Business Venturing Strategy of Malaysian Multinational Enterprises: Case Studies

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Abstract

International business activities are no longer dominated by established and large organisations. The traditional view that the internationalisation of firms is a sequential and incremental learning process had also been challenged. Due to the limitation of the existing research in exploring the venturing strategies and growth patterns among Malaysian firms, this paper therefore aims at filling the gap by examining the approaches and processes adopted by the local firms when venturing abroad. Besides, this paper also aims at exploring the applicability of Park and Bae (2004) typology in examining the new venture strategy in developing countries. Five case studies are presented in this paper. The data collection had been done mainly through in-depth interviews and questionnaires administration with the companies' key decision makers. The results support the views that internationalisation activities of firms in developing countries are not necessarily an incremental process. In addition, the present study also did not fully support the two-steps internationalisation process as proposed by Park and Bae (2004). The growth patterns and speed of change among the firms in this study were influenced by the initial condition of firms, management capabilities, technology capabilities and the ability of the firm to maintain good network. Despite several limitations, the results of this study provide a better understanding of the development of new venture and their internationalisation process, which can serve as a reference and guidelines for academicians and policymakers.

Keywords: internationalisation, growth pattern, new venture strategy

INTRODUCTION

The new international entrepreneurship research stream has challenged many of the traditional theories on international business and encouraged researchers to examine international business activities from many and new perspective (MCDougall, Oviatt & Shrader, 2003). Over the years, several theories on international trade and international business had been developed to explain firm's activities outside their national boundaries. To name a few, the classical trade theories, such as absolute and comparative advantage by Smith (1776) and Ricardo (1817). However, these two theories focus on the internationalisation process at national level, rather than firm level. The subsequent researchers, such as Hymer (1976), Buckley and Casson (1976), and Dunning (1988) contribute significantly to the field of international business by explaining the growth of multinational enterprises (MNEs) and provide insights into the reasons for foreign direct investment (FDI). On the other hand, the Upsalla model or stage theory (Johanson & Vahlne, 1977), which explained that MNEs engaged in FDI incrementally has been criticised by entrepreneurship researchers as not able to explain the emergence of international new ventures (INVs) – new ventures that are international from inception (Oviatt & McDougall, 1994, 2005). Due to the advance development of communication technology as well as transportation system, international business activities today are not limited to established, large MNEs anymore. There is accelerated internationalisation among the smallest and newest organisations (McDougall & Oviatt, 2000). Such phenomenon had also driven by the increase competition due to the globalisation process that encouraged entrepreneurs to look at multinational perspective rather than restrict themselves in the domestic market. Oviatt and McDougall (1994) had developed a model to explain the phenomenon of INVs by integrating the theory of international business, strategic management and entrepreneurship.

Despite the increase importance of MNEs and new ventures activities from developing countries, most of the researches in this area are focused on the cross border expansion of firms from Western developed countries. There are limited studies on MNEs from Asian new industrialized countries such as Taiwan, Hong Kong, Singapore and Korea (e.g. Erramilli, Srivastava & Kim, 1999; Lu & Zhu, 1995; Sim & Pandian, 2002; Zhang & Yuk, 1998) that can be found in recent years. Many researches focus on the determinants of FDI at country or regional level (e.g. Chen, 1996; Zhang & Yuk, 1998; Zhang, 2001; Na & Lightfoot, 2006). However, the knowledge about the operation and development of MNEs from developing economies to emerging economies in Asia developing countries remain scant. The review of the literature showed that few had comprehensively examined the venturing approach and growth patterns of MNEs from developing countries, except Park and Bae (2004) who developed a typology to examine the dynamic patterns of new venture strategy and growth patterns of Korean firms.

In order to fill the gap in these areas, this paper intends to explore the internationalisation strategies and growth patterns of Malaysian manufacturers that engage in FDI. This paper will also explore the degree of relevance of Park and Bae (2004) typology in examining new venture strategy in developing countries. In contrast to Park and Bae (2004) that only focus on technology-intensive industry, this paper would examine Malaysian companies in different types of business. Their typology is adopted as it presents a comprehensive framework for analyzing strategic path of internationalisation from local to global markets based on product/market maturity and technological capabilities. The data obtained for this preliminary study will then be used to design questionnaire and develop propositions or hypotheses for testing in subsequent quantitative research to enhance knowledge in this area.

This paper proceeds with a more detail literature review on the theories related to FDI, internationalisation process and growth pattern of firms. Subsequently case studies of five Malaysian firms will be presented, follow by discussion and limitation of research. Finally, this paper will end with conclusion and direction for future research.

LITERATURE REVIEW

Internationalisation Process – International Business and Entrepreneurship Perspective

In recent years, internationalisation process had gained great interest from both international business and entrepreneurship researchers. Traditionally, research pertaining to international business are focused on large and established multinationals, while entrepreneurial researches' investigation are primarily focus on venture creation and the management of small and medium sized businesses within the domestic context (McDougall, Shane & Oviatt, 1994; McDougall & Oviatt, 2000). However, the dynamic changes of the environment, such as technology innovation and increase international exposure of individual had enabled firms to operate globally from inceptions or shortly after their inception (Oviatt & McDougall, 1994; Anderson, 2004). Such development had resulted in increase intersection between international business and entrepreneurship research (McDougall & Oviatt, 2000).

There are various theories that had been developed to explain about the FDI and internationalisation process of firms (Morgan & Katsikeas, 1997). For instance, Buckley and Casson's (1976) internationalisation theory provides a rigorous explanation pertaining to the growth of MNEs and presents insight into the reasons for FDI. They argued that MNE can gain economic benefits from the exploitation of various assets across a large number of international markets either by exporting or FDI (Buckley & Casson, 1976). On the other hand, Dunning's eclectic paradigm of international production or OLI model is one of the most widely referred conceptual framework for the analysis of international expansion patterns of business firms especially in the 21st century (Rugman & Verbeke, 2003; Sim & Pandian, 2007). The eclectic paradigm (Dunning, 1977, 1988) explains a firm's decision to invest abroad was determined by configuration of three sets of advantages (Dunning, 1988): Ownership-specific (O) advantages, location-specific (L) advantages and internalisation advantages (I). The O advantages refer to the core competencies that company possess, such as high product quality and innovation, large financial capability, excellent marketing strategy, etc. The L advantages refers to the institutional and productive factors, which are present in particular geographical area, such as cheaper labour costs, more generous tax and other government incentives, a large and fast-growing market. Lastly, I advantages stem from the capacity of the firm to manage and coordinate activities internally. In short, the O advantages explain why firms engage in FDI in the first place, while L advantages explain why overseas production is preferred to exporting. Finally, I advantages explain why overseas production is preferred to other methods of transferring assets internationally, such as licensing.

The Uppsala model is another model to explain internationalisation. It generally explains that the internationalisation of a firm is an incremental learning process (Johanson & Weidersheim-Paul, 1975; Johanson & Vahlne, 1977). This approach suggested that firm would first establish themselves in domestic market and only involve in international activities gradually, a firm foreign market commitment increase as they gain more experience and knowledge over time (Johanson & Weidersheim-Paul, 1975; Johanson & Vahlne, 1977). Their findings suggested that international business activities of firms tend to start with export via independent representative/agent, followed by the establishment of sales subsidiary and eventually production in the host country. A firm's foreign operations across different countries are influenced by the psychic distance, which is the sum of factors preventing the flow of information from and to the market. The factors include differences in language, education, business practices, culture and industrial development. As such, firm's initial investments are focused on the foreign markets with closer psychic distance, followed by markets with greater psychic distance as they acquire more knowledge (Johanson & Vahlne, 1977).

However, the sequential approach to FDI as proposed in Uppsala model or Stage Model has been challenged by a number of researchers (e.g. Fan & Phan, 2007; Knight & Cavusgil, 1996; McDougall, Shane & Oviatt, 1994; Mudambi & Zahra, 2007; Oviatt & McDougall, 1994, 2003) as it fail to describe the phenomenon of international new ventures (INVs) (McDougall & Oviatt, 2000) . INVs are defined as firms that involve themselves in international business activities from inceptions and these firms seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries (Oviatt & McDougall, 1994).

Different researchers had attempted to develop typology in understanding the types and nature of INVs. For instance, Oviatt and McDougall (1994) suggested that different types of INVs can be distinguished by the number of value chain activities that are coordinated and by the number of countries entered. Gregorio, Musteen and Thomas (2008) present a typology of INVs, delineating variation in the extent to which new ventures span multiple markets and variation in the degree to which new ventures entail the combination of individuals and/or other resources from different countries. Gregorio et al. (2008) viewed that the emergence of INVs is the cross-border nexus of individual and opportunities. INVs might emerge as there are opportunities to leverage domestically based resources across national borders, or some might emerge due to the opportunities to exploit foreign-based resources to serve the needs of domestic markets (Gregorio et al., 2008).

Park and Bae (2004) introduced a more comprehensive new ventures framework by using three dimensions to categorize different types of new venture strategies in a developed country, namely level of technology capability (follower vs. pioneer), product-market maturity (existing vs. emerging), and target market (local vs. global market). Consistent with Dunning's (1988) ownership advantage view, the asset endowment of the company is one of the important factors for firm's internationalisation decision. In addition, various studies had supported that company's resources such as technological capabilities and product innovation will influence a company's performance (e.g. Bruton & Rubanik, 2002; Keskin, 2006; Zahra & Bogner, 1999). Product-market maturity as described by Park and Bae (2004) was related to the various stages of product life cycle. The introduction and growth stages represent emerging market, while existing market is refer to maturity and decline stage. Lastly, target market is defined as the geographical scope of market that new ventures operate in and enter into (Park & Bae, 2004).

Based on these dimensions, Park and Bae (2004) have developed seven types of new venture strategies as followed:

(i) Reactive imitator (local followers in the local existing market) – traditional SMEs that operate in the existing market which at the mature or decline stage and lack of research and development activities.

(ii) Import substitution (local pioneers in the local existing market) – local firms with certain technological capabilities that provide products with similar or slightly lower quality than MNEs and global innovators, offered at lower price to customers.

(iii) Proactive localisation (local followers in the local emerging market) – Imitate from technology follower and perform modification to match with local customers' needs.

(iv) Creative imitation (local pioneers/global followers in the local emerging/global existing) – the companies possess technology capability in the emerging industries in local market and they are followers in the existing global markets.

(v) Global Niche (global pioneers in the global existing market) – new ventures focus on niche markets, offering specialised products with premium price.

(vi) Early market entry (global followers in the global emerging market): new ventures that are fast followers in global markets, combining existing knowledge based and new technology development to provide their products in global emerging markets.

(vii) Global innovator (global pioneers in the global emerging market): new industries are created through the invention and commercialisation of new technology and through the application of existing technology to the new products.

The following is the diagram showing the new venture typology by Park and Bae (2004):

			Level of Technological Capabilities		
			Global Follower		Global Pioneer
			Local Follower	Local Pioneer	
Product/Market Maturity	Global Emerging			Early Market Entry	Global Innovation
	Global Existing	Local Emerging	Proactive Localisation	Creative Imitation	Global Niche
		Local Existing	Reactive imitation	Import substitution	

The single line indicates boundaries of the local market

The double line indicates boundaries of the global market

Figure 1: New venture strategies framework (Park & Bae, 2004)

Park and Bae (2004) suggested that local new ventures with proper technological capabilities can pursue business opportunity in the global context**.** The initial conditions of the firms, management abilities and technological capabilities were found to influence the growth patterns and the speed of change of successful new ventures**.** Their analysis also found that Korean firms enter the global market by following two-step internationalisation processes, which are from creative imitation to global player.

METHODOLOGY

Randomly selected five firms from different industries that have responded to the survey are analyzed to identify the venturing strategies and the growth patterns of Malaysian multinational. From the total of five companies presented in this paper, two of the companies are public listed companies, while the remaining are small and medium size enterprises. All the companies except one are Malaysian new ventures which were established less than 20 years ago. The case studies are mainly built on data collection through in-depth face-to-face interviews and open-end questionnaire with the key decision makers of firms. The in-depth personal interviews were done on locations in China and in the local premise of the firm. The personal interview and administration of the questionnaires were conducted at different point of time due to the busy schedule of the key decision maker of each firm. A copy of the questionnaire was e-mailed to the key personnel prior to the scheduled interview date.

RESULT: CASE SUMMARY

Case 1: Firm A

Firm A was established in early 1990s. The company founder holds a physics degree. He has more than 20 years experience in the rubber and latex manufacturing business. The founder seized the opportunity to start a business related to rubber products at a time when incentives were readily available from the local government at that time. Through such timely business venture, Firm A was able to benefit from its first mover advantage. Firm A's major product is powdered glove and begins to export the product overseas since its inception. It started operation with only one factory with less than 5 production lines. Currently, the company is one of the world leading glove manufacturers with more than 20 percent share of the world market. Firm A was listed in Kuala Lumpur Stock Exchange (KLSE) in early 2000s. At the point of interview, Firm A has about 20 factories with more than 8000 employees and exports to nearly 200 countries. The company's factories are set up in Malaysia, Thailand and China.

Firm A faced fierce competition when it first introduced its brand to the international market. The firm was able to gradually acquire more market share by providing high quality products and reasonable pricing. In recent years, this firm has strengthened its research and development (R&D) to develop more sophisticated products. Firm A collaborates with a university in China to conduct research and laboratory testing with the aim to improve its existing products. As the development and manufactures of gloves are not technologically complicated, the R&D costs of the firm are relatively low. The firm's products had received numerous awards locally and internationally. The United States and Europe each accounts for 30 percent of the company's total exports. Sales offices are set up in Germany and United States as an on going effort to expand the company's market share in Europe and North America. Firm A's sales revenue for 2008 was approximately at RM1.5 billion. The firm placed great emphasis on process innovation and invested substantially in modern manufacturing facility in order to achieve cost efficiency. The firm's continuous emphasis on research and development enables it to produce a diversified range of high quality and value-added glove products to cater to the ever increasing expectations of OEM clients.

Case 2: Firm B

Firm B was founded by two entrepreneurs, one of them with only high school qualification in 1970s. In its inception, the company produced garment with three sets of second-hand sewing machines. Gradually, the firm diversified its business to embroideries, labeling and packaging to provide the relevant parts or services to finished garments. The diversification is part of the strategic vision of the founders to expand the firm's business. The firm is one of the pioneers in Malaysia which utilizes CAD automatic cutting machines and CAD-CAM marker planner. The adoption of the new technology enabled the firm to improve its efficiency and hence cost reduction. Firm B was listed in Kuala Lumpur Stock Exchange (KLSE) in mid 1990s. In the mid 2000s, the firm identified an opportunity and further diversified its packaging business to plastic packaging. As Firm B's major client in the textile business shifted its regional operation in Asia to Shanghai, China, the firm has decided to follow its major client by investing in China. Its plant in China is strategically located close to its major client so as to logistically work closely with the major client in providing value-added services beyond those offered in Malaysia. The saturation of domestic market and stiff competition from local players in a sunset industry also contributed to the firm's decision to seize the opportunity to follow its client to venture abroad. The sales revenue for Firm B in year 2008 was about RM480 million. As of July 2009, Firm B has 13000 employees in Malaysia, China and Cambodia. Today, about 99% of Firm B's apparel is exported to overseas.

Case 3: Firm C

Firm C was established in early 1990s. The founder of the firm is an entrepreneur with an accountancy background. The firm started with producing metal stamping for furniture components. As the local furniture industry declined, Firm C diversified its focus on metal stamping for electrical and electronic industry. When its major IT clients shifted their production to China, Firm C shifted its focus in providing metal stamping for disk drive industry in mid 2000s. Firm C is very market driven and the marketing team is aggressively looking for expansion opportunities. Hence, the firm ventures into metal stamping for automotive industry and telecommunication industry in 2007 and 2008 respectively. Firm C has a group of experienced engineering staffs who are able to design and built prototype based on client needs as well as provide cost saving advice to clients. The sales revenues for Firm C in 2008 was about RM26 million. In 2008, around 60% of its product was exported to overseas.

Case 4: Firm D

Firm D was founded by a group of engineering and economic graduates in early 2000. The major product or service provided by the firm is total cleanroom solutions. The company expanded its operation in China as its major customers shifted their production facilities to China. The firm is also the first Malaysian cleanroom solutions provider that venture into China. Since mid 2000, Firm D has aggressively expands its business in foreign countries. Besides China, Thailand, Poland, Morocco, Singapore, Vietnam, Philippines, Scotland, Sudan and Sri Lanka, the firm is in the midst of setting up operation in Paris and London. The firm's rapid expansion is made possible by its ability to provide effective cost saving solution for its clients. The sales revenue for Firm D is about RM30 million in year 2008.

Case 5: Firm E

Firm E was established around mid of 1990s. The founder of the firm has worked as a lab assistant in a local university for 6 years and received 2 months of training in Europe. He has also worked briefly in Singapore in the same industry. Before the inception of Firm E, the founder leveraged on his industrial skills by engaging in glass ornament business. This initial business venture has faced low marginal return and low debt collection. With the encouragement and support of a former colleague, the founder of Firm E has decided to venture into laboratory glassware business. Firm E started the business by capturing domestic market. The industry recognition for the firm’s high quality products has drawn the attention of a Japanese firm. Firm E was financially supported by the Japanese firm to purchase sophisticated equipments and eventually, to produce for the Japanese firm. This was followed by exploring the business opportunities in Singapore. The founder also conducted his own market analysis to identify overseas markets and to set up sale offices in the ASEAN region.

The first step of the firm’s market expansion in the region started with the founding of an affiliated firm in Thailand in 2003. In addition, a plant was set up in China in the same year in order to expand the firm’s manufacturing capacity. The firm’s major products are interchangeable laboratory glassware, condom formers, and volumetric glassware. Its major clients include government agencies, universities and colleges, food and beverage manufacturing companies, hospitals, environmental institutions, biotechnology firms, testing and analytical laboratories etc. The firm has imported calibration machine from Germany in 2007 to produce volumetric glassware with authorisation to issue quality certificate which is recognised by the German authority. The sales revenue of the company for 2008 is about RM20 million.

FINDINGS AND DISCUSSION

The summary of strategies and growth of Malaysian new venture as well as growth patterns and dynamic change are presented in Table 1 and 2.

Table 1 Summary of strategies and growth of Malaysian new venture cases

	Firm A	Firm B	Firm C	Firm D	Firm E
Characteristics of firms					
Founding year	Early 1990s	Early 1970s	Early 1990s	Early 2000s	Mid 1990s
CEO	Founder/owner	Founder/owner	Founder/owner	Founder/owner	Founder/owner
Major product market	Powdered Glove	Apparel	Metal Stamping	Total Cleanroom Solutions	Interchangeable Laboratory Glassware, Condom Formers, and Volumetric Glassware
Growth Strategies and products	**Early Market Entry** (early 1990s to early 2000) Powdered Glove	**Proactive Localisation** (1970s) Apparel	**Reactive Imitator** (early 1990s) Metal Stamping for Furniture Component	**Import Substitution** (early 2000s) Total Cleanroom Solutions for clients in Malaysia	**Import Substitution** (mid 1990s -) Interchangeable Laboratory Glassware & Condom Former
	Global Innovator (mid 2000s -) Powdered Glove (production efficiency lead to lower cost structure and hence become the global market leader)	**Creative Imitation** (mid 1980s -) Embroidery (Apparel need embroidery)	**Reactive Imitator** (mid 1990s) Metal Stamping for electrical and electronics industry	**Global Innovator** (mid 2000s -) Total Cleanroom Solutions for global clients (China, Paris, London, North Africa, Poland & etc)	**Import Substitution** (mid 1990s -) Scientific Instruments
		Creative Imitation (1990s -) Labeling (Apparel need label)	**Creative Imitation** (mid 2000s)Metal Stamping for disk drive industry		**Import Substitution** **(**late 1990s**)** Burette
		Creative Imitation (2000s -) Packaging (Apparel need packaging)	**Creative Imitation** (middle 2000s -)Metal stamping for automotive industry		**Creative Imitation** (mid 2000s) Volumetric Glassware
		Early Market Entry (late 2000s -) Bottling (a form of packaging – Major client, Amway) Apparel (early 2000s -)	**Creative Imitation** (late 2000s -) Metal stamping for telecommunica tion industry		

		Design & develop (Major clients, Adidas and Li Ning)			
Technical Capabilities					
Ratio of R & D employee	0.5%	4%	4%	6%	7.5%
R&D investment	1%	8%	16%	1%	5%
International isation					
Export Ratio	97%	99%	62%	91%	12.2%
Growth rate of export	40%	30%	29%	20%	4.5%
Foreign Subsidiaries	8	9	1	12	2
Performance (2008)					
Sales (approximate)	RM1,500 mil	RM500 mil	RM26 mil	RM30 mil	RM20 mil
Sales growth	18%	8.6%	19%	13.5%	13.5%
Number of employees (2009)	8,600	13,000	185	50	40

Table 2: Growth patterns and dynamic changes of case firms

	Firm A	Firm B	Firm C	Firm D	Firm E
Major Product	Powdered Glove	Apparel	Metal Stamping	Total cleanroom solution	Interchangeable Laboratory glassware, condom formers and volumetric glassware
CEO background	Physics major	SPM	Accountancy	Engineering major	Lab assistant/Glass blower
Competitive Strategy - Initial - Current	 Early Market Entry Global Innovator	 Proactive Localisation Early Market Entry	 Reactive Imitator Creative Imitation	 Import Substitution Global Innovator	 Import Substitution Creative Imitation
Strategic Changes	Fast	Moderate	Moderate	Fast	Moderate
Growth patterns - Replication vs. Change - Market vs. Technology	 Strategic Change Market-oriented	 Strategic Change Market-oriented	 Strategic Replication Market-oriented	 Strategic Change Market-oriented	 Strategic Replication Market-oriented
Degree of globalisation	High	High	Medium	High	Low
Performance	High-very high	Medium – high	Medium – high	High – very high	Medium - high

	Level of Technological Capabilities		
	Global Follower		Global Pioneer
	Local Follower	Local Pioneer	

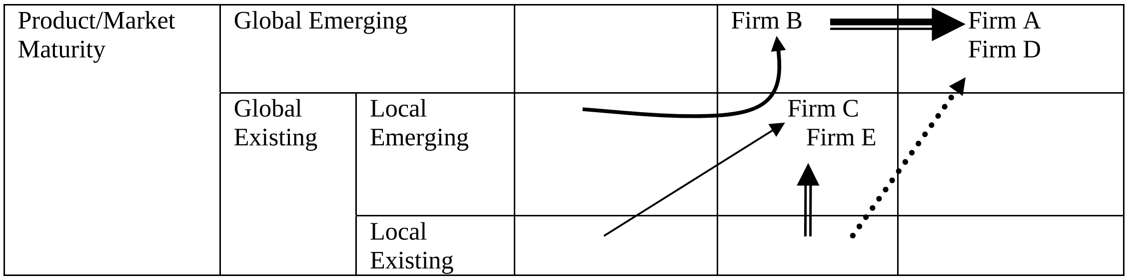

Figure 1: Different growth paths of Malaysian new ventures

Analysing Internationalisation Process, Growth Patterns and Strategic Changes of the Companies

The results support the view that the internationalisation process of an organisation does not necessarily experience sequential stages as proposed by the Uppsala model. For instance, Firm A has been involved in multinational activities since business commenced while Firm D set up its subsidiaries overseas merely two years after its establishment. The internationalisation process of these two firms also differ from Park and Bae (2004) conclusion that new ventures enter the global market by following a two-step processes – migration toward creative imitation and transition toward global player. Nevertheless, the path of internationalisation of Firm B support Park and Bae's (2004) view that creative imitations is a stepping stone between two different competitive markets (i.e. local and global markets). On the other hand, Firm C and Firm E, which is using creative imitation as their competitive strategy currently, were evolved from reactive imitator and import substitution.

Companies with strategic change growth pattern are companies that could accumulate technology capabilities and change their products and target markets (Park & Bae, 2004). The strategic change growth patterns can be observed among Firm A, B and D. The three firms constantly seek for new opportunities, especially in the international markets. These firms basically have strong business foundation and strong hold of the domestic market. They have equipped themselves with a number of core competencies that they can leverage on when venturing abroad. Thus, the firms can grow through strategic change. For instance, Firm A's core competencies include its ability to achieve cost efficiency and economies of scale as a result of huge production capacity and demand. Years of experience and fast learning curve also enable this firm to achieve cost efficiency through process innovation. Consistent with its market driven and cost efficiency strategies, Firm A has established two plants in China to benefit on the location advantage (Dunning, 1977, 1988) by leverage on cheap raw material and labor cost. In recent years, this firm has strengthened its R&D to develop sophisticated products that are market driven. Firm A collaborates with a university in China to conduct research and laboratory testing with the aim to improve quality and weight of its existing products of which such success of raw material saving will consequently further enhance cost efficiency. The various continuous efforts have resulted in competitive advantages that enable Firm A to leverage on for aggressive market positioning in the global market from an early market entry in early 1990s to become a global innovator in mid 2000s.

This study could identify a few common strengths of interviewed firms that have been pivotal in overseas business venture. One of the common strengths are strong customer relationship that have been highlighted by Firm B and D. Coupled with high quality product, prompt and reliable services, Firm B and D were invited by its major clients to set up plants in China so as to be logistically viable for good supply chain management, quick mitigation on operational issues, and efficient customisation or collaborative design of products and services. This enables the companies to accumulate technological capability and access to more markets. Firm D provides cost efficient and energy saving cleanroom service to customers. The high quality of products and services provided reduce the maintenance costs among the customers. Firm D placed great emphasises on technical innovation and continuous improvement and it always compliance with international cleanroom standard. Firm D emerged as global innovator just two years after its establishment. Firm B has strong ability to fulfill the demand of the customers for more sophisticated products and it attempts to produce its own apparel concept to sell to existing customers. Despite apparel still the main products offered by Firm B, it had ventured into packaging and bottling business in recent years due to the higher profit margin from this segment.

Growth pattern of Firm C and E is referred as strategic replication. This means that new ventures pursue similar strategies even if they diversify into new markets with similar characteristics of previous ones in terms of three dimensions: technology capability, product-market maturity, and the geographical target market (Park & Bae, 2004). Firm C venture into metal stamping for automotive and telecommunication industry in recent years as the growth in electrical and electronics as well as disk drive industry had slowed down. On the other hand, Firm E emerged as a major manufacturer of interchangeable laboratory glassware and scientific instruments in 1990s and currently also involves in the manufacturing of volumetric glassware.

Determinants of Growth Patterns and Strategic Changes

Park and Bae (2004) contended that three main factors that affect the growth patterns and strategic changes among the new ventures are the initial conditions of new ventures, entrepreneurs' management capabilities, and technology strategy and efforts to accumulate technological capabilities. However, the present study found that network capability of firms is another important factor in determining the growth patterns and strategic changes of firm.

The initial condition is related to the first product market and technology capability of new ventures that can critically affect the performance and future growth potential of new ventures (Park & Bae, 2004). Organisational and environmental factors will have a significant influence on firm's potential and future direction. Two of the five firms in this study venture abroad when they are invited by major clients. Their decision was also partly spurred by internal/organisational factors such as declining sales and slow domestic growth. Furthermore, the firms also experienced high operating costs due to the increase in training expenses, especially for those workers who are lack of skill. Domestic environmental factors that the firms have less control of also prompted the firms to consider FDI. These include saturated domestic market, little governmental focus on vocational training, and difficulty in securing large projects. Meanwhile, the overseas environment factors that attract the firm's FDI include big untapped market, logistically close to the major client in the supply chain system, and relatively lower labour and material cost.

All the firms interviewed had set market orientation as part of the strategy for enhancing growth. They are willing to invest in better technology. The ability to provide reliable services and their willingness to provide high quality products according to customers' specification at a competitive price enable these firms to maintain good relationship with their customers.

As entrepreneurs' management capabilities affect the strategic decision and future direction of the business, thus it will contribute to the success or failure of a business. The achievements of the five firms in the case studies showed the ability of the companies to respond and adapt fast to the changes in the environment. Besides, all the firms in this study viewed that creativity and innovation is essential for the continue growth of their business. Therefore, the continuous R&D efforts enable the firm to accumulate better knowledge and technology capabilities to produce better quality products and services. The R&D activities are performed in house and/or collaborate with universities or build strategic partnership with other organisations to develop better technology.

Besides that, this study also found the networking is crucial for the development of new ventures. Networks and relationship were found to have significant impact in internationalisation for all firms, regardless of size (Mort & Weerawardena, 2006). Networking capabilities was found not only to be central to the growth of firms in the hi-tech sector but also to play a similarly important role for firms in the low-tech sector. In addition, business networks also enable the firms to proceed faster with international growth instead of a gradual step-by-step process (Chetty, 2003).

CONCLUSION

The results of this study provide a better understanding of the development of new venture and their internationalisation process, which can serve as a reference and guidelines for academicians and policy makers. The findings of this paper revalidate Park and Bae (2004) model. A refine model needs to be developed given that Park and Bae's (2004) was more relevant to high technology firms. As such, more refined model can be developed for generalisation purpose.

Nevertheless, there are a few limitations in this paper. First of all, the sample of this paper comprise of five companies from different industries, thus financial performance comparison cannot be made in this paper. In addition, industry specific factor might influence the growth and internationalisation process of firms. However, caution has been taken when the researchers perform the comparison across the firms. More samples should be included in future research to examine the new venture growth pattern from developing countries to developing countries by using Park and Bae (2004) typology for qualitative study.

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