knowledge and it was accumulated into their existing knowledge. Managers used it to consider alternatives of accepting or rejecting the order. Their limited intention to export directed them to accept the least risky order. The current internationalization decision-making model is presented in Figure 6.3.

In Figure 6.3 the practical internationalization decision model which incorporates the order process, production process and delivery process (shown at Figure 5.5 as developed Figures 5.1, 5.2 and 5.3 respectively) are included in the process and knowledge base phase in this current internationalization decision-making model. The order process represents internal capability as it outlines practical steps after receiving a stimulus for export in more detail. Consideration to subcontract or to self-produce was the basic question in the production process and was covered in the process of gathering and processing information, confirming the set conditions and negotiating outlined in this model.

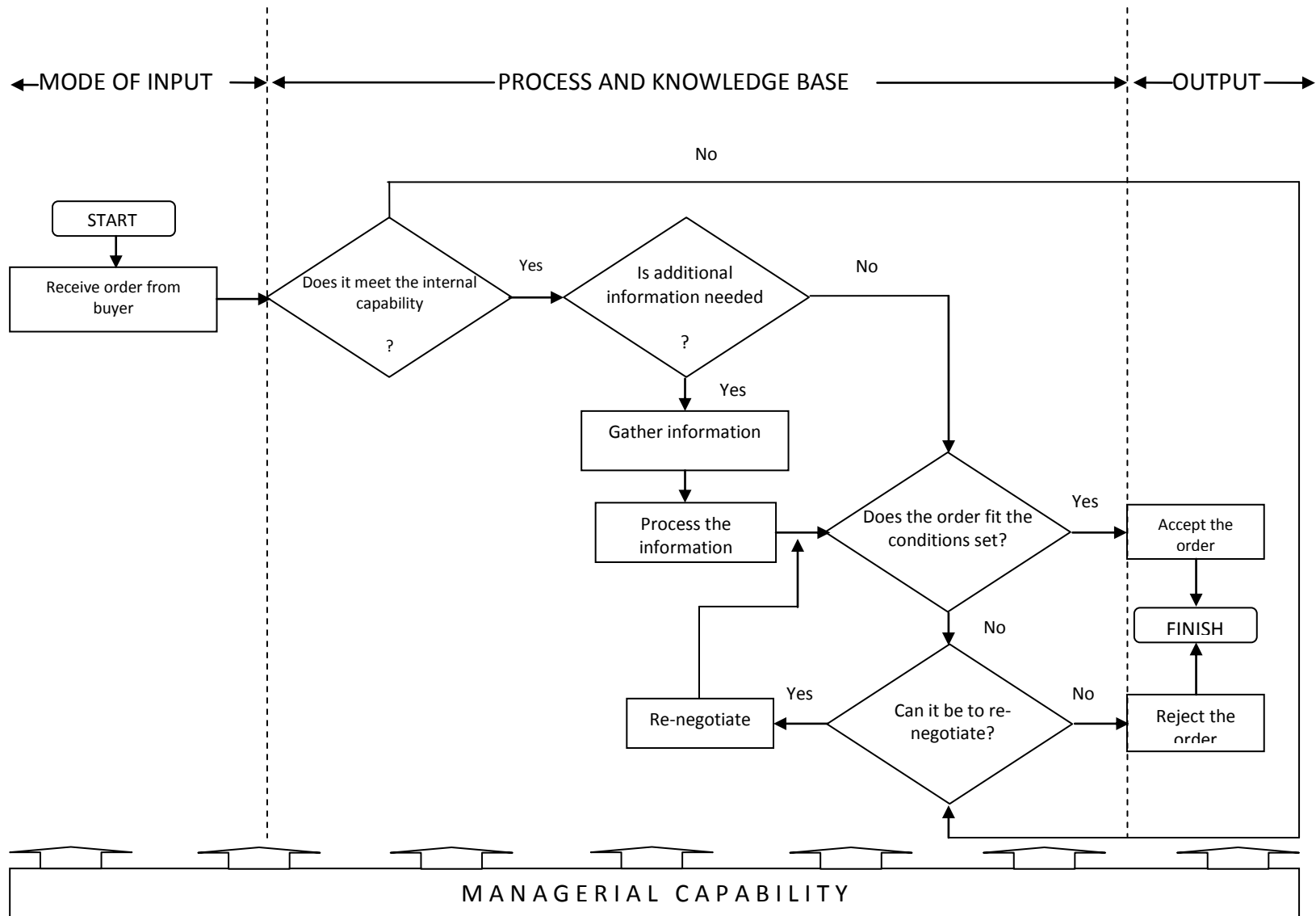


Figure 6.3. Current Internationalization Decision-making Model

Information gathering and processing used to decide whether to subcontract or self-produce was not explicitly presented in the Figure 5.4 practical decision-making model as they were conducted informally by managers by asking outside parties they knew. However, it is now part of the current internationalization decision-making model (Figure 6.3.) as the actions were identified from the cluster analysis. Thus, this model provides a better description of the process and knowledge base phase as it highlights information gathering and processing, which are the main issues of the phase (Das & Misra, 1995; Forbes, 2005). This confirms that the process of making an internationalization decision can be explained using three-phase decision-making model.

The current internationalization decision-making model, however, does not outline the delivery process explicitly. It is implicitly included in the negotiation process as delivery arrangement was discussed between the manager and the buyer during negotiation. The delivery process was actually outside the firm's remit and the model only covers actions within the firm. This therefore gives better description of the decision-making process which is an internal activity.

Included in the current internationalization decision-making model is the role of managerial capability in the decision-making process which was not identified in the previous models. Inclusion thus emphasizes the key role of the manager in the decision-making process. This also defines more specifically the extent of the manager's role in making decisions. It is the managerial capability that plays the key role and therefore it confirms the previous study indicating decision-making as a managerial activity and as the most crucial part of the manager's work (Mintzberg, 1973; Nooraie, 2008) and accordingly managerial capability of the manager takes effect.

6.3.3. Future Oriented Decisions

Clusters five, six and seven indicate decisions relating to the future direction of the firm. This was not strategic decisions mentioned in Chapter 5 as there was no strategic plan. It is manager's vision about the firm that are composed from their experience, motivation and attitude.

Output

In their vision, managers want to direct their business to internal activity focusing on production and allow outside parties to conduct exports for them. This internal orientation was to increase control over the business. It thus can be argued that the production-focused activity is to minimize risk.

Mode of Input

Lack of capability triggers managers to have such future direction. Manager's and firm's capabilities hindered firm to progress further in the future.

Process and Knowledge Base

Although managers experienced limited export activities, they were motivated to learn about exporting by learning by doing. Their experience becomes the knowledge to make future decisions.

As the manager was the only decision-maker in the firm, their limited capability in building networking in some ways hindered firm to further progress. They could only communicate with buyers passively.

Managers also responded limitedly to the external factors influencing exports by adjusting actions according to firm's internal capability. This was triggered by firm's limited resources that, in turn, directed managers to lead the firm to the controllable activities focusing on firm's ability.

Limited personnel meant manager did everything: gathering information, making decisions, and building and maintaining relationship with buyers. This caused managers to rely on buyers for future orders. The future direction decision is presented diagrammatically in Figure 6.4 below.

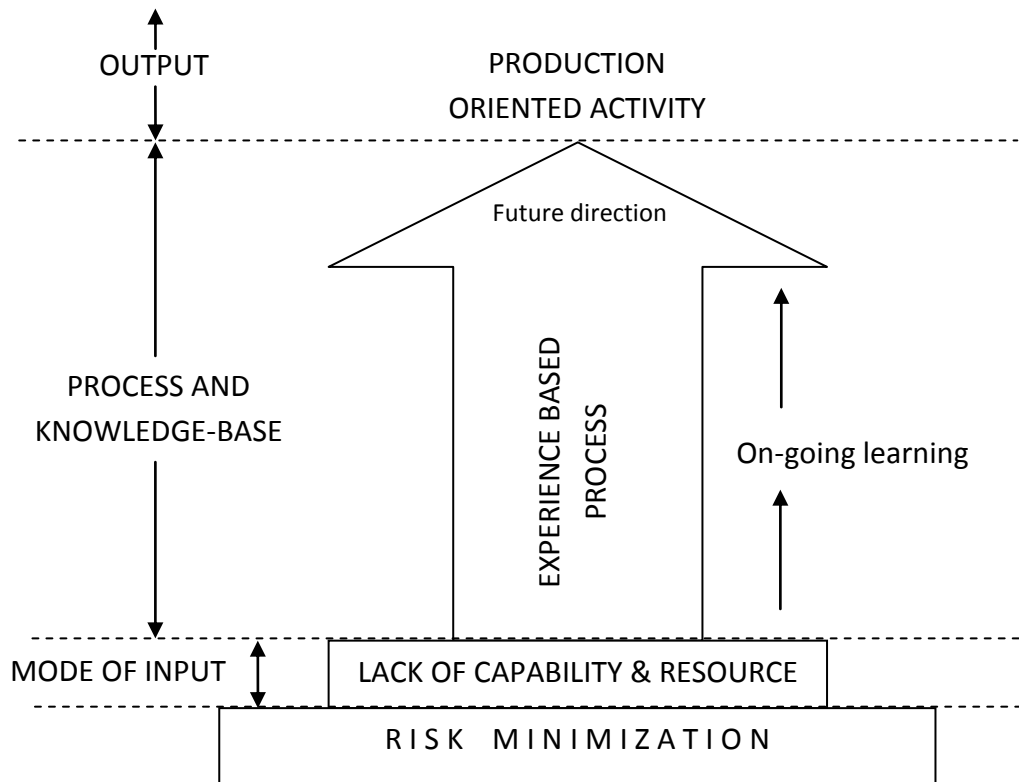


Figure 6.4. Future Direction Internationalization Decision-making Model

The strategic internationalization decision-making model presented in Figure 5.5 is modified in terms of the basic aim underlying behaviour in making decisions, that is, minimizing risks. Both models, however, emphasize key role of the manager in making decisions about the firms' future direction. Figure 6.4 provides a clear picture about behaviour aspect as it shows explicitly aim of the behaviour to minimize risk. Accordingly, this confirms previous studies (Tan et al., 2007) that the behaviour was not to averse or avoid risk rather to minimize or accept risk at a considerable level.

As managers play key role in decision-making process, their characteristics greatly influence the process. In the strategic internationalization decision-making model (Figure 5.5.), the characteristics were the internal factors, such as manager's experience, motivation, intention, optimism, perception, self-confidence and age. In the future direction decision-making model, the characteristics stimulating the decision were lack of capability and resources. Both refer to the firm's lack of resources, particularly lack of human resources that specifically addressed manager's capability. As

managers learnt through their experience, the factors became their knowledge that was considered when they made a decision.

In the strategic internationalization decision-making model (Figure 5.5.), the process of making the decision for the future remained unclear and it was labelled as a black box. The future direction decision-making model (Figure 6.4.), however, provides a clear indication about the contents of the black box. Inside the black box are processes in creating experience-based knowledge and these are on-going learning processes. The knowledge is stored in manager's mind and is ready to be retrieved at any time for an application. In other words, the knowledge is accumulated and contributes in building a mind map (vision) in the manager about where the business should be directed. It thus can be summarized that these two models also complement each other.

The output of the decision is somewhat different. In the strategic internationalization decision-making model (Figure 5.5.), the output was either to continue or discontinue exporting, while the output of the future direction model (Figure 6.4.) was a production-oriented business. This production orientation was evident also in the strategic internationalization decision-making model (Figure 5.5.) in which firms focused only on production and shifted the remaining process to outside parties. In the future direction model (Figure 6.4.), firms continue or discontinue exporting but with a focus on production. Both models show exporting as an alternative activity in the future.

6.4. SUMMARY

The process of making an internationalization decision could be categorized as two types of decision. A decision to accept or reject an order and a future oriented decision on the direction of the firm. These two managerial decisions were ultimately focused on minimizing risk, which was triggered by a lack of resources, especially the manager's lack of capability. Nevertheless, both types of decision differed in their processes and therefore had to be evaluated separately. They, however, could be framed in the three-phase decision-making model: mode of input, process and knowledge-base and output.

As a manager-centred process, the internationalization decision is simple, not analytical and takes place in the manager's mind. The manager's behaviour and attitude toward exporting (as this was the only element of internationalization experienced in these firms) was to minimize risk and they drew on their experience-based knowledge. Their risk-averse attitude and behaviour made minimization of risks central to current decisions and future decisions. The manager's perception of their firm's capability was important and managerial capability takes effect in actions undertaken before arriving at the decision.

It is, however, not only managerial decision-making style that influences the process, but also the manager's personal psychological, cognitive and behavioural aspects. As these aspects influence the manager's capability, and this finding provides an explanation about variety in small firm internationalization – that is internationalization being reliant on the managers' personal characteristics. Small firm managers vary in their capabilities and this causes variety in decision-making process, which may result in different outputs.

Figure 6.5 presents export decision-making process model combining current and future direction models. The model shows precisely and practically what is meant by prior studies about manager's role in making an internationalization decision. It is not a clear cut between rational and intuitive way in making decision, rather it was subjective based on rational decision-making of the manager.

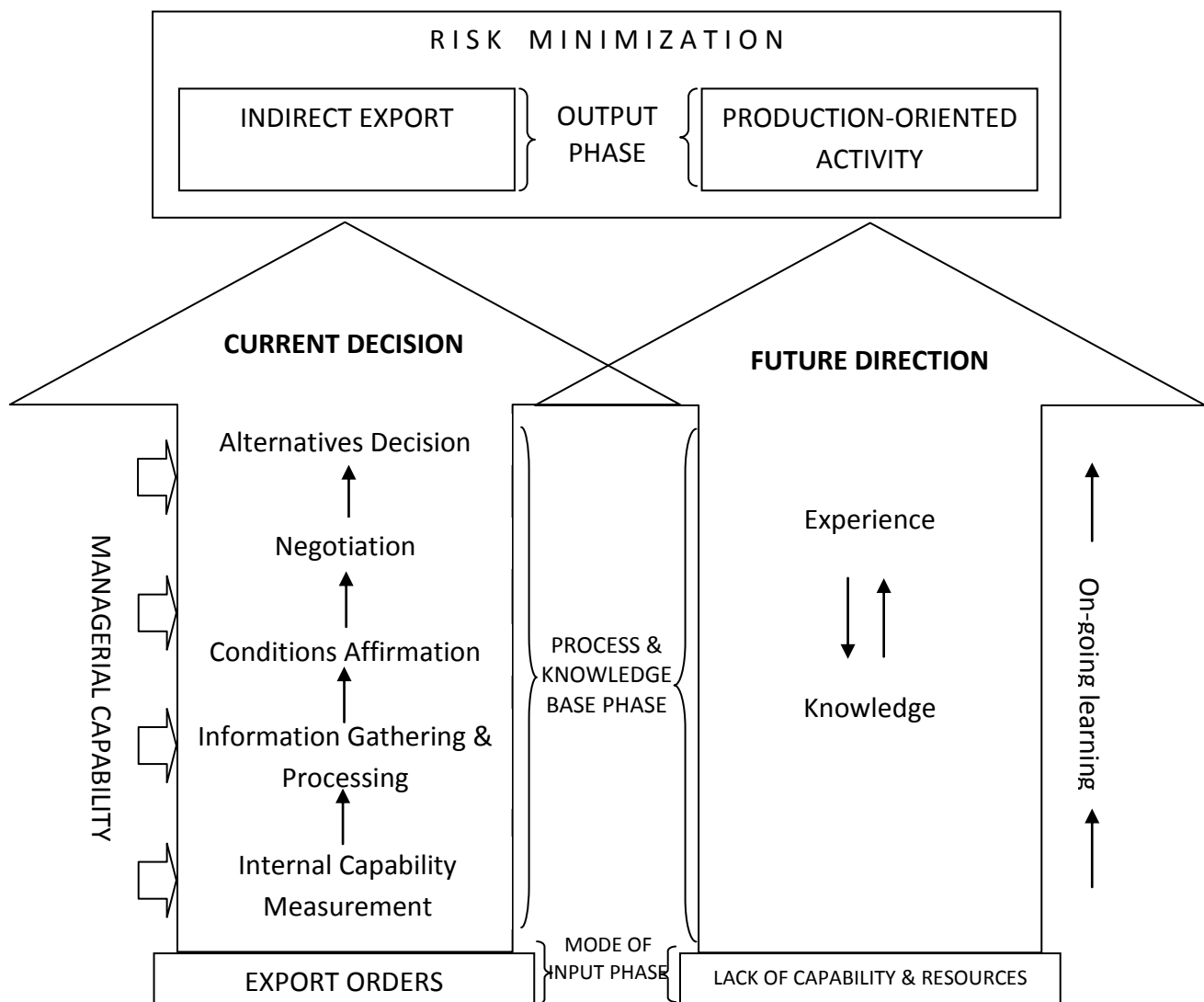


Figure 6.5. Internationalization Decision-Making Process Model

The internationalization decision-making process model will be discussed further in the next chapter. It will be used particularly to answer the research questions and address the purpose of the study. Its contribution to the existing studies or theories of small firm internationalization will also be discussed in order to gain support for, or to identify limitation of, the model.

CHAPTER 7

DISCUSSION, CONCLUSION AND IMPLICATIONS

7.1. OVERVIEW

The purpose of this last chapter is to discuss the results and present the conclusions of the study. The discussion focuses on small manufacturing firms in Indonesia and the decision-making process. It starts with a brief overview of international business activities of firms studied here.

The research questions framing the study were:

1. What is the internationalization process followed by Indonesian small manufacturing firms engaging in international business activities?
2. What is the dominant decision-making style of the managers of Indonesian small manufacturing firms engaging in international business activities?
3. How do the managers of Indonesian small manufacturing firms engaging in international business activities make the internationalization decision in their business?

These research questions will be frame the discussion, and so the discussion of output of the decision is outlined in order to answer research question 1. By tracing the decision backwards to the decision stimuli how the manager chose a certain stage is discussed in the next section to address research question 2. Decision-making models resulted are discussed to address research question 3. Relevant theories are examined in discussion of each research question.

Limitations of the study and direction for further research are outlined and in the last section, theoretical and practical implications are presented as the contributions of the study.

7.2. DISCUSSION

7.2.1. Indonesian Small Manufacturing Firms and Their Engagement in IBAs

Managers of furniture and garment firms were surveyed. Data they returned was analysed based on whether their firm was a small firm (SF) or bigger firm (BF) as well as whether the firm was engaged or not engaged in IBAs. The results show that some conditions affecting internationalization applied only to SFs, while some others applied also to BFs. For example,

- SFs were less likely to engage in IBAs than BFs due to lack of resources. However, lack of resources was also an issue of internationalization for BFs.
- SF engagement in IBAs did not vary by industry but did so for BF. BFs in the furniture industry showed greater likelihood of engaging in IBAs than those in the garment industry.
- SF engagement in IBAs related to the manager's ability to speak a foreign language, while BF engagement related to the manager's age and education.
- SFs and BFs engagement in IBAs did not follow the gradual learning as outlined by the U-model (Carneiro et al., 2008; Manolova et al., 2002) stage model of internationalization.
- Export was the mode of IBA engagement for SFs and BFs. SF exporting varied by industry but did not do so for BFs. SFs in the garment industry showed higher capability to export than those in the furniture industry.
- The SF manager was the only internationalization decision-maker, while the BF manager involved others in making the decision. SF and BF managers did not explore internationalization possibilities or find information before deciding not to engage in IBAs.
- SF and BF managers of firms engaged and not engaged in IBAs showed respectively positive perceptions and negative perceptions of internationalization. Their perceptions varied by industry such that managers of furniture firms engaged in IBAs were more optimistic than those of garment firms, but the reverse existed for those of furniture firms not engaged in IBAs as they had less positive perception than those of garment firms. Perceptions of external conditions and internal conditions were factors related to the internationalization decision.

- SF managers of firms engaged in IBAs perceived the factors influencing the internationalization decision as less important compared to BF managers. SF managers perceived external conditions were more important than internal conditions. BF managers perceived internal conditions as being more important than external conditions. However, economic conditions of the target countries were the most important factor in relation to internationalization. SF manager's limited knowledge about conditions in foreign countries was the factor influencing their decision not to engage in IBAs. Manager's capability was the factor influencing the decision to internationalize.

The results show that specific theory for SF internationalization, as indicated by Freeman (2005) and Hollenstein (2005), is still imperative as some conditions were applied only on SFs. However, the existing theories that are not specifically directed to SFs can still be applied to some extent as the results indicate some conditions applied to both SFs and BFs.

Small firms exported. Based on their export orientation, firms were categorized as either traditional firms which focused selling products to domestic markets or strategic firms targeting international markets. Firms exported indirectly using a freight forwarder, agent, or partner because of complexities and challenging procedures in exporting. Their focus was on the production processes pre-export and arguably, they engaged in 'quasi exporting'. This kind of exporting may offer new perspective on mode of exporting as it may not be fit perfectly in the existing export development models introduced by, for example, Bilkey and Tesar (1977), Mehran and Moini (1999) or Suarez-Ortega (2003). These models pictured exporting as an activity conducted internally by a firm. The result, on the other hand, showed the influence of external parties in a firm's export activities. The quasi exporting indicating partial involvement of the firm (i.e. involvement in production process only and the rest was on other party's responsibilities) possibly can be a new stage in export development model.

The role of the small firm managers was key in internationalization decision-making process. They were autocratic in making decisions. Accordingly, their characteristics (level of education, international experience and ability to speak foreign

languages), which resulted in limited knowledge possessed, affected the decision to internationalize the firm.

The process of making a decision to internationalize was informal and relatively quick as it was conducted informally in the manager's head and no information was gathered by the manager before making the decision.

Exports were stimulated by orders from foreign buyers gained actively or passively by the managers. As the key decision-maker, managers decided how to respond to this export stimulus. They might decide by their own or involve family and staffs. Managerial characteristics, such as experience, motivation, intention, optimism, perception, self-confidence and age, also influenced the decision to internationalize as managers played key role in exporting.

Export decisions were practical decision or strategic decisions. The practical decision consisted of three inter-related decisions: order process to accept or reject an order based on firm's capability, production process to how to produce products ordered, and delivery process. Managers made practical decisions intuitively (Dimitratos, et al., 2011) since there were no meetings or schedules set by the managers to make the decision, and no systematic analysis was used to evaluate capability, advantages or disadvantages of the decision.

Managers did not gather information or conduct an analysis before making strategic decisions to continue or discontinue exporting. They relied on their knowledge and experience generated from their own assessments on others' experience and considered firm's internal conditions.

While the internationalization decision-making process followed the three-phase model of mode of input, process and knowledge base, and output, what happened in the 'black box' at the second stage was unclear as the process occurred in the manager's head.

7.2.2. The Internationalization Process

Research question 1 asked. The findings in relation to this question are discussed in this section.

The survey showed that internationalization only occurred in the context of exporting (whether that was regularly, irregularly and via an agent). Indonesian small manufacturing firms started from serving domestic markets and then exported. Based on traditional stage models of internationalization, they were still at the very early stage of internationalization. In the U-model (Johanson & Vahlne, 1977), they are either at stage one (no regular export) or stage two (export via agent). Their activities can also be considered as ‘passive exporting’, stage one of Cullen and Parboteeah’s model (2005), as managers did not acknowledge they had potential international markets and they did not try to create export sales.

Although the existing export development stage models built by Bilkey (1978), Mehran and Moini (1999), and Suarez-Ortega (2003) may not fit perfectly for the explaining the studied firms, they can give guidance to explore these firms (refer to Chapter 2 for the stages of each concept). Table 7.1 outlines how the SFs studied align with the different models. Firms that exported irregularly can be analogized as being at stage two of Bilkey’s model as they exported to fill unsolicited orders and had not explored the feasibility of exporting. They are also at stage two of Mehran and Moini’s model as they seemingly were not committed totally to export activity although they had already exported occasionally. They exported if there was an order, otherwise they served only the domestic markets. As an exporter, they may be at stage three of Suarez-Ortega’s model (initial exporter) since there was no indication that they had a great experience in marketing to foreign markets (stage four) instead they took the first steps in the export markets.

Table 7.1. Analogy of the Studied Firms’ Export Stages to the Export Development Models

Studied Firms	Bilkey’s Model	Mehran & Moini’s Model	Suarez-Ortega’s Model
Non-export	Stage one: unwilling to export	Stage one: non-exporter	Stage one or two: (un)interested non-exporters
Irregular export	Stage two: filling unsolicited export order	Stage two: occasional exporters	Stage three: initial exporters
Regular export or export via an agent	Stage four: export experimentally	Stage three: regular exporters	Stage four: experienced exporters

Source: analysis of the data

Regular export and export via an agent were similar as the later can be regular export at arms-length. Referring to Bilkey (1978), those that exported via an agent were at stage two of the U-model. Bilkey analogized this as stage four in his own concept (firms export experimentally to one or a few markets). Accordingly, the firms exporting via an agent were at stage four of Suarez-Ortega's model (experienced exporters) or at stage three of Mehran and Moini's model (regular exporters). Thus, Indonesian small manufacturing firms that exported varied in the stage they were at in relation to the different export models, however, they were at the very early stage of the internationalization stage models.

Stage models theory argues that stages in internationalization reflect resource commitment to an international operation (Beamish et al., 1997; Johanson & Vahlne, 1977). The SFs studied were low at their resource commitment as they lacked resources and this may have hindered their ability to move to a further stage of internationalization although there was not much, if any interest from managers to move beyond exporting. This may also reflect the basic aim of minimizing risk when the managers made export decisions. The I-model points to the importance of manager's behaviour in understanding firm international engagement (Andersson, 2000; Ruzzier, et al., 2006): SFs engage gradually in IBAs to avoid risk as they have limited resources.

The gradual process in internationalization outlined by the stage models theory does not apply to these small manufacturing firms in Indonesia. Their mode of exports was not sequential. The firms exported as a reaction to an unsolicited order received and the receipt of an unsolicited order was usually the reason for the first export (Mehran & Moini, 1999). This suggests that engagement in exporting was not a proactive strategic action to grow the business, rather it was more of a reactive action. The interviews revealed the three traditional firms in the study were reactive as they focused on serving the domestic markets and exported only if an unsolicited order was received. They treated export orders in the same way as local orders. Managers were conscious they did not orientate their firm towards international markets because domestic markets were more attractive and they lacked confidence in their capability to export. Subconsciously there was an orientation to only domestic markets as this was what the business had been set up to serve.

Bilkey (1978) argued that exporting was essentially a process of development and could be conceptualized either as a learning process or as an export stage. The SFs in this study did not show that their involvement in exporting was built gradually or as a result of a learning process. For example, a firm that exported regularly to a country exported irregularly to different countries in later years. Other firms exported irregularly and at the same time they also exported via an agent. It cannot be stated that the firms learnt quickly and moved to the next stage.

According to stage models theory, at the beginning firms will export to countries that are physically and culturally close to the home country and, as their knowledge increase, they expand to more distant countries (Andersson & Floren, 2008; Carneiro et al., 2008; De Clercq et al., 2005; Johanson & Vahlne, 1977; Ruzzier et al., 2006). However, this did not occur with these Indonesian small manufacturing firms. They exported to countries that were physically and culturally far from Indonesia and later exported to those that were closer to Indonesia. Arguably this occurred because they predominantly exported via outside parties and they focused only on production pre-export and as such they were only 'quasi exporting'.

Such way of exporting does not necessarily require firms to have knowledge of international markets. Buyers bring this knowledge and it is reflected in product specifications and designs. Market knowledge that was the key factor for gradual internationalization processes, therefore, did not play an effect on the firm's exports. *This provides insight about hidden assumption of firm's condition in the stage models theory. In this study, gradual process of internationalization did not happen to the traditional firms that exported passively or involved in quasi exporting.*

For the interviews, five strategic firms were identified as their managers were oriented towards international markets. They recognized opportunities for growth, perceiving continuous demands from abroad and actively searched for foreign buyers. Therefore, they were consciously oriented to international markets while still serving domestic markets. Their proactive approach stimulated export and as previous studies by, for example, Mehran and Moini (1999), Pope (2002), and Tan et al. (2007) have shown, proactive motivations were a stimulus for exporting. These firms may fit in

international new venture theory as they oriented their firms to international market since the firm's inception. However, this was predominantly induced by internal factors (i.e. lack of resources and manager's capability) instead of external factors. As manager's characteristics were the key for firm internationalization, market knowledge that is the driver for internationalization according to this theory (Knight & Cavusgil, 2005; Oviatt & McDougall, 1994) also depends on manager's knowledge. This supports the perspective of the theory to focus on personal level analysis, especially in terms of international entrepreneurial orientation (Knight & Cavusgil, 2005). Bilkey and Tesar (1977) outlined international orientation, management's perception of the attractiveness of exporting, and managerial confidence of the firm's ability to compete abroad are factors directed progression of a firm from stage two to stage three of export development stages.

To this end, the first research question is thus answered:

The internationalization process of Indonesian small manufacturing firms was still at an early stage, which was exporting. However, their export development varied. The internationalization process of traditional firms could be linked to stage models theory with no gradual learning processes in the firms. This happened because market knowledge did not play a role in exporting. Strategic firms were more like those explained by the theory of international new ventures in which managerial vision meant firms were internalized since their inception.

7.2.3. Decision-making Style

Research question 2 asked: What is the dominant decision-making style of the managers of small manufacturing firms engaging in international business activities?

The survey showed the SF managers' decision-making style was autocratic where managers made decisions by themselves without consultation with subordinates. Managers made decisions. Arranz and Arroyabe (2009) have argued that the decision-maker's role is fundamental to SME internationalization, especially in the development of exporting (Lautanen, 2000). Found in this study was that the manager's decision-making style did not affect the internationalization decision, but other characteristics played a role.

Interviews revealed it was not the decision-making style that influenced the decision-making process, but the manager's psychological aspect (internal motivation and attitude), cognitive aspect (knowledge-related process) and behavioural aspect (managerial capability and intention). Managerial decision-making style refers to the managerial behaviour of the manager (Reddin, 1987), and this was included in the behavioural aspect. These aspects influence the manager's capability in making decisions and emphasize central role of the manager in making decisions.

As the key decision-maker, the manager's characteristics have an effect on the decision-making process. Their characteristics determine how managers behave in making decisions to export. Chetty and Campbell-Hunt (2003) noted that decision-makers' characteristics are critical to understanding internationalization decisions in SMEs. The survey found that manager's demographic characteristics, ways of making internationalization decisions and international experience did not significantly affect their behaviour in making decisions to export but manager's perceptions and language ability determined the decision to engage in international markets. Manolova et al.'s (2002) suggestion to reduce emphasis on demographic characteristics in decision-making process can be considered. As the interviews also found that it was not demographic characteristics that associate with practical and strategic export decisions, but characteristics inside the manager, such as experience, intrinsic motivation, intention, optimism, perception and self-confidence.

The interviews revealed that managers made practical decisions intuitively. These decisions were informal, unplanned and without systematic analysis to evaluate capability, advantages or disadvantages of the decision (Dimitratos, et al., 2011; Russ et al., 1996). Strategic decisions were made without prior information gathering or analysis, and relied on manager's knowledge, motivation, experience and self-confidence, as well as the firm's limited resources. This was not a rational process as outlined by Jones et al. (1992) and Roberto (2004). For them, a rational process should be applied in making a strategic decision, such as internationalization.

The characteristics shown by the managers studied fit an 'intuitive style' in Scoot and Bruce's decision making style model (Russ et al., 1996). Manager with an intuitive

style makes a decision in a relatively short time using limited information, based on feeling and internal ordering of the information. Accordingly, ways to make decisions were as an internal thought process of the managers studied. There were no visible activities that could be used to identify this process and it remained an invisible part of the decision-making process (the black box). The decisions were made in a short time without clear gathering information process for further examination. Kontinen and Ojala (2010) noted that managers having such a way learn very little from the process as the process is in the manager's mind and may not be shared with others. So far, this suggests that the black box in decision-making process exists as a result of intuitive process in making decisions.

It can be inferred from the discussion above that applying only one model to measure, assess or describe a manager's decision-making style may not give an accurate result as the manager can adopt different styles depending on the situation (Ali & Swiercz, 1985; Ali et al., 1995). Muna's model applied in this study for this purpose could identify the dominant style of the managers. It, however, has failed to show its effect on internationalization decision. The decision-making style did not take effect possibly because the manager was the only decision-maker for internationalization and there were no subordinates involved in making the decision. In other words, the assumption of the model emphasizing relationship between manager and subordinates when making decision was not met.

Scoot and Bruce's (1995) model could provide better explanation as it emphasizes the personal characteristics of the manager that emerge when making a decision which were revealed clearly in this study as playing an important role in the decision-making process. Among the styles in the model, intuitive style was the best style to explain ways the managers made the internationalization decisions. Combining these two models (Muna's and Scoot & Bruce's) resulted in a better explanation.

The discussion above provides an answer to the research question 2 as follows:

There were two parts decision-making style of the managers of Indonesian exporting firms. In one part, the decision-making style was autocratic showing the manager's central role in making decisions. However, the

second part is that decisions were made intuitively. This intuitive style was represented by the black box identified in the process in making export decisions.

7.2.4. Process of Making Export Decisions

Research question 3 asked: How do the managers of small manufacturing firms engaging in international business activities make the internationalization decision in their business? The discussion starts from inputs of the decision and continues to process and knowledge-base.

7.2.4.1. Stimuli for Exporting: Decision-making Inputs

There were internal and external stimuli for exporting. Manager's perception of internationalization was an internal stimulus. Managers had a positive perception of internationalization. For them, internationalization provided the opportunity to grow the business. Acedo and Galán (2011) argued that perceptions of the risks and opportunities of internationalization determine the commitment to internationalization. The more difficult and complex export activity is perceived to be by the manager, the lower the level of export involvement of the firm (Suarez-Ortega, 2003). Export orders were the external stimulus. They exported only if there was an export order.

Internal stimuli provided a greater influence on the decision as manager can have a very strong influence on the firm internationalization (Perks & Hughes, 2008). The internationalization decision was largely based on the manager's own diagnosis of the situation and tacit knowledge. Perks and Hughes (2008) argued that "the stronger the skills of this individual and the greater the extent of their tacit knowledge and experiential learning the greater the likelihood that this person will drive international decision making" (p.324).

The interviews also revealed inputs for exporting were internal and external stimuli. External stimuli (export orders) were not sufficient for a firm to engage in export activity. Although orders (solicited or unsolicited) stimulated to export, the managers strongly influenced the driving of the export decision. They determined whether to accept or reject the order and whether actively search for an order or wait passively for

an order to arrive. In the export decision-making model, this has been referred as the input phase.

Internal stimuli arising from the manager have more effect on triggering the export decision. Citing Tan et al. (2007), stimuli act as the motives, incentives, triggering cues, or attention evokers, and they trigger “the learning process by alerting the decision-maker to possible opportunities that are presented to the firm through international venture” (p.297). This suggests that the source of the stimuli was within the manager’s thought processes. Managerial motivation to learn exporting, previous experience in exporting, perceptions of and optimism about the opportunity in foreign markets, confidence in the capability to export and knowledge associated with the decision to export were important. These characteristics took effect especially when strategic decisions or decisions about the firm’s future direction were made.

Indirect exporting via a forwarder related to complexity of the export process. The managers studied preferred to shift the responsibility for dealing with export processes to a forwarder who, according to them, knew the process well. Suarez-Ortega (2003) outlined that procedural barriers support manager’s reason to use a forwarder. According to Suarez-Ortega, procedural barriers – comprising transportation and shipping costs, differences in consumption habits, trade barriers to export, language and cultural barriers, and export documentation requirements and red tape – were the most significant factor differentiating initial exporters and experienced exporters. By using a forwarder, the managers could focus only on production of the goods to be exported. Production orientation was the manager’s vision for the firm. Andersson et al. (2004) argued SFs tend to focus time and resources on product innovation and development and devoted only a little attention to finding new markets for the products because managers have no marketing experience and little knowledge of export markets.

Lack of human resources underpinned reasons for using a forwarder. The managers did everything from practical to strategic activities in the firm. This also pointed to the limited capability of managers. Ahmed et al. (2008) identified the issue of limited personnel as the factor hindering Malaysian regular exporters and non-exporters from fulfilling the demands of the foreign market. As small firms, they did not have staff

specifically handling the process of exporting. In the export decision-making model, this was referred to as a lack of resources and capability in the input phase of future direction decision.

7.2.4.2. Process and Knowledge Base

The process and knowledge-base phase in decision-making process started once the manager received a stimulus. How the manager perceive the information took them to the next stage of the decision-making process. As Tan et al. (2007) outlined, external stimuli alone were insufficient for a firm to engage with a foreign market. Lateral rigidity referring to “a limited perception of stimuli factors, a biased search that results in limited information, or a confinement of choices due to uncertainty and risk avoidance” (Tan et al., 2007, p.301) was the mediating force.

Das and Misra (1995) mentioned that decision-making was a manager’s cognitive function. Studying processes of making a decision must assume it as a cognitive process (Jones et al., 1992; Sommer, 2010) as emotional, motivational, and personality characteristic influence managers in making decisions (Das & Misra, 1995). Their cognitive competence and motivational orientations therefore differentiate their ability to make effective decisions. Jones et al. (1992) noted that limited cognitive capabilities were one of the main obstacles to adopting a comprehensive strategic decision-making process. This made the decision-makers more likely to take decision shortcuts (Jones et al., 1992) or to simplify the decision-making process (Roberto, 2004) by choosing the first strategic alternative, relying on an analogy known well (Nilson, 2008), considering only minor variations to the last decision choice and reducing a complicated problem to a few simple issues (Jones et al., 1992), or limiting the criteria considered and weighing some criteria more heavily than others (Hitt & Tyler, 1991). In other words, managers arguably applied rational process in achieving a decision (Hitt & Tyler, 1991; Jones et al., 1992; Nooraie, 2008). A rational process consists of gathering and analysing information, and generating and evaluating alternatives (Jones et al., 1992; Roberto, 2004). Cyert et al. (1956) suggested that the search process and information-gathering process represent significant components of decision-making.

As described in the export decision-making model, the process and knowledge-base phase in the current decision starts with internal capability measurement and was followed by Information gathering and processing, conditions affirmation, negotiation and ends up with alternative decision. The process through these steps happened quickly and seemed to overlap each other.

After receiving an export order, information was gathered by managers to make the decision to export. However, that information related to product designs and specifications, the price set by the buyer, the payment system and the delivery process which was acquired from the buyer. The purpose of this information was to enable evaluation of whether the firm had capability or not to deliver. If the order was attainable, the manager accepted. The key criteria in making a decision was around the internal capability of the firm to produce the ordered products.

The assessment of attainability to fill the order may provide an additional explanation to Williams's study (2008) about export stimulation of micro and small firms in an emerging environment. He found that an unsolicited order was not the important stimulus inducing the decision to initiate exporting as many previous studies had confirmed. Williams outlined that the minimal impact of this stimulus is possibly because of the limited resource stock in the firms to attract unsolicited orders from abroad. By assessing the attainability of the order, the managers actually assessed the firms' resource stock and ability to fill the order, given their limitations. At this stage, the managers conducted information processing and analysing.

During the negotiation, managers might gather information from subcontractors or friends regarding availability of the products or of raw materials. Internally, the managers relied on their firm's experience in processing previous orders. Products ordered by a buyer similar to those ordered previously enabled the firm to draw on experience to tackle new products. This can be a way to simplify the decision by analogizing. Referring to Tan et al., (2007), the behaviour indicated that accumulation of experiential knowledge determines the firm's level of internationalization readiness. In other words, the higher the attainability of the order perceived by the manager, the higher the readiness of the firm to engage in internationalization: therefore the decision

was made more quickly. Internationalization readiness was identified as the manager's intrinsic factor that influenced the process in making an export decision.

The managers also addressed alternative approaches that were either self-producing or subcontracting. Subcontracting the production was the route taken by the studied firms to overcome the resource stock limitations. As this had advantages and disadvantages relating to quality of the products, the managers still tried to control the quality by doing the finishing touches themselves before the products were exported. Quality was thus the criteria applied in evaluating the alternatives.

The final decision to accept or reject an order was evaluated based on the profit. If an alternative approach met the expected profit, the managers decided to choose the alternative and accept the order. Otherwise, the order was rejected. As the ultimate aim in making the export decision was risk minimization, the profit can be an indicator for achieving the aim of minimizing the risk of not receiving revenue from the sale. The study thus supports the U-model that has been referred to by Carnerio et al. (2008) as a risk-aversion or risk-avoidance model in terms of the aim. According to the model, small firms can minimize risk by involving themselves in internationalization gradually (Cullen & Parboteeah, 2005). As discussed before, the study, however, did not support the model in terms of gradual involvement and instead revealed that the involvement of the studied firms was not gradual.

In making a strategic decision to continue or to discontinue exporting in the future, the experiential knowledge predominantly influenced the process. The interviews revealed that previous experience did not guarantee the firm would keep exporting. This result does not support previous studies (for example, Hitt and Tyler 1991; Sommer, 2010), which concluded that previous experience influenced engagement in international markets. The explanation of the discrepancy between them may reside in the assumption made by the managers. The managers of traditional firms believed that unsolicited orders were not only the trigger for current exports but also the trigger for future exports. One manager stated he would continue to export if he received an export order with similar ease as before. The manager perceived exporting as a difficult and complex activity and he would be willing to export if such conditions

could be avoided. This suggests that his previous experience was the source of information leading him to make the decision. It has been kept in the manager's mind and was recalled in the process of gathering information.

The other two traditional managers decided to discontinue exporting because they perceived exporting as a complex and risky activity and perceived domestic markets as more attractive. They gathered information from their previous experience in exporting and by serving business domestically. As they had been experiencing continuous domestic orders, this information resulted in the belief that domestic orders would not stop in the future. However, the information searching and processing was conducted by the manager only. There were no meetings to discuss alternatives and no formal management tools were applied in analysing the market conditions.

A similar process occurred when managers made the decision to continue exporting. Based on previous experience, knowledge and belief, managers were optimistic about international market conditions, able to find export orders and commit to them, and certain about payment. No additional information was gathered at this stage. They relied more on their experiential knowledge resulting from the information accumulation received while they had been conducting business. However, this perception was not supported by formal analysis and was not accompanied by a strategic plan to target foreign markets.

The process of arriving at the decision to export or not to export was relatively quick, no analytical tools were applied and no formal process was undertaken. The information gathering process identified as an important part of the decision-making process by Cyert et al. (1956) occurred in a very limited fashion. Information was accessed from the accumulated knowledge in the manager's mind. It therefore can be stated that the managers relied more on their existing knowledge. Referring to Dimitratos et al. (2010), who concluded that decisions can be either objective or subjective, internationalization may be based on the subjective preferences of individual managers as it was usually a costly and time-consuming effort for small firms. Furthermore, as argued by Hitt and Tyler (1991), people, not organizations, make decisions and managers' personal characteristics influence strategy formulation and

implementation. Decisions depend on prior processes of human perception and evaluation. The processes are believed to be constrained by managerial orientation created by needs, values, experiences, expectations, and cognitions of the manager. The process and knowledge base phase of the decision-making process was thus an unclear process happening in the mind of the manager. The process was either rational or an irrational process involving psychological, behavioural and cognitive attributes of the managers.

The above discussion forms the answer to the research question 3 regarding how the managers of Indonesian small manufacturing firms make an internationalization decision. The internationalization decision-making model presented in Chapter 6 is the complete answer to this research question. It is reiterated below:

The managers of Indonesian small manufacturing firms made an internationalization decision relatively quickly, in an informal manner and subjectively. Their process for making the decision could be outlined using three-phase decision-making process model as shown in the Figure 7.1 below. The decision was triggered by export orders, evaluated based on the internal capability and resources of the firm using a very limited fashion of information gathering and processing, and was aimed at minimizing risk.

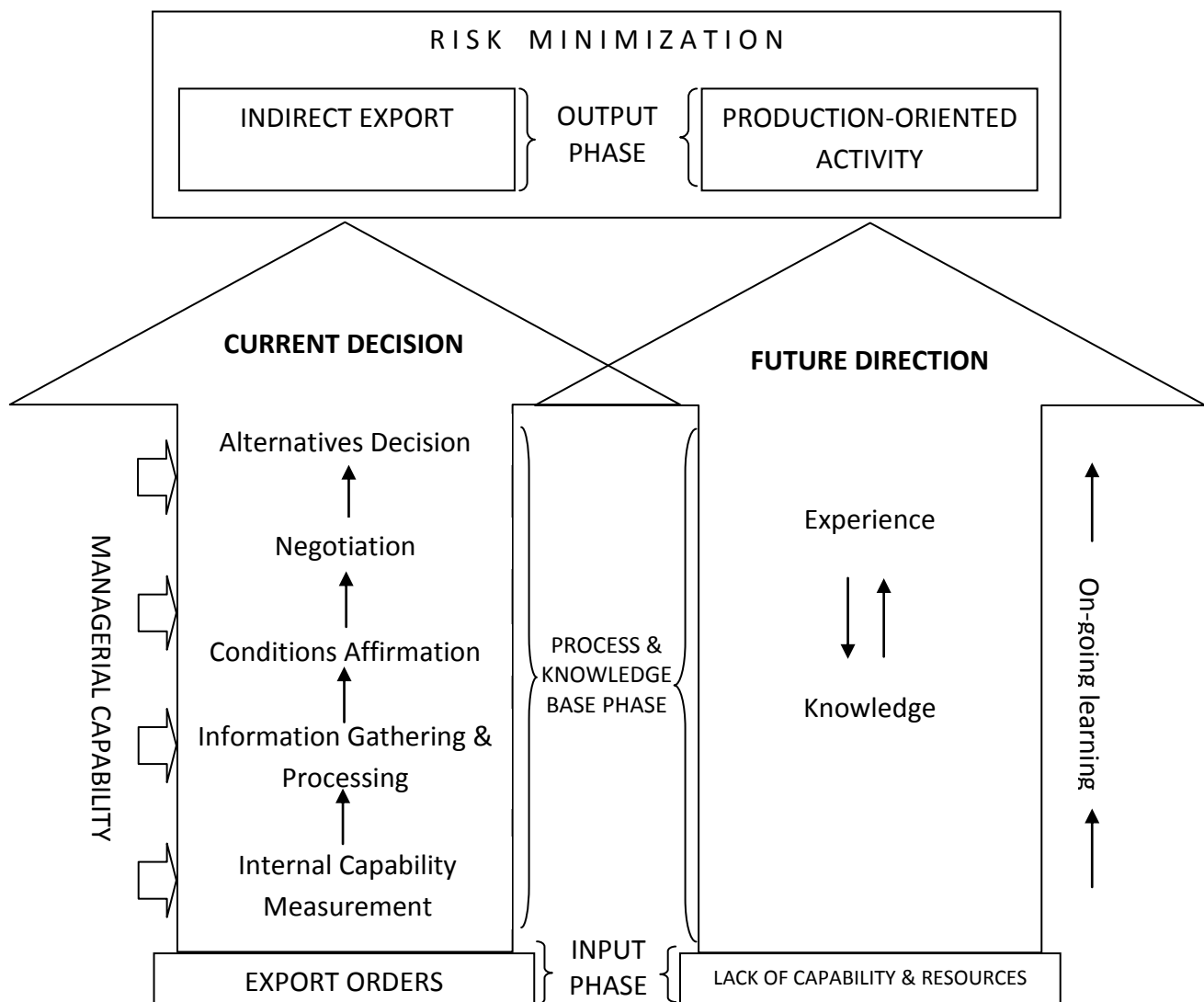


Figure 7.1. Internationalization Decision-Making Process Model in Small Firms

The internationalization decision-making process model is in line with the small firm internationalization theories discussed in Chapter 2 in terms of knowledge role in internationalization. The stage models theory, network theory, resource-based theory and theory of international new venture concluded that knowledge is the main driver for internationalization. Each theory, however, has a different view on how knowledge affects internationalization and how to acquire it.

Although the studied firms did not follow stage models theory in their internationalization process, the managers of those firms showed they built knowledge that will be used to direct future decisions in the firms through a learning process. This is

in accordance with the stage models theory that emphasizes experiential learning as the way to create knowledge. According to network theory and resource-based theory, knowledge can be acquired from partners the firms have in their networks or can be developed internally by a firm. This way did not apply on the studied firms since the managers did not build such networks. The resulted model shows that knowledge was created through experiential learning of the managers. This was conducted in the head of the managers and thus became intangible, which was referred as managerial black box. The knowledge had not yet become a resource that drives internationalization for particularly the traditional firms. It is thus too early to conclude that the resulted model is in line with these two theories. It may also not fit well in the theory of international new venture since the knowledge had not been used to create differentiation for developing sustainable competitive advantage of the firm. However, as outlined before, the strategic firms possibly followed this theory in a way that knowledge orientated the managers to internationalize since the inception.

7.3. CONCLUSION

The research problem that framed the study is examined to draw conclusions. The research problem was specified as: whether the behaviour of small manufacturing firm manager when making an internationalization decision explains variety in the process of small firm internationalization.

An understanding of internationalization of SFs generally, and export particularly, must focus on the individual level of the manager. Studying it at the firm or industry level may not describe factors that may hinder or facilitate IBAs, but only at the individual level will the variety in IBAs be seen. The finding that the internationalization decision-making process of the SFs studied here is centralized on the manager provides a preliminary insight into the reason for inconclusive knowledge in small firm internationalization.

The internationalization decision-making model shows that internationalization of Indonesian small manufacturing firms depends on, and is centralized in, the manager. This finding thus highlights the result of previous studies in small firms, generally, and small firm internationalization, particularly, in which the small firm

manager plays a central role. This also explains variety in small firm internationalization. As the key role, manager's psychological, cognitive and behaviour aspects influence decision-making process. Variety in these aspects possibly results in variety in the decisions made by the manager. This study shows different internationalization process was due to different managerial capability. In other words, the key of variety in small firm internationalization is the manager.

7.4. STUDY LIMITATIONS

Future research can be built on the findings of this study by addressing certain limitations. The first limitation relates to the fact that the only internationalization found in this study was exporting. The internationalization decision-making model resulted in this study may apply only to export decisions. It may not describe processes in making an internationalization decision at a higher level, such as the establishment of sales branches or production facility in target countries as decisions in different level of internationalization may need different considerations and follow different process.

The second limitation is that risk minimization is the basic aim in exporting and the model is thus a risk averse model. It may not able to explain managerial behaviour other than risk minimization. Although studies in small firm internationalization conclude that risk averse or risk avoidance is the intention of SF managers, the ability of the model to explain decision-making process in small firms generally needs to be tested further by other research.

The third limitation concerns the generalizability of the findings. Generalization needs to be considered in terms of manager's decision-making style. The model can be an irrational model as it was built under autocratic and intuitive styles in which manager is the central point in decision-making process. The decision-making process can be different from those outlined in the model if managers have a different style, such as involving others in making a decision, is rational and applies systematic analysis process. Moreover, considering that decision-making style is sensitive to culture (Ali et al., 1995; Hofstede, 1980), the resulted model may also be sensitive to a cultural context. It was

built based on small firms in a particular region in Indonesia. The model may represent particular culture and therefore may not be able to be generalized.

The fourth limitation relates to the research methods. Interviews were used to explore manager's thoughts and experiences in making internationalization decisions. As this way depends heavily on the stories told by the managers, the data may be biased towards the interviewees. Although a manager in a small firm is the right source of information for the research, exploring the manager's thought is not easily done. A different method may accomplish the purpose differently and generate more insight. For example, observing the manager in a real situation when an internationalization decision-making process occurs and combining this with interview may provide richer data. Nevertheless, longitudinal methods have barriers in time and costs.

Besides interviewee bias, researcher bias may also take effect during data interpretation and analysis. The cognitive capability of the researcher possibly results in limited meaningful findings. Building consensus in creating knowledge should thus be applied more intensively in the research as the manager's interpretation plays a role in delivering information and the researcher's interpretation plays a role in analysing and giving meaning to the data. Constructivism must be applied in a continuous or repeated interaction between managers and the researcher. Although it is known to be a better way to construct knowledge, time and budget constraints have not enabled such a relationship to be built in this study and this is another flaw of the study.

7.5. FURTHER RESEARCH DIRECTIONS

Further research can address the study limitations outlined above and increase the explanatory ability of the internationalization decision-making model which resulted from this study. Testing the model on decisions other than exporting, on small firm managers with decision-making styles other than autocratic and intuitive styles, and in other regions, may not only increase explanatory ability of the model but also provide insights into variety of small firm internationalization.

Following the suggestion from Andersson et al. (2004), future studies must focus on the individual behind the strategic decision to internationalize as a way to understand small firms' internationalization process. Studying manager's behaviour in

making an internationalization decision is also an important step in increasing understanding of small firm internationalization (Andersson & Floren, 2008).

This research focused on how small firm managers make a decision to internationalize but it did not address effectiveness of the decision. Future studies should pay attention to the effectiveness of the decision as this can indicate the quality of the decision (Nutt, 1993; Roberto, 2004). An effective decision refers to accomplishment of objectives set during the decision-making process through the application of courses of action (Roberto, 2004). This study does not explore whether decision to export was to satisfy the buyer only or to support the firm's goal.

The study delivered the result that the process of making an export decision is a non-analytical process. Future studies may consider non-analytical decision-making methods, which, according to Jones et al. (1992), are available in many versions in order to give a more detailed framework to explore the managers' mind. The framework of the decision-making process used here is a general scheme, which may not give a detailed guide.

Exploring the manager's mind may not be easy because psychological, behavioural and cognitive aspects are abstract and intangible concepts although they may be turned to tangible concepts through recorded or transcribed stories told by a person. The ability of a manager to convey their stories thus depends on the memory of relevant events, willingness to share the details, and the meaning they give to an event. Combining these together will determine the accuracy of the information delivered. In other words, interpretation of the manager is the key to understanding their thoughts. Future research may consider ways to reduce individual bias and subjectivity by applying, for example, a well-established psychological test to measure motivation or attitude of the manager. Using a psychological approach is possibly an alternative that can be taken for future studies. As suggested by Acedo and Galán (2011), solid psychological theories, such as TPB (theory of planned behaviour) may be applied for this purpose since perceptions, attitudes and intentions of managers present a great control over their behaviour. Another possible way to reduce bias and subjectivity of the manager is to obtain the views of others, such as family members or employees.

7.6. IMPLICATIONS AND CONTRIBUTIONS

7.6.1. Theoretical Implications

Small firm internationalization has been studied at the industry and organization level. Only limited numbers of studies have focused on the individual level. This study has shown that by studying small firm internationalization at the individual level an understanding about variety in small firm internationalization process can be provided. This supports Chetty et al.'s (2012) argument emphasizing individual level knowledge as the driver for internationalization.

This study shows that the decision to internationalize is a manager-centred decision but that managerial capabilities vary. This variety results in different considerations and actions that direct to different decisions of exporting. This manifests in different internationalization theory that can explain phenomena of the traditional and strategic firms studied here. The traditional firms can be explained using the stage models theory and the strategic firms can be described with the theory of international new venture.

As the study did not show a gradual internationalization process in the traditional firms, this means that there is a missing link in the theory and this link is passivity of the manager. The manager's market knowledge is the driving force for the gradual internationalization process (Manolova et al., 2002) and this did not occur with the Indonesian small manufacturing firm managers studied as they did not find the knowledge actively, rather they waited passively for the buyer to bring it to them. Limited market knowledge possessed by the managers did not direct them to apply a more systematic internationalization strategy (Bell et al., 2004). For them, internationalization is a reactive action to fulfil export orders. Furthermore, theory suggests that gradual involvement in internationalization activities is a result of experiential learning (Carnerio et al., 2008; Manolova et al., 2006). Since the traditional firms in this study were only involved in 'quasi' exporting, the manager's learning process related only to experience in producing the ordered products. Managers did not learn about exporting processes as the processes were conducted by outside parties.

These provide insight that the missing link resides in the stimuli for exporting. The theory suggests that external stimuli (market conditions) are the trigger for internationalization, while this study reveals internal stimuli (manager's characteristics) stimulated exporting. In other words, the stage models theory applies only for firms under particular conditions. Identifying the conditions underlying the stage models theory is a way to reveal hidden assumptions of theory that has been not yet been explicitly stated. The results of this study suggest that the stage models theory may not apply well at the individual level of analysis.

In the case of strategic firms, the study is in line with the theory of international new venture as the theory emphasizes the personal level of the decision-maker (i.e. the manager or entrepreneur). The study and the theory agree that the manager or entrepreneur is the key factor influencing decision-making to internationalize. Internationalization is a product of the manager or entrepreneur.

Although many researchers have positioned the stage models theory against the theory of international new venture, this study shows it may be possible to integrate both theories in studying small firm internationalization. The theories are different and can only be applied to different situations (Ruzzier et al., 2006, Schulz et al., 2009). This raises question of how to integrate them and, on the other hand, it shows a need for a further improvement of internationalization theories (Schulz et al., 2009). As Schulz et al. suggested, the central concern in theoretical improvement is the integration of existing approaches into a common and adequate framework to cope with the complexity and dynamics of globalization.

Kalinic and Forza (2012) have shown such integration in their study about traditional SMEs involved in IBAs. The traditional SMEs that are supposed to follow gradual internationalization were able to speed up their internationalization similar to international new ventures. It was not knowledge, international networks or international experience as postulated by theory of international new venture that influence internationalization speed, but specific strategic focus. They suggested that future research should investigate the relationship between internationalization process and specific strategic focus. They also found that traditional SMEs can overcome liability

of outsidership by developing networks during the internationalization process through integration of unexpected stakeholders. According to Johanson and Vahlne (2009), liability of outsidership complicates the process to develop a business in a foreign market since the firm has no relevant network position to enter the market. Kalinic and Forza's (2012) study shows possibility to integrate the theories of small firm internationalization.

The theoretical improvement resulting from integrating both theories can take place by applying the theory of international new venture for analysing cases at the personal level to a complement stage models theory which is used at the firm level. This needs further analysis to build adequate framework for integrated theories.

7.6.2. Practical Implications

The study revealed that small firm managers play a central role in the process of making an internationalization decision and they very rarely involve others in making the decision. The policy affecting internationalization for small firms should therefore address managers. The Indonesian export policies are intended to solve problems that generally happen in small firms, such as a lack of capital, limited access to market information and financial sources, low skills in production and marketing as well as lack of access to raw material sources (Kuncoro, 2011). In the future, export-assistance programs should also address small firm managers in particular. An effective program should turn managers in an intended direction. In other words, the program should be tailored to address particular needs of a manager, rather than general needs applied to many small firm managers. This is possibly the explanation of why many export-assisting programs have not been effective (Moini, 1998), as they were created for general purpose only.

Referring to the internationalization decision-making model that resulted from this study, the program should address the managerial capability problem. As managerial capability is central in the process of making an internationalization decision, increasing managerial capability of small firm managers may be needed to foster their international activities because it facilitates execution of new opportunities. Managerial capacity of a manager cannot be rushed (Barringer & Jones, 2004). It is accumulated

over time. This suggests that increasing the managerial capacity of small firm managers could take the form of an assisting program intended to support a particular need of Indonesian small firm managers. Giving assistance and consultancy to small firm managers continuously, as needed, could be an effective program tailored for the specific needs of a manager, and this will help managers accumulate their capacity.

In general, the managerial capacity can also be increased by providing relevant knowledge. As the result shows that the basic aim in making an internationalization decision is to minimize risks, providing knowledge about risk (i.e. what risk is, how to calculate it, how to minimize it and deal with it) may help managers in creating right attitude toward risk that will support in planning or conducting internationalization better. Knowledge about exporting and its complexity is also imperative for building positive perception and intention of internationalization as perception (Manolova et al., 2002) and intention (Lloyd-Reason & Mughan, 2008) of internationalization are factors inducing internationalization. This knowledge will also increase bargaining position of firms in exporting as the result shows that the firms depended on external party in their exports. Another important knowledge for small firm managers is knowledge about decision-making. Managers need to know about how to make a strategic decision such as internationalization by applying analytical tools that suit a small firm (i.e. that is simple and relatively easy to use). Managers can make internationalization decisions better by applying this knowledge and not by relying solely on their intuition.

As learning-by-doing is the managers' way to gain knowledge they use in making decisions, simulation may be more suitable as mode to deliver this knowledge as it gives experience virtually to the managers. This experienced-based knowledge may open the black box in the head of the managers.

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APPENDIX 1:

Letter from the School

26 October 2011

To whom it may concern

Ms Maria Agustini (Student ID : 10178269) is enrolled in the PhD program at Edith Cowan University under the supervision of Professor Rowena Barrett and Dr Janice Redmond in the School of Management. She is collecting data for her PhD in Indonesia from 12/11/11 to 2/2/12.

Kind regards.

Professor Rowena Barrett

Head, School of Management

Edith Cowan University

Joondalup, Western Australia 6027

APPENDIX 2:

Introductory Letter of Questionnaire

Dear Respondent,

My name is Maria Y.D.H. Agustini. I am currently undertaking study for a PhD degree in School of Management at Edith Cowan University, Western Australia. My study is about internationalization decision making processes in small manufacturing firm. I invite you to participate in the survey by filling in the questionnaire.

Along with this letter, I provide you a letter of information explaining about the survey and questionnaire. The questionnaire comprises five parts (Part A, B, C, D and E). Part A, D and E are compulsory, while part B and C are optional depending on the condition. You need to fill either part B or C only. The related instruction is provided in the questionnaire.

It takes only about 15 minutes to complete the questionnaire. You can forward the complete questionnaire to the field worker. Your participation is voluntarily. However, your contribution will be beneficial for development of the knowledge in the area of study.

I thank you for your participation in this survey.

Perth, November 2011

Sincerely yours,

Maria Yosephine Dwi Hayu Agustini

PhD Student in Management

Faculty Business and Law

Edith Cowan University

270 Joondalup Drive, Joondalup WA 6027, Australia

email: myagusti@our.ecu.edu.au

(Indonesian version)

Surat Pengantar Kuesioner

Kepada

Yth. Bapak/Ibu Responden

Di tempat

Dengan hormat,

Perkenalkan nama saya Maria Yosephine Dwi Hayu Agustini. Saat ini saya sedang menempuh studi S3 di bidang Manajemen pada Edith Cowan University, Australia tentang proses pengambilan keputusan internasionalisasi dalam perusahaan manufaktur. Melalui surat ini, saya bermaksud mengundang Bapak/Ibu untuk berpartisipasi dalam survey dari studi saya dengan cara mengisi kuesioner terlampir.

Terlampir dalam surat ini adalah surat informasi yang menjelaskan hal-hal yang terkait dengan survey ini dan kuesioner. Kuesioner terdiri dari lima bagian (yaitu Bagian A, B, C, D dan E). Bagian A, D, dan E berlaku untuk semua, sedangkan Bagian B dan C berlaku sesuai dengan kondisi yang ada. Bapak/Ibu hanya akan mengisi salah satu bagian B atau C saja. Petunjuk diberikan di dalam kuesioner.

Pengisian kuesioner hanya membutuhkan waktu kurang lebih 15 menit. Apabila Bapak/Ibu telah selesai, mohon kuesioner dapat diserahkan kembali kepada petugas. Partisipasi Bapak/Ibu bersifat sukarela namun kontribusi Bapak/Ibu akan sangat berharga bagi pengembangan ilmu di bidang terkait .

Terima kasih untuk kesediaan Bapak/Ibu untuk berpartisipasi dalam survey ini.

Perth, November 2011

Hormat saya,

Maria Yosephine Dwi Hayu Agustini

Mahasiswa S3 Bidang Manajemen

Fakultas Bisnis dan Hukum

Edith Cowan University

270 Joondalup Drive, Joondalup WA 6027, Australia

email: myagusti@our.ecu.edu.au

APPENDIX 3:

Information Letter of Questionnaire

..... 2011

Dear Business Owner/Business Manager,

Project Title: Small Firm Internationalization Decision Making Process

My name is Maria Y.D.H. Agustini. I am currently undertaking study for a PhD degree in School of Management at Edith Cowan University, Western Australia under supervision of Professor Rowena Barrett and Dr. Janice Redmond. The study is about the decision making processes in small firm internationalization.

The purpose of the study is to explore the process of making internationalization decisions. I would like to hear your experience in deciding whether your firm should engage in international business activities, particularly how you gathered the information you needed, how you processed that information, and how you arrived at your decision. If you have internationalized I am also interested in how your firm started doing business internationally, what entry mode you chose and why, and how the international activities of your firm have changed over time. My reason for wanting to know this information is that there is little knowledge on the decision process in internationalization and it is still unclear what the stages are in the internationalization process that small firms take. However, it is clear that your style in making a decision influences the output of the decision. I am therefore interested in understanding how you make decisions. The study is aimed to build knowledge of small firm internationalization and providing inputs for developing programs that are beneficial for small firms.

The study consists of two stages of data collection. The first stage is a questionnaire and the second stage invites you to participate in an in-depth interview. You have been selected randomly from a list of manufacturing small firm that I compiled from several sources. To participate, you must operate a manufacturing firm that employs between 1-19 employees.

If you consider yourself to be an owner-manager of such a manufacturing small firm, I would like to invite you to participate in the study by filling in the questionnaire. The time needed to complete the questionnaire is approximately 15 minutes. There are no right or wrong answers for each question, instead I want to know about your experiences and actions in making

decisions about your firm's international business activities. Your answers will be used for academic purposes only and your responses will remain confidential. You and your firm will not be identified by name in any reports or publications arising from this study. In accordance with University guidelines, all data will be kept safely for five years after publication. All documentation relating to the identity of you and your firm will be destroyed after completion of the study.

If you wish to participate in this study, please try to answer all questions as a complete response will be more beneficial than an incomplete one.

For any enquiry or suggestions regarding this study as well as information about the research findings, please do not hesitate to contact me. You may contact the ethics officer in the University through email research.ethics@ecu.edu.au or phone at (62-08) 6304 2170 for any ethical enquiry. I thank you for your participation and highly appreciate your time.

Yours Sincerely,

Maria Yosephine Dwi Hayu Agustini

PhD Student School of Management

Faculty of Business and Law

Edith Cowen University

270 Joondalup Drive, Joondalup WA 6027 Australia

email: myagusti@our.ecu.edu.au

(Indonesian version)

Surat Informasi Kuesioner

....., 2011

Yang terhormat Bapak/Ibu Pemilik/Manajer Usaha,

Project Title: Small Firm Internationalization Decision Making Process

Nama saya Maria Y.D.H. Agustini. Saat ini saya sedang menempuh studi S3 di bidang Manajemen pada Edith Cowan University, Western Australia di bawah bimbingan Professor Rowena Barrett and Dr. Janice Redmond. Studi saya tentang proses pembuatan keputusan internasionalisasi pada usaha kecil.

Studi ini bertujuan untuk menggali proses bagaimana keputusan uk terlibat dalam kegiatan usaha di luar negeri dilakukan. Saya ingin mendengar pengalaman Bapak/Ibu dalam membuat keputusan untuk terlibat dalam kegiatan bisnis internasional, khususnya tentang bagaimana Bapak/Ibu mengumpulkan informasi yang dibutuhkan, memproses informasi tersebut dan akhirnya sampai pada suatu keputusan. Bila Bapak/Ibu telah terlibat dalam kegiatan usaha internasional, saya tertarik pada bagaimana perusahaan Bapak/Ibu memulai usaha secara internasional, apa dan mengapa memilih cara masuk tertentu, dan bagaimana kegiatan internasional perusahaan mengalami perubahan. Adapun alasan saya mengetahui hal tersebut adalah masih sedikitnya pengetahuan tentang proses pembuatan keputusan internasionalisasi dan masih bervariasinya tahapan internasionalisasi perusahaan-perusahaan. Yang jelas adalah gaya Bapak/Ibu dalam membuat keputusan sangat mempengaruhi hasil dari sebuah keputusan. Oleh karena itulah saya tertarik untuk mengetahui bagaimana Bapak/Ibu membuat keputusan. Studi ini dimaksudkan untuk membangun pengetahuan tentang internasionalisasi pada usaha kecil dan memberikan masukan untuk pengembangan program yang bermanfaat bagi usaha kecil.

Studi ini terdiri dari dua tahap pengumpulan data. Tahap pertama adalah kuesioner dan tahap kedua adalah wawancara. Bapak/Ibu telah dipilih secara acak dari daftar perusahaan manufaktur berskala kecil yang digali dari beberapa sumber. Untuk dapat berpartisipasi, Bapak/Ibu harus memiliki jumlah karyawan antara 1-19 orang.

Bila Bapak/Ibu adalah pengambil keputusan dalam sebuah perusahaan manufaktur, saya mohon kesediaan Bapak/Ibu untuk berpartisipasi dalam survey ini dengan cara mengisi kuesioner terlampir bersama surat ini. Adapun waktu yang dibutuhkan untuk mengisi kuesioner kurang lebih 15 menit dan tidak ada jawaban benar atau salah untuk setiap pertanyaan. Saya hanya ingin mengetahui pengalaman dan kegiatan Bapak/Ibu dalam membuat keputusan internasionalisasi perusahaan. Jawaban Bapak/Ibu hanya akan digunakan untuk kepentingan akademis dan akan dijaga kerahasiaannya. Nama dan identitas perusahaan Bapak/Ibu tidak akan muncul dalam segala bentuk laporan yang terkait dengan studi ini. Sesuai dengan panduan Universitas, semua data akan disimpan dengan aman lima tahun setelah publikasi. Semua dokumen terkait dengan identitas Bapak/Ibu dan perusahaan akan dimusnahkan setelah selesainya studi ini

Bila Bapak/Ibu bermaksud berpartisipasi dalam studi ini, mohon dapat menjawab semua pertanyaan dalam kuesioner karena jawaban yang lengkap akan sangat berarti daripada yang tidak lengkap.

Segala pertanyaan tentang studi ini serta informasi tentang hasil studi dapat ditujukan langsung ke saya. Bapak/Ibu dapat menghubungi Universitas melalui email research.ethics@ecu.edu.au atau telepon (62-08) 6304 2170 untuk pertanyaan yang terkait dengan etik.

Saya mengucapkan terima kasih untuk partisipasi Bapak/Ibu dan sangat menghargai waktu yang telah dicurahkan.

Hormat saya,

Maria Yosephine Dwi Hayu Agustini

Mahasiswa S3 Manajemen

Fakultas Bisnis dan Hukum

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email: myagusti@our.ecu.edu.au

APPENDIX 4:

QUESTIONNAIRE



INFORMATION LETTER

Perth, November 2011

Project Title: Internationalization Decision Making Process

Dear Business Owner/Business Manager,

This study is to explore the process of making internationalization decisions in small manufacturing firms. There are two stages of data collection, i.e. questionnaire and in-depth interview.

You have been selected randomly from a list of manufacturing firms that I compiled from several sources to participate in this survey. If you consider yourself to be a decision maker of such a manufacturing firm, I would like to invite you to participate in the study by filling in the questionnaire.

Your participation is voluntary and you can withdraw at anytime with no obligation. However I consider you to take full participation as your contribution will be beneficial for the success of this study, business development in Indonesia and knowledge development in the related area.

Time for completion the questionnaire is approximately 15 minutes and there are no right or wrong answers for each question. Your answers will be used for academic purpose only and your response will remain confidential. You and your firm will not be identified by name in any reports or publications arising from this study.

At the last part of the questionnaire, you will be asked your willingness to participate in interview as the second stage of the data collection. You may write down your willingness and other related information needed to set schedule for the interview.

For any enquiry regarding this study, please do not hesitate to contact me. If you have any concerns about the study, you may contact the University by email research.ethics@ecu.edu.au or phone at (62-08) 6304 2170 for any ethical enquiry.

I thank you for your participation and highly appreciate your time.

Yours Sincerely,

Maria Yosephine Dwi Hayu Agustini

PhD Student

School of Management

Faculty of Business and Law

Edith Cowan University

270 Joondalup Drive, Joondalup WA 6027 Australia

email: myagusti@our.ecu.edu.au

Survey #

PART A

BUSINESS CHARACTERISTICS

1. What year was your firm established? (If you have or operate 2 firms or more, please consider only the one which you think is most appropriate with this study)

2. Including yourself, what is the total number of persons who work in your firm on a regular basis (i.e. 35 hours/week or more)?

- ☐ less than 20 persons
☐ 20 – 39 persons
☐ 40 – 59 persons
☐ 60 – 79 persons
☐ 80 - 99 persons
☐ 100 persons or more, please specify _____

3. What is the main product(s) your firm manufactures?

4. Does your firm engage in business overseas?
- ☐ Yes → GO TO PART B
- ☐ No → GO TO PART C

PART B

ENGAGEMENT IN INTERNATIONAL BUSINESS ACTIVITIES

1. In which country(s) does your firm currently undertake business overseas? (Please list all countries)

Country 1:

Country 2:

Country 3:

Country 4:

Country 5:

Country 6:

Country 7:

Country 8:

Country 9:

Country 10:

2. Please identify all the appropriate business activities overseas in each country you have identified in question 1A related to type of activity, year began, and current engagement.

*) : Refer below abbreviations for type of activity:

EI = Exporting infrequently

AL = Acting as licensor to a foreign company(s)

ER = Exporting regularly

JV = Establishing joint venture(s) in the country

EA = Exporting via an agent

PF = Establishing production facility(s) in the country

SS = Establishing sales subsidiary(s)

OT = Other

in the country

	Type of activity*)	Year the activity began	Currently engaged?	
			Yes	No
Country 1:	<input type="checkbox"/>	<input type="checkbox"/>
Country 2:	<input type="checkbox"/>	<input type="checkbox"/>
Country 3:	<input type="checkbox"/>	<input type="checkbox"/>
Country 4:	<input type="checkbox"/>	<input type="checkbox"/>
Country 5:	<input type="checkbox"/>	<input type="checkbox"/>
Country 6:	<input type="checkbox"/>	<input type="checkbox"/>
Country 7:	<input type="checkbox"/>	<input type="checkbox"/>
Country 8:	<input type="checkbox"/>	<input type="checkbox"/>
Country 9:	<input type="checkbox"/>	<input type="checkbox"/>
Country 10:	<input type="checkbox"/>	<input type="checkbox"/>

3. Have you ever visited the country(s) where your firm engages in business activities?

- ☐ No → GO TO question 8 below
☐ Yes → CONTINUE TO question 4 below

4. Please identify the country(s) you have visited.

Country 1:
Country 2:
Country 3:
Country 4:
Country 5:
Country 6:
Country 7:
Country 8:
Country 9:
Country 10:

5. In which foreign country have you spent the most time?

--

6. What was the purpose of your visit(s) to that country? (You may select as many as applicable)

- ☐ Personal
☐ Holiday
☐ Business
☐ School
☐ Seminar/Workshop
☐ Other, please specify _____

7. Do you speak the main language spoken in that country?

- ☐ No
☐ Yes

8. What is your firm's total annual sales (in rupiah) derived from the business (domestic and international combined) for the last financial year?

--

9. Among the countries in which you conduct the business, what country(s) provides the greatest percentage of your firm's total annual overseas sales?

--

10. What percentage of the total firm's overseas sales comes from this country?

_____ Percentage total sales overseas

11. How important were each of the following factors in affecting your decision to establish a business relationship overseas in the country(s) identified in question 9. Please, rate the importance of each factor by ticking on the appropriate scale provided.

EU = Extremely Unimportant; U = Unimportant; SU = Slightly Unimportant; N = Neither Important nor Unimportant; SI = Slightly Important; I = Important; EI = Extremely Important

	EU	U	SU	N	SI	I	EI
Economic conditions in the target country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Political conditions in the target country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My knowledge of the government regulations in the country relating to my type of business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My knowledge of the market conditions in the target country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The ability of my firm to manufacture products that meet the technical standard determined by the government and buyers in the target country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My ability to speak the language used in the target country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My knowledge of the culture (in terms of habits, attitude, and behaviours of the people) of the target country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My level of skills to manage the business in the target country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The availability of buyers of my firm's products in the target country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other, please mention	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

12. How did you make the decision to engage in business activity in your main overseas country? (Click as many as relevant, if needed)

- ☐ I decided by myself
- ☐ I delegated the decision to other people in my firm
- ☐ I delegated the decision to other parties outside my firm (e.g advisors)
- ☐ I involved others in my firm to help me make the decision
- ☐ I involved family members to help me make the decision
- ☐ I involved other external parties to help me make the decision
- ☐ Other, please mention _____

CONTINUE TO PART D

PART C

NOT ENGAGEMENT IN INTERNATIONAL BUSINESS ACTIVITIES

1. Has your firm ever explored doing business outside Indonesia?
☐ No → GO TO question 8 below
☐ Yes → CONTINUE TO question 2 below
2. Please identify the country(s) your firm has explored as potential business opportunities.
Country 1:
Country 2:
Country 3:
Country 4:
Country 5:
Country 6:
Country 7:
Country 8:
Country 9:
Country 10:
3. How important were each of the following factors in affecting your decision not to engage in business overseas? Please, rate the importance of each factor by ticking on the appropriate scale provided. EU = Extremely Unimportant; U = Unimportant; SU = Slightly Unimportant; N = Neither Important nor Unimportant; SI = Slightly Important; I = Important; EI = Extremely Important

	EU	U	SU	N	SI	I	EI
Economic conditions in the target country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Political conditions in the target country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My knowledge of the government regulations in the country relating to my type of business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My knowledge of the market conditions in the target country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The ability of my firm to manufacture products that meet the technical standard determined by the government and buyers in the target country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My ability to speak the language used in the target country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My knowledge of the culture (in terms of habits, attitude, and behaviours of the people) of the target country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My level of skills to manage the business in the target country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The availability of buyers of my firm's products in the target country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other, please mention	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4. Did you try to find any other information before deciding not to engage in international business activity?

- ☐ No → GO TO question 5 below
- ☐ Yes → CONTINUE TO question a. below

a. If YES, please, identify what other information was gathered.

b. What was the purpose for gathering this other information?

- c. Who gathered this other information?
- ☐ Myself
 - ☐ My subordinate(s), please specify _____
 - ☐ Other party(s) outside the firm, please specify _____
5. How did your firm decide not to continue/engage in international business activity? (Click as many as relevant, if needed)
- ☐ I decided by myself
 - ☐ I delegated the decision to other people in my firm
 - ☐ I delegated the decision to other parties outside my firm (e.g advisors)
 - ☐ I involved others in my firm to help me make the decision
 - ☐ I involved family members to help me make the decision
 - ☐ I involved other external parties to help me make the decision
 - ☐ Other, please mention _____
6. Have you ever visited a foreign country(s)?
- ☐ No → GO TO PART D
 - ☐ Yes → CONTINUE TO question a. below

a. If YES, please identify the country(s) you have visited.

Country 1:

Country 2:

Country 3:

Country 4:

Country 5:

Country 6:

Country 7:

Country 8:

Country 9:

Country 10:

b. In which foreign country have you spent the most time?

- c. What was the purpose of your visits to that country? (Select as many as relevant, if applicable)
- ☐ Personal
 - ☐ Holiday
 - ☐ Business
 - ☐ School
 - ☐ Seminar/workshop
 - ☐ Other, please mention _____
- d. Do you speak the main language spoken in that country?
- ☐ No
 - ☐ Yes

CONTINUE TO PART D

PART D

PERSONAL CHARACTERISTICS

1. Are you....?
☐ Male
☐ Female
2. Your age in years is
☐ 11 - 20
☐ 21 - 30
☐ 31 - 40
☐ 41 - 50
☐ 51 - 60
☐ 61 - 70
☐ 71 - 80
☐ above 80
3. What is your highest level of formal education?
☐ Did not attend school
☐ Did not finish primary school
☐ Completed primary school
☐ Completed middle school
☐ Completed senior high school
☐ Completed diplomas (D1/D2/D3)
☐ Graduated bachelor degree
☐ Master degree
☐ Doctorate
4. Do you speak any foreign language(s) other than Bahasa Indonesia?
☐ No → GO TO question 5 below
☐ Yes → CONTINUE TO the next question

If YES, please identify what foreign language(s) you speak and your level of ability for each one?

	Limited	Fair	Good	Excellent
English	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other language 1:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other language 2:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other language 3:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other language 4:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other language 5:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5. If appropriate, please state your ethnic/tribal backgrounds.

--

6. Please choose the statement that best describes your decision making style generally.
- ☐ Most often I solve a problem or make a decision using information available to me without consultation with my subordinates
 - ☐ Most often I consult with my subordinates when a problem arises, but that does not mean that I give consideration to their ideas and suggestion
 - ☐ Most often I have continuous consultation with my subordinates. Then I make decisions as they arise that may or may not reflect my subordinates' views
 - ☐ Most often I share and analyse problems with my subordinates as a group, evaluate alternatives, and come to a majority decision
 - ☐ Most often I ask my subordinates to make decisions on their own
7. How strongly do you agree or disagree with the following statements. Please, tick on the scale ranging from strongly disagree to strongly agree.
- SA = Strongly Agree; A = Agree; N = Neither Agree nor Disagree; D = Disagree; SD = Strongly Disagree

	SD	D	N	A	SA
For my firm, doing business internationally is riskier than doing it in the domestic market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Doing business internationally provides an important opportunity for growing my firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internationalizing my firm is a difficult and complex process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internationalizing my firm needs a large amount of financial support	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The international market of my firm is highly competitive	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
There are many barriers to encounter for my firm to enter markets in other countries	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
International markets have a great potential to increase demand for my firm's product(s)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To internationalize my firm requires considerable managerial skills	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To internationalize my firm requires considerable technical skills	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
There are good opportunities to pursue a strategy of internationalization for my firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
For my firm's products, international markets are changing very rapidly	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

8. Please click the approximate value of your firm's assets excluding buildings and land.

- ☐ Rp50.000.000 or less
- ☐ Rp50.000.001 – Rp200.000.000
- ☐ Rp200.000.001 – Rp350.000.000
- ☐ Rp350.000.001 – Rp400.000.000
- ☐ Rp450.000.001 – Rp600.000.000
- ☐ More than Rp600.000.000, please specify.....

CONTINUE TO PART E

PART E

PARTICIPATION IN INTERVIEW

Please identify your willingness to participate in the interview about the issues you find in the questionnaire

- ☐ No, I do not want to participate in the interview
- ☐ Yes, I want to participate in the interview

If YES, please fill in your name and contact number(s) for setting the schedule and place for interview.

Name :
Address :
City :
Province :
Zip code :
Telp / mobile :
Email :

Media available to contact you

- ☐ Telephone/mobile
- ☐ Mail
- ☐ Email
- ☐ Others.....

Thank you for your participation.

(Indonesian version)

KUESIONER



SURAT INFORMASI

Perth, November 2011

Project Title: Internationalization Decision Making Process

Yang terhormat Bapak/Ibu Pemilik/Manajer Usaha,

Studi ini dimaksudkan untuk menggali proses pembuatan keputusan internasionalisasi dalam perusahaan manufaktur. Ada dua tahap pengumpulan data, yaitu kuesioner dan wawancara.

Bapak/Ibu telah dipilih secara acak dari daftar perusahaan manufaktur yang digali dari beberapa sumber untuk berpartisipasi dalam survey ini. Bila Bapak/Ibu adalah pengambil keputusan dalam sebuah perusahaan manufaktur, saya mohon kesediaan Bapak/Ibu untuk berpartisipasi dalam survey ini dengan cara mengisi kuesioner terlampir.

Partisipasi ini bersifat sukarela dan Bapak/Ibu dapat berhenti kapanpun tanpa ada kewajiban tertentu. Namun saya sangat mengharapkan partisipasi penuh dari Bapak/Ibu karena kontribusi Bapak/Ibu sangat berarti bagi keberhasilan survey ini yang bisa berdampak pada pengembangan usaha di Indonesia pada khususnya dan ilmu pengetahuan pada bidang terkait.

Waktu yang dibutuhkan untuk mengisi kuesioner kurang lebih 15 menit dan tidak ada jawaban benar atau salah untuk setiap pertanyaan. Jawaban Bapak/Ibu hanya akan digunakan untuk kepentingan akademis dan akan dijaga kerahasiaannya. Nama dan identitas perusahaan Bapak/Ibu tidak akan muncul dalam segala bentuk laporan yang terkait dengan studi ini.

Pada bagian akhir kuesioner, akan diberikan pertanyaan tentang kesediaan Bapak/Ibu untuk berpartisipasi dalam wawancara sebagai tahap kedua dari pengumpulan data. Mohon, Bapak/Ibu dapat menuliskan kesediaan Bapak/Ibu dan informasi terkait yang dibutuhkan untuk menentukan jadwal wawancara dengan Bapak/Ibu di kemudian hari.

Segala pertanyaan yang muncul terkait dengan studi ini dapat Bapak/Ibu tanyakan langsung ke saya atau pihak ECU melalui email research.ethics@ecu.edu.au atau telepon di nomor (62-08) 6304 217 untuk masalah etik yang terkait dengan studi ini.

Terima kasih atas partisipasi Bapak/Ibu dan saya sangat menghargai waktu yang telah Bapak/Ibu curahkan. Kesediaan Bapak/Ibu akan merupakan kontribusi yang sangat berharga bagi pengembangan keilmuan.

Hormat saya,

Maria Yosephine Dwi Hayu Agustini

PhD Student

School of Management

Edith Cowan University (ECU)

270 Joondalup Drive, Joondalup WA 6027, Australia

email: myagusti@our.ecu.edu.au

Survey #

BAGIAN A

KARAKTERISTIK USAHA

1. Pada tahun berapa perusahaan Bp/Ibu didirikan? (Bila Bp/Ibu mempunyai atau mengoperasikan 2 perusahaan atau lebih, mohon merujuk hanya pada satu perusahaan yang menurut Bp/Ibu paling sesuai dengan studi ini).

2. Termasuk Bp/Ibu, berapa jumlah karyawan tetap perusahaan (bekerja 35 jam/minggu atau lebih)?

- ☐ kurang dari 20 orang
☐ 20 – 39 orang
☐ 40 – 59 orang
☐ 60 – 79 orang
☐ 80 - 99 orang
☐ 100 orang atau lebih, sebutkan

3. Apa produk utama yang dihasilkan perusahaan?

4. Apakah perusahaan Bp/Ibu terlibat dalam kegiatan usaha di luar negeri?

- ☐ Ya → lanjutkan ke **BAGIAN B**
☐ Tidak → lanjutkan ke **BAGIAN C**

BAGIAN B

KETERLIBATAN DALAM BISNIS INTERNASIONAL

1. Di negara mana saja perusahaan Bp/Ibu pada saat ini melakukan usaha di luar negeri? (Mohon sebutkan semua negara terkait)

Negara 1 :
Negara 2 :
Negara 3 :
Negara 4 :
Negara 5 :
Negara 6 :
Negara 7 :
Negara 8 :
Negara 9 :
Negara 10 :

2. Mohon sebutkan semua kegiatan usaha di luar negeri di masing-masing negara pada pertanyaan no.1 yang terkait dengan jenis kegiatan, tahun mulai, dan keterlibatan pada saat ini.

*: Gunakan singkatan berikut untuk mengidentifikasi jenis kegiatan:

XTT: Ekspor secara tidak tetap

XT: Ekspor secara tetap

XA: Ekspor melalui sebuah Agen

KC: Mendirikan kantor cabang penjualan di negara terkait

PL: Bertindak sebagai pemegang lisensi dari perusahaan asing

JV: Membentuk joint venture di negara terkait

PP: Mendirikan pabrik produksi di negara terkait

L: Lainnya

	Jenis kegiatan*	Tahun mulai kegiatan	Masih terlibat saat ini?	
			Tidak	Ya
Negara 1:	<input type="checkbox"/>	<input type="checkbox"/>
Negara 2:	<input type="checkbox"/>	<input type="checkbox"/>
Negara 3:	<input type="checkbox"/>	<input type="checkbox"/>
Negara 4:	<input type="checkbox"/>	<input type="checkbox"/>
Negara 5:	<input type="checkbox"/>	<input type="checkbox"/>
Negara 6:	<input type="checkbox"/>	<input type="checkbox"/>
Negara 7:	<input type="checkbox"/>	<input type="checkbox"/>
Negara 8:	<input type="checkbox"/>	<input type="checkbox"/>
Negara 9:	<input type="checkbox"/>	<input type="checkbox"/>
Negara 10:	<input type="checkbox"/>	<input type="checkbox"/>

3. Pernahkah Bp/Ibu mengunjungi negara dimana perusahaan terlibat dalam kegiatan usaha?

☐ Tidak → ke PERTANYAAN NO.8
☐ Ya → lanjutkan ke PERTANYAAN NO.4

4. Mohon sebutkan negara-negara yang pernah Bp/Ibu kunjungi.

Negara 1 :
Negara 2 :
Negara 3 :
Negara 4 :
Negara 5 :
Negara 6 :
Negara 7 :
Negara 8 :
Negara 9 :
Negara 10 :

5. Di negara asing mana, Bp/Ibu menghabiskan banyak waktu?

--

6. Apa tujuan kunjungan Bp/Ibu ke negara tersebut? (Boleh pilih lebih dari satu yang sesuai)

☐ Pribadi
☐ Liburan
☐ Bisnis

- ☐ Studi
- ☐ Seminar/Workshop
- ☐ Lainnya, sebutkan

7. Apakah Bp/Ibu dapat berbicara bahasa utama yang digunakan di negara tersebut?

- ☐ Tidak
- ☐ Ya

8. Berapa penjualan total tahunan (dalam rupiah) yang dihasilkan dari usaha (gabungan domestik dan internasional) pada tahun finansial terakhir?

Rp.

9. Di antara negara-negara dimana perusahaan melakukan kegiatan usaha di luar negeri, negara mana yang menghasilkan persentase terbesar penjualan total tahunan luar negeri?

10. Berapa persen dari penjualan total luar negeri yang dihasilkan oleh negara tersebut?

..... persen

11. Seberapa penting setiap faktor di bawah ini dalam mempengaruhi keputusan Bp/Ibu dalam membangun hubungan bisnis di luar negeri **di negara tersebut pada pertanyaan no.9?** Mohon tetapkan tingkat kepentingan setiap faktor dengan memberi tanda centang (v) pada pilihan yang sesuai dalam skala yang tersedia.

STP: sangat tidak penting; TP: tidak penting; ATP: agak tidak penting; R: ragu-ragu; AP: agak penting; P: penting; SP: sangat penting.

	STP	TP	ATP	R	AP	P	SP
Kondisi ekonomi di negara tujuan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kondisi politik di negara tujuan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pengetahuan saya tentang peraturan pemerintah negara tujuan yang terkait dengan jenis usaha perusahaan saya	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pengetahuan saya tentang kondisi pasar di negara tujuan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kemampuan perusahaan saya untuk menghasilkan produk yang memenuhi standard teknis yang ditentukan pemerintah dan pembeli di negara tujuan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kemampuan saya untuk berbicara dalam bahasa yang digunakan di negara tujuan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Tingkat kemampuan saya untuk mengelola usaha di negara tujuan ☐ ☐ ☐ ☐ ☐ ☐ ☐

Ada tidaknya pembeli produk perusahaan saya di negara tujuan ☐ ☐ ☐ ☐ ☐ ☐ ☐

Lainnya, sebutkan ☐ ☐ ☐ ☐ ☐ ☐ ☐
.....

12. Bagaimana Bp/Ibu membuat keputusan untuk terlibat dalam kegiatan usaha di negara asing yang menjadi pasar utama perusahaan? (Boleh pilih lebih dari satu bila sesuai)

- ☐ Saya memutuskan sendiri
- ☐ Saya mendelegasikan pembuatan keputusan kepada orang lain di dalam perusahaan
- ☐ Saya mendelegasikan pembuatan keputusan kepada orang lain di luar perusahaan (misal, penasehat)
- ☐ Saya melibatkan orang lain di dalam perusahaan untuk membantu dalam membuat keputusan
- ☐ Saya melibatkan anggota keluarga untuk membantu dalam membuat keputusan
- ☐ Saya melibatkan pihak di luar perusahaan untuk membantu dalam membuat keputusan
- ☐ Lainnya, sebutkan

LANJUTKAN KE BAGIAN D

BAGIAN C

KETIDAKTERLIBATAN DALAM BISNIS INTERNASIONAL

1. Pernahkah perusahaan Bp/Ibu mencoba menggali kemungkinan untuk melakukan usaha di luar Indonesia?

- ☐ Tidak → ke PERTANYAAN NO.3
- ☐ Ya → lanjutkan ke PERTANYAAN NO.2

2. Sebutkan negara asing mana saja yang pernah digali potensi peluang usahanya.

- Negara 1 :
- Negara 2 :
- Negara 3 :
- Negara 4 :
- Negara 5 :
- Negara 6 :
- Negara 7 :

Negara 8 :

Negara 9 :

Negara 10 :

3. Seberapa penting setiap faktor berikut dalam mempengaruhi keputusan Bp/Ibu untuk **tidak terlibat** dalam kegiatan usaha di luar negeri? Mohon, tetapkan tingkat kepentingan setiap faktor dengan memberi tanda centang (v) pada pilihan yang sesuai dalam skala yang tersedia.

STP: sangat tidak penting; TP: tidak penting; ATP: agak tidak penting; R: ragu-ragu; AP: agak penting; P: penting; SP: sangat penting.

	STP	TP	ATP	R	AP	P	SP
Kondisi ekonomi di negara tujuan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kondisi politik di negara tujuan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pengetahuan saya tentang peraturan pemerintah di negara tujuan yang terkait dengan jenis usaha perusahaan saya	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pengetahuan saya tentang kondisi pasar di negara tujuan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kemampuan perusahaan saya untuk menghasilkan produk yang memenuhi standard teknis yang ditentukan pemerintah dan pembeli di negara tujuan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kemampuan saya untuk berbicara dalam bahasa yang digunakan di negara tujuan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pengetahuan saya tentang kultur (kebiasaan, sikap, dan perilaku orang) di negara tujuan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tingkat kemampuan saya untuk mengelola usaha di negara tujuan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ada tidaknya pembeli produk perusahaan saya di negara tujuan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lainnya, sebutkan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. Apakah Bp/Ibu mencoba mencari informasi lain sebelum memutuskan untuk tidak terlibat dalam kegiatan usaha di luar negeri?

- ☐ Tidak → Ke PERTANYAAN NO.5
☐ Ya → lanjutkan ke PERTANYAAN a. berikut

a. Bila YA, mohon sebutkan informasi yang dikumpulkan.

--

b. Apa tujuan dari mengumpulkan informasi tersebut?

c. Siapa yang mengumpulkan informasi tersebut?

- ☐ Saya sendiri
- ☐ Bawahan saya, sebutkan
- ☐ Pihak lain di luar perusahaan, sebutkan

5. Bagaimana perusahaan Bp/Ibu memutuskan untuk tidak terlibat/melanjutkan kegiatan usaha di luar negeri? (Boleh pilih lebih dari satu yang sesuai)

- ☐ Saya memutuskan sendiri
- ☐ Saya mendelegasikan pembuatan keputusan kepada orang lain di dalam perusahaan
- ☐ Saya mendelegasikan pembuatan keputusan kepada orang lain di luar perusahaan (misal, penasehat)
- ☐ Saya melibatkan orang lain di dalam perusahaan untuk membantu dalam membuat keputusan
- ☐ Saya melibatkan anggota keluarga untuk membantu dalam membuat keputusan
- ☐ Saya melibatkan pihak lain di luar perusahaan untuk membantu dalam membuat keputusan
- ☐ Lainnya, sebutkan

6. Pernahkah Bp/Ibu mengunjungi negara asing?

- ☐ Tidak → Lanjutkan ke BAGIAN D
- ☐ Ya → Lanjutkan ke PERTANYAAN a. berikut

a. Bila YA, sebutkan negara-negara yang pernah Bp/Ibu kunjungi

Negara 1 :

Negara 2 :

Negara 3 :

Negara 4 :

Negara 5 :

Negara 6 :

Negara 7 :

Negara 8 :

Negara 9 :

Negara 10 :

b. Di negara asing mana, Bp/Ibu menghabiskan paling banyak waktu?

c. Apa tujuan dari kunjungan ke negara tersebut? (Boleh pilih lebih dari satu yang sesuai)

- ☐ Pribadi
- ☐ Liburan
- ☐ Bisnis
- ☐ Studi
- ☐ Seminar/workshop
- ☐ Lainnya, sebutkan

d. Apakah Bp/Ibu dapat berbicara dalam bahasa utama yang digunakan di negara tersebut?

- ☐ Tidak
- ☐ Ya

LANJUTKAN KE BAGIAN D

BAGIAN D

KARAKTERISTIK PERSONAL

1. Apa jenis kelamin Bp/Ibu?

- ☐ Laki-laki
- ☐ Perempuan

2. Berapa umur Bp/Ibu (dalam tahun)?

- ☐ 11 - 20
- ☐ 21 - 30
- ☐ 31 - 40
- ☐ 41 - 50
- ☐ 51 - 60
- ☐ 61 - 70
- ☐ 71 - 80
- ☐ di atas 80

3. Apa tingkat pendidikan formal tertinggi Bp/Ibu?

- ☐ Tidak sekolah
- ☐ Tidak tamat SD
- ☐ Tamat SD
- ☐ Tamat SMP
- ☐ Tamat SMA
- ☐ Tamat diploma (D1/D2/D3)
- ☐ Sarjana (S1)
- ☐ Master (S2)
- ☐ Doktor (S3)

4. Apakah Bp/Ibu dapat berbicara bahasa asing selain Bahasa Indonesia?

- ☐ Tidak → Ke PERTANYAAN No.5
☐ Ya → Lanjutkan ke PERTANYAAN berikut

Bila YA, sebutkan bahasa asing yang Bp/Ibu kuasai dan tingkat penguasaan masing-masing bahasa asing tersebut.

	Terbatas	Rata-rata	Baik	Sangat baik
Bahasa Inggris	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bahasa asig lain1:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bahasa asig lain2:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bahasa asig lain3:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bahasa asig lain4:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bahasa asig lain5:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5. Bila berkenan, mohon sebutkan latar belakang etnis/suku Bp/Ibu.

6. Pilih pernyataan berikut yang paling sesuai dengan gaya pembuatan keputusan Bp/Ibu secara umum.

- ☐ Lebih sering, saya memecahkan masalah atau membuat keputusan menggunakan informasi yang ada tanpa berkonsultasi dengan bawahan saya.
☐ Lebih sering, saya berkonsultasi dengan bawahan bila sebuah masalah muncul, tetapi hal itu tidak berarti bahwa saya memberikan pertimbangan atas ide atau saran mereka.
☐ Lebih sering, saya secara terus menerus berkonsultasi dengan bawahan. Kemudian, saya membuat keputusan pada saat dibutuhkan yang mungkin mencerminkan atau tidak mencerminkan pandangan bawahan.
☐ Lebih sering, Saya berbagi dan menganalisis masalah dengan bawahan sebagai sebuah kelompok, mengevaluai alternatif, dan mencapai keputusan berdasarkan mayoritas.
☐ Lebih sering, saya meminta kepada bawahan untuk membuat keputusan sendiri.

7. Seberapa kuat Bp/Ibu setuju atau tidak setuju dengan pernyataan-pernyataan berikut. Beri tanda centang (v) pada skala yang bergerak dari SS: sangat setuju; S: setuju; R: ragu-ragu; TS: tidak setuju; STS: sangat tidak setuju.

	SS	S	R	TS	STS
Bagi perusahaan saya, melakukan usaha di luar negeri lebih berisiko daripada di pasar dalam negeri	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Melakukan usaha internasional memberikan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

kesempatan penting bagi perusahaan untuk berkembang

Untuk menginternasionalisasikan perusahaan saya dibutuhkan proses yang sulit dan kompleks ☐ ☐ ☐ ☐ ☐

Untuk menginternasionalisasikan perusahaan saya dibutuhkan dukungan keuangan yang besar ☐ ☐ ☐ ☐ ☐

Pasar internasional perusahaan saya sangat kompetitif ☐ ☐ ☐ ☐ ☐

Ada banyak hambatan yang dihadapi perusahaan saya untuk masuk pasar negara lain ☐ ☐ ☐ ☐ ☐

Pasar internasional memberikan potensi yang sangat besar untuk meningkatkan permintaan produk perusahaan saya ☐ ☐ ☐ ☐ ☐

Untuk menginternasionalisasikan perusahaan saya dibutuhkan ketrampilan manajerial tertentu ☐ ☐ ☐ ☐ ☐

Untuk menginternasionalisasikan perusahaan saya dibutuhkan ketrampilan teknis tertentu ☐ ☐ ☐ ☐ ☐

Ada kesempatan yang baik bagi perusahaan saya untuk menerapkan strategi internasionalisasi ☐ ☐ ☐ ☐ ☐

Pasar internasional untuk produk perusahaan saya berubah sangat cepat ☐ ☐ ☐ ☐ ☐

8. Berapa nilai aset perusahaan, tidak termasuk bangunan dan tanah?

- ☐ Rp50.000.000 atau kurang
- ☐ Rp50.000.001 – Rp200.000.000
- ☐ Rp200.000.001 – Rp350.000.000
- ☐ Rp350.000.001 – Rp400.000.000
- ☐ Rp400.000.001 – Rp600.000.000
- ☐ Lebih dari Rp600.000.000 sebutkan

LANJUTKAN KE BAGIAN E

BAGIAN E

PARTISIPASI DALAM WAWANCARA

Mohon kesediaan Bapak/Ibu untuk berpartisipasi dalam wawancara terkait dengan masalah yang disampaikan dalam kuesioner ini

- ☐ Tidak, Saya tidak bersedia berpartisipasi dalam wawancara
- ☐ Ya, Saya bersedia berpartisipasi dalam wawancara

Bila Ya, mohon tuliskan informasi nama dan nomor kontak yang dapat dihubungi untuk menentukan jadwal dan tempat wawancara.

Nama :
Alamat :
Kota :
Provinsi :
Kode pos :
Telp / HP :
Email :

Media yang diharapkan untuk menghubungi Bapak/Ibu

- ☐ Telepon/HP
- ☐ Surat
- ☐ Email
- ☐ Lainnya.....

Terima kasih atas kontribusi Bapak/ibu dan semoga usaha dan hidup Bapak/Ibu senantiasa dilimpahi kesuksesan.

APPENDIX 5:

Information Letter for Interview

..... 2011

Dear Business Owner/Business Manager,

Project Title: Small Firm Internationalization Decision Making Process

My name is Maria Y.D.H. Agustini. I am currently undertaking study for a PhD degree in School of Management at Edith Cowan University, Western Australia under supervision of Professor Rowena Barrett and Dr. Janice Redmond. The study is about internationalization decision making processes. The purpose of the study is to explore the process of making internationalization decisions.

You have been selected randomly from a list of manufacturing firms that I compiled from several sources. I would like to hear your experience in deciding whether your firm should engage in international business activities, particularly how you gathered the information you needed, how you processed that information, and how you arrived at your decision.

If you consider yourself to be a decision maker of such a manufacturing firm, I would like to invite you to participate in the study. If you have internationalized I am also interested in how your firm started doing business internationally, what entry mode you chose and why, and how the international activities of your firm have changed over time. My reason for wanting to know this information is that there is little knowledge on the decision process in internationalization and the stages of internationalization process that firms take vary. However, it is clear that your style in making a decision influences the output of the decision. I am therefore interested in understanding how you make decisions.

The study uses in-depth interview for data collection. I invite you to participate in this in-depth interview which consists of a structured interview based on a questionnaire and open-ended questions. With your approval, it will be recorded and a copy of the transcription will be sent back to you for checking and approval. The time needed for interview is approximately 60 minutes at a time and place convenient with you. There are no right or wrong answers for each questions, instead I want to know about your experiences and actions in making decisions about your firm's international business activities. As a requirement of the Ethics, you will be asked to sign a consent form before the interview.

Your answers will be used for academic purposes only and your responses will remain confidential. You and your firm will not be identified by name in any reports or publications arising from this study. In accordance with University guidelines, all data will be kept safely for five years after publication. All documentation relating to the identity of you and your firm will be destroyed after completion of the study.

For any enquiry or suggestions regarding this study, as well as information about the research findings, please do not hesitate to contact me. If you have any concerns about the study, you may contact the University by email research.ethics@ecu.edu.au or phone at (62-08) 6304 2170 for any ethical enquiry.

I thank you for your participation and highly appreciate your time.

Yours Sincerely,

Maria Yosephine Dwi Hayu Agustini

PhD Student

School of Management

Faculty of Business and Law

Edith Cowan University

270 Joondalup Drive, Joondalup WA 6027 Australia

email: myagusti@our.ecu.edu.au

(Indonesian version)

Surat Informasi Interview

Perth, Desember 2011

Yth. Bapak/Ibu Pemilik/Manajer Usaha

Di tempat

Project Title: Small Firm Internationalization Decision Making Process

Nama saya Maria Y.D.H. Agustini. Saat ini saya sedang menempuh studi S3 di bidang Manajemen pada Edith Cowan University, Western Australia di bawah bimbingan Professor Rowena Barrett and Dr. Janice Redmond. Studi saya tentang proses pembuatan keputusan internasionalisasi dan bertujuan untuk menggali proses bagaimana keputusan untuk terlibat dalam kegiatan usaha di luar negeri dilakukan.

Bapak/Ibu telah dipilih secara acak dari daftar perusahaan manufaktur yang digali dari beberapa sumber. Saya bermaksud mendengar pengalaman Bapak/Ibu dalam membuat keputusan apakah perusahaan perlu terlibat dalam kegiatan usaha di luar negeri atau tidak, khususnya bagaimana Bapak/Ibu mengumpulkan informasi yang dibutuhkan dan memprosesnya hingga sampai pada sebuah keputusan.

Bila Bapak/Ibu adalah pembuat keputusan dalam perusahaan manufaktur, saya bermaksud mengundang Bapak/Ibu dalam studi ini. Bila Bapak/Ibu telah terlibat dalam kegiatan usaha internasional, saya tertarik pada bagaimana perusahaan Bapak/Ibu memulai usaha secara internasional, apa dan mengapa memilih cara masuk tertentu, dan bagaimana kegiatan internasional perusahaan mengalami perubahan. Adapun alasan saya mengetahui hal tersebut adalah masih sedikitnya pengetahuan tentang proses pembuatan keputusan internasionalisasi dan masih bervariasinya tahapan internasionalisasi perusahaan-perusahaan. Yang jelas adalah gaya Bapak/Ibu dalam membuat keputusan sangat mempengaruhi hasil dari sebuah keputusan. Oleh karena itulah saya tertarik untuk mengetahui bagaimana Bapak/Ibu membuat keputusan.

Studi ini menggunakan interview untuk mengumpulkan data. Saya mengundang Bapak/Ibu untuk berpartisipasi dalam interview yang terdiri dari interview terstruktur berdasarkan pertanyaan dalam kuesioner dan pertanyaan terbuka. Dengan persetujuan Bapak/Ibu, interview akan direkam dan copy transkripnya akan dikirim kepada bapak/Ibu untuk mendapatkan persetujuan Bapak/Ibu. Waktu yang dibutuhkan untuk interview kurang lebih 60

menit di tempat dan waktu yang nyaman bagi Bapak/Ibu. Tidak ada jawaban benar atau salah untuk setiap pertanyaan, saya hanya ingin mengetahui pengalaman dan tindakan Bapak/Ibu membuat keputusan untuk melibatkan perusahaan dalam kegiatan usaha internasional. Bapak/Ibu akan diminta untuk menandatangani surat kesediaan (consent form) sebelum interview untuk menunjukkan kesediaan tersebut.

Jawaban Bapak/Ibu hanya akan digunakan untuk tujuan akademis dan akan dijaga kerahasiaannya. Nama Bapak/Ibu dan perusahaan tidak akan diidentifikasi dalam berbagai laporan dan publikasi yang terkait dengan studi ini. Sesuai dengan panduan Universitas, semua data akan disimpan dengan aman lima tahun setelah publikasi. Semua dokumen terkait dengan identitas Bapak/Ibu dan perusahaan akan dimusnahkan setelah selesainya studi ini.

Segala pertanyaan tentang studi ini serta informasi tentang hasil studi dapat ditujukan langsung ke saya. Bapak/Ibu dapat menghubungi Universitas melalui email research.ethics@ecu.edu.au atau telepon (62-08) 6304 2170 untuk pertanyaan yang terkait dengan etik.

Saya mengucapkan terima kasih untuk partisipasi Bapak/Ibu dan sangat menghargai waktu yang telah dicurahkan.

Hormat saya,

Maria Yosephine Dwi Hayu Agustini

PhD Student

School of Management

Faculty of Business and Law

Edith Cowan University

270 Joondalup Drive, Joondalup WA 6027 Australia

email: myagusti@our.ecu.edu.au

APPENDIX 6:

Consent Form for Interview

CONSENT FORM

I, (please print name)
consent to take part in the research project entitled: **Internationalization Decision Making Process in Small Manufacturing Firm, The Case in Indonesia.**

I have had the project fully explained to me by the researcher. My consent is given freely.

I understand that I am free to withdraw from the project at any time with no obligations.

I understand that any information that I provide will be kept confidential and will be used for academic purpose only.

I have been informed that while information gained during the study may be published, I will not be identified and my personal results will not be divulged.

I understand that my interview will be recorded and that I may access and amend the transcript of the taped interview

.....

(signature)

(date)

I have described to (name of interviewee) the purpose of the research to be carried out. In my opinion she/he understood the explanation.

Name:

.....

(signature)

(date)

(Indonesian version)

Lembar Kesediaan untuk Interview

LEMBAR KESEDIAAN

- Saya, (tuliskan nama) bersedia berpartisipasi dalam riset yang berjudul **Proses Pembuatan Keputusan Dalam Perusahaan Manufaktur Berskala Kecil, Kasus Di Indonesia**.
- Saya telah diberi penjelasan lengkap tentang riset oleh peneliti. Saya bersedia berpartisipasi.
- Saya memahami bahwa saya bebas menarik diri kapanpun dari riset ini tanpa ada kewajiban tertentu.
- Saya mengerti bahwa segala informasi yang saya berikan akan dijaga kerahasiaannya dan hanya digunakan untuk kepentingan akademis.
- Saya telah diberitahu bahwa identitas pribadi saya tidak akan dinyatakan dalam berbagai publikasi yang terkait dengan riset.
- Saya mengerti bahwa wawancara akan direkam dan saya akan diberi kesempatan untuk melakukan perubahan pada transkrip hasil rekaman wawancara.

.....

Tanda tangan

Tanggal

Saya telah menjelaskan kepada (nama yang diwawancarai) tujuan dari riset ini. Menurut saya yang bersangkutan memahami penjelasan tersebut.

Nama:

.....

Tanda tangan

Tanggal