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### **A comprehensive model of the process of small firm internationalisation: a network perspective**

#### **Abstract**

*The broad research problem addressed in this conceptual paper is to identify and analysis the process of internationalisation of small to medium sized enterprises (SMEs). The process of internationalisation will be evaluated across the depth, scope and dispersion of the value chain of SMEs. This will provide a comprehensive model of the process and type of SME internationalisation. In addition, there are many theories that can be used to describe the process of internationalisation of the large firm (Burgel & Murray, 2000). To what extent these theories apply to the process of SME internationalisation is largely unknown (Madhok, 1997). The relevance of these theories to SMEs and their internationalisation process will be examined. In particular the Stage Models of internationalisation, namely the Uppsala models (U-models) and the Innovation-Diffusion models (I-models) will be reviewed (Wiedersheim-Paul et al, 1978). Finally, a network perspective of internationalisation will be discussed.*

*A critical review of the literature has identified the main research problem as: How do SMEs participate and facilitate entry into international markets? Specifically, the purpose of the paper is to examine the process of SME's choice of international strategy. The choice of international strategy will be examined in the context of related international issues facing the SME. Focus will include: how SMEs select markets for entry; how business relationships facilitate this process; how some SMEs compete in highly international business environments; why some SMEs de-internationalise as part of their international process; how selection of markets is affected by psychic distance; how the evolution of business relationship development and establishment facilitates the*

*choice of international strategy for 'born global' SMEs; and how the external and internal environment influences the SMEs international strategy.*

*The proposed model will incorporate the theory of innovation-diffusion, the network perspective, the inward and outward 'linkages' (Fletcher, 2001), and the internal and external factors (Blankenburg, 1995), which underpin the foreign market entry process because of their contribution to an holistic understanding of SME internationalisation processes as well as their contribution to the vast majority of Stage Models.*

## **Introduction**

There is a growing body of literature suggesting that SMEs may have to rely on networks and relationships to overcome disadvantages due to their size as they internationalise (Madhok, 1997). The relevance of the network models to SMEs and international marketing is an important consideration. A number of models of *networks* and the internationalisation process (Evangelista, 1996; Merrilees & Tiessen, 1999) have been identified in the literature review. Prior studies suggest that international marketing relationship networks vary by industry (Merrilees & Tiessen, 1999; Madhok, 1997). Literature also suggests that there are different types of internationalisation processes for SMEs and more complex networks processes by SMEs in high technology industries than in low technology industries (Merrilees & Tiessen, 1999; Madhok, 1997). For this reason SMEs will be evaluated in both a high and a low technology industries in this paper.

Thus, the research problem will focus on the process of internationalisation of SMEs by addressing, firstly, their type of internationalisation across their value chain (mode and location choice). Secondly, the type of network of relationships, both person-centered and organisation-centered (Hallen, 1992), past and present, used by SMEs as they internationalise will be analysed. Thirdly, the theoretical framework of internationalisation that describes this process will be examined. There are numerous *types of internationalisation* processes for SMEs that have been identified in the literature review. Some SMEs internationalisation process may best be described as having a transaction approach and others a network approach (Merrilees & Tiessen, 1999). Some may adopt a progressive or stage approach to internationalisation (Hornell et al, 1973; Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1992; 1977) of their firm or

alternatively, leap straight into foreign markets as an international new venture (INV) (Oviatt & McDougall, 1994). In addition, some may choose to de-internationalise or externalise some or all of their international activities, either temporarily or permanently (Benito & Welch, 1997; Fletcher, 2001). In this paper, a range of types or approaches for SMEs internationalisation process is incorporated into the conceptual model.

### **Justification for the Research**

While the body of research on internationalisation of SMEs has begun to emerge it is not a) consistent as a body of literature and b) supported by empirical research (Madsen, Rasmussen & Servais, 1999). The Foreign Investment Theories approach (Griffin & Pustay, 1998; Buckley, 1996) and the Stage Models approach (Stopford & Wells, 1972; Johanson & Vahlne, 1977; Luostarinen, 1977) for understanding internationalisation in the research literature can be easily identified and is well developed in the body of literature. Research on the third approach, the Network Perspective (Aldrich & Zimmer, 1986; Larson, 1992) is fast emerging. However, the literature is not consistent across the three theoretical approaches and each perceives internationalisation differently, and from a different theoretical basis (Coviello & McAuley, 1999).

Of interest to this paper are the theoretical models that underpin the internationalisation process of SMEs. How accurately do any of these theories explain the internationalisation process of SMEs? The theories emanate from different intellectual traditions and often stand in direct competition with each other. Therefore we cannot realistically expect them to *consolidate*. However, it is important in this paper to understand the overlap and support from the competing internationalisation theories on how the SME internationalisation and de-internationalisation (Fletcher, 2001) processes occurs. This is a major justification for research into the process of SME internationalisation to provide current input on which theories are relevant to SME internationalisation.

### **The Proposed Conceptual Model**

This paper identifies three theories, the Stage Model, the Innovation-diffusion Model and the Network Perspective and presents limitations of these theories for an explanation of the internationalisation process of small to medium-sized firms (SMEs). The study

suggests a network approach for providing a more holistic understanding. Whenever new subjects and concepts are proposed it seems fair to ask what is different from what we already know? The starting point thus, for an analysis of international strategies is what is the difference between traditional multinationals (MNCs) and so-called 'born global' firms? According to traditional theory, MNCs have had a slow and gradual development from national company, to international and finally when they have the experience and the finances to take the final step, they become multinationals. 'Born global' firms on the other hand, are, by definition, global more or less from the start i.e. they have not followed the slow and gradual steps as the traditionally MNCs supposedly have. This slow and gradual process is known as the Stage Model approach. In addition, some firms will de-internationalise or externalise and inward and outward linkages will underpin this process of internationalisation (Fletcher, 2001).

The 'born global' firm and its activities are beginning to emerge as a research area (Harveston, 2000), and it seems that the risk-averse and incremental nature of internationalisation described by traditional process theory may be inadequate for explaining this phenomena. This change in the environment that now faces the international firm (Fletcher, 2001) will be addressed in detail in this paper. An holistic internationalisation model utilising a network perspective is proposed, including the internal and external environment, the network evolution, foreign market selection, mode and entry process. This model is based on the theory of innovation-diffusion and a network perspective and incorporates aspects of emerging trends in international marketing and international business.

### **Theoretical Underpinnings of Internationalisation Processes**

Chetty and Hamilton (1996), Lim, Sharkey and Kim (1991), Czinkota (1982), Reid (1981) and the earlier works by Cavusgil (1980) and Bilkey and Tesar (1977) relied on the application of the theory of innovation-diffusion. The model focuses on the learning sequence in adopting an innovation, treating internationalisation as an innovation facing the firm (Anderson, 1997; 1993). On the other hand the study by Barrett and Wilkinson (1996) has its theoretical underpinnings in management and organisational theory (Leonidou & Katsikeas, 1996). In addition, Johanson and Wiedersheim-Paul (1975),

Johanson and Vahlne (1977, 1993), Luostarinen (1977), Hakansson, 1982; Johanson & Mattsson, 1988, 1988; Easton, 1992) relied on the 'network' approach, which attributes internationalisation to the development of networks of relationships over time as international buyers and sellers build up knowledge about each other, concentrating on the market and the relationship of the firm to that market as opposed to internal development of a firm's knowledge and resources (Fletcher, 2001). The model by Wiedersheim-Paul, Olson and Welch (1978) is different in that it looks only at the pre-export behaviour of the firm and is not based on the incremental approach of the other models. However, the basis of the model remains in the acquisition of export-related information.

Neither the stage models nor dimensions approach to internationalisation can be fully understood without understanding the networks that operate in particular countries and the level of international actors that operate in a country's production network (Johanson & Mattsson, 1988; Blankenburg, 1995; 1996). This is because traditional internationalisation models largely focus on the international operations of often manufacturing and export firms, not service firms from high and low technology industries. The network approach directly relates to the level of internationalisation of actors in the production networks of particular markets and Blankenburg's (1995) study highlights the internal and external factors involved in the process of internationalisation. Finally, Fletcher's (2001) model of inward and outward 'linkages' to internationalisation provides the holistic understanding of the dynamic nature of this process.

However, studies by Cavusgil and Nevin (1981), Rao and Naidu (1992), Calof and Viviers (1995) and Johansson and Mattsson (1988) provided useful insights into the explanatory variables of each stage. The Calof and Viviers (1995) study was particularly useful in providing insights into firms in a developing country, indicating that Stage Models can be applied in different cultural and economic settings.

Nevertheless, an extensive review of the literature conducted for this conceptual paper found wide empirical support for a Stage Model approach. This was particularly so in respect to the so-called 'I-Models'. Such a theoretical framework can thus form a useful basis for the model proposed for this paper. It is also important that some of the limitations identified in the literature can be overcome, and that some of the emerging

trends such as ‘de-internationalisation’ (Fletcher, 2001; Johansson & Mattsson, 1988;) and ‘born global’ or ‘international new ventures’ (INVs) (Oviatt & McDougall, 1994; Lim, Sharkey & Kim, 1991) can be incorporated.

The proposed model will incorporate the theory of innovation-diffusion, the network perspective, the inward and outward ‘linkages’, and the internal and external factors, which underpin the foreign market entry (FME) process because of their contribution to an holistic understanding of SME internationalisation processes as well as their contribution to the vast majority of Stage Models.

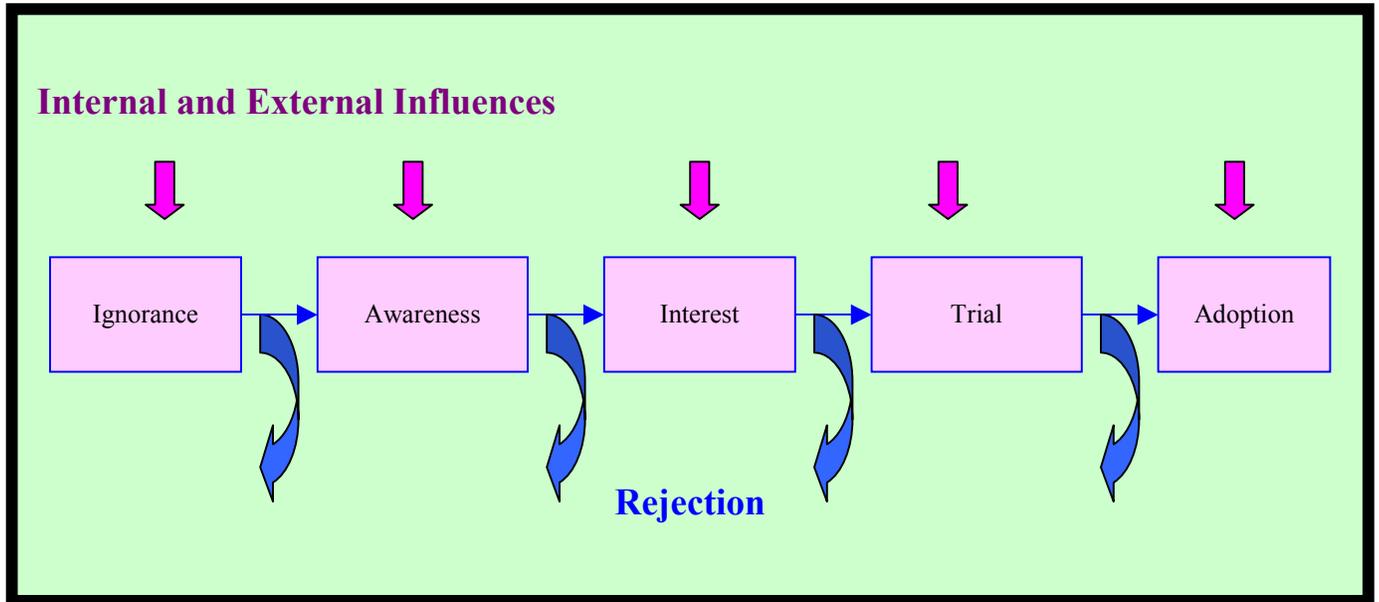
### **Delineation of the Proposed Model**

There are many models of innovation diffusion, usually conceptualised as a series of stages (Robertson, 1971; Harvey, 1979; Lekvall & Wahlbin, 1973). The export and other forms of international behaviour models considered in this paper contributed to our understanding of the internationalisation process. While the model proposed by Lim, Sharkey and Kim (1991) contributed to overcoming some of the limitations identified in the earlier internationalisation models, it was not chosen for this paper as it does not contain a key construct, ‘trial’. This has been held to be an important element in a number of innovation adoption models (see Zeltman & Stiff, 1973; Schiffman & Kanuk, 1994 and Robertson, 1971). The model which best overcomes the limitations identified earlier is a synthesis of the I-Models. In this model the stages are delineated using an adaptation of the innovation diffusion process described by Lekvall (1971), (see Lekvall & Wahlbin, 1973) as illustrated in Figure 1.

The model consists of four stages, namely awareness, interest, trial and adoption. The first stage of Lekvall’s model (1971) – *ignorance* was omitted as *awareness*, is widely accepted as the initial stage of an ‘adoption process model’ (Robertson, 1971). Also, due to the wide publicity given to the possibility of exporting within smaller markets it would be unlikely to find managers in a range of high and low technology industries who are ignorant of this fact. The ‘rejection’ aspect of the model incorporates the de-internationalisation phenomena identified earlier this chapter. It is suggested that this should be tested in a qualitative (Parkhe, 1993) sense as researchers such as Czinkota (1982), Crick (1995) and Fletcher (2001) failed to provide empirical evidence to support

the rejection aspect in their models. Researchers such as Barrett and Wilkinson (1996), Chetty and Hamilton (1996) and Fletcher (2001) have found evidence for de-internationalised firms.

**Figure 1: Innovation-diffusion model proposed by Lekvall (1971)**



It is imperative to note that for many firms there are several stages beyond export adoption, namely other forms of international commitment or involvement, for example, strategic alliances, joint ventures and overseas manufacturing. For some firms, they may never choose exporting, but ‘leap’ straight into other forms of ‘outward’ or ‘inward’ international activities or ‘linkages’ (Fletcher, 2001). Some will do this very quickly, such as INVs (Oviatt & McDougall, 1994) while others may take much longer, using a gradual, step-by-step approach (Calof & Viviers, 1995). The firm’s level of network contacts will influence this process of internationalisation positively (Johanson and Mattsson, 1988; Hallen, 1992; Blankenburg, 1995). The aim of this paper is to develop an holistic international adoption model for high and low technology service firms. Therefore, other modes of entry such as foreign direct investment (FDI) will be considered and are considered within the scope of this proposed model. To overcome the limitations of Lekvall’s (1971) model, which only includes exports and not other modes of entry, Fletcher’s (2001) model of an holistic approach to internationalisation will be

included in the proposed model. His model includes all forms of both ‘inward’ and ‘outward’ international activities, as well as ‘linkages’ to both.

The proposed conceptual model for this paper is partially presented below, in Figure 2, which is an adaptation of Lekvall’s (1971) Innovation-diffusion model. This model is incorporated in the final conceptual model, Figure 3. The fully developed conceptual model (Figure 3) also includes an adaptation of both Fletcher’s (2001) Holistic Approach to Internationalisation Model and Blankenburg’s (1995) Internal and External Factors Influencing the FME process. A description of each stage of the proposed conceptual model for this paper is found below.

### **Stage 1: International Awareness**

In the proposed model the first stage is *international awareness*, as mentioned above it is widely accepted as the initial stage of an ‘adoption process model’ (Roberston, 1971). This stage is also consistent with Reid’s (1981) Stage 1, Bilkey and Tesar’s (1977) Stage 1, Cavusgil’s (1980) Stage 1 and Johanson and Mattsson’s (1988) Type One Firm, The Early International.

During the first stage of the adoption process, the firm (adoption unit) becomes aware of the innovation of exporting or another FME modes. The firm develops a level of awareness of the internal and external forces determining the FME process through its network ability. Management is not sufficiently interested in searching for additional information regarding international commitment. These firms are still *domestic market oriented* but awareness of ‘inward’ and ‘outward’ activities (Fletcher, 2001) are being developed through existing networks (Hallen, 1992; Johanson and Mattsson, 1988).

### **Stage 2: International Interest**

The second stage is *international interest*. As pointed out by Lim, Sharkey and Kim (1991), this is a key construct in the innovation process. Firms in this stage have a management team that is interested in the innovation of international commitment, and the firm searches for information, through their various networks about how internationalisation may benefit it. Both ‘inward’ and ‘outward’ international activities and the various ‘linkages’ are of interest to the firm. All the internal and external forces

that influence the firm's FME process are being gradually understood through the development of networks.

### Stage 3: International Trial

The third stage is *international trial*, incorporating Reid's (1981) Stage 3. Based on the information available, management draws conclusions about international commitment or determines if further information, through its various networks is necessary. During this stage some firms might undertake a 'mental trial' of international commitment, whereas other firms will be willing to internationalise, using 'inward' and/or 'outward' activities as well as 'linkages' on a limited basis (Fletcher, 2001). The timing may be very rapid if the firm has well developed, person-centered and organisation-centered networks (Hallen, 1992; Oviatt & McDougall, 1994; Blankenburg, 1995; Johanson and Mattsson, 1988). These firms are known as INVs. The experience gained during this stage will then provide management with the information to either adopt or reject the option of international commitment, as seen in Figure 2.

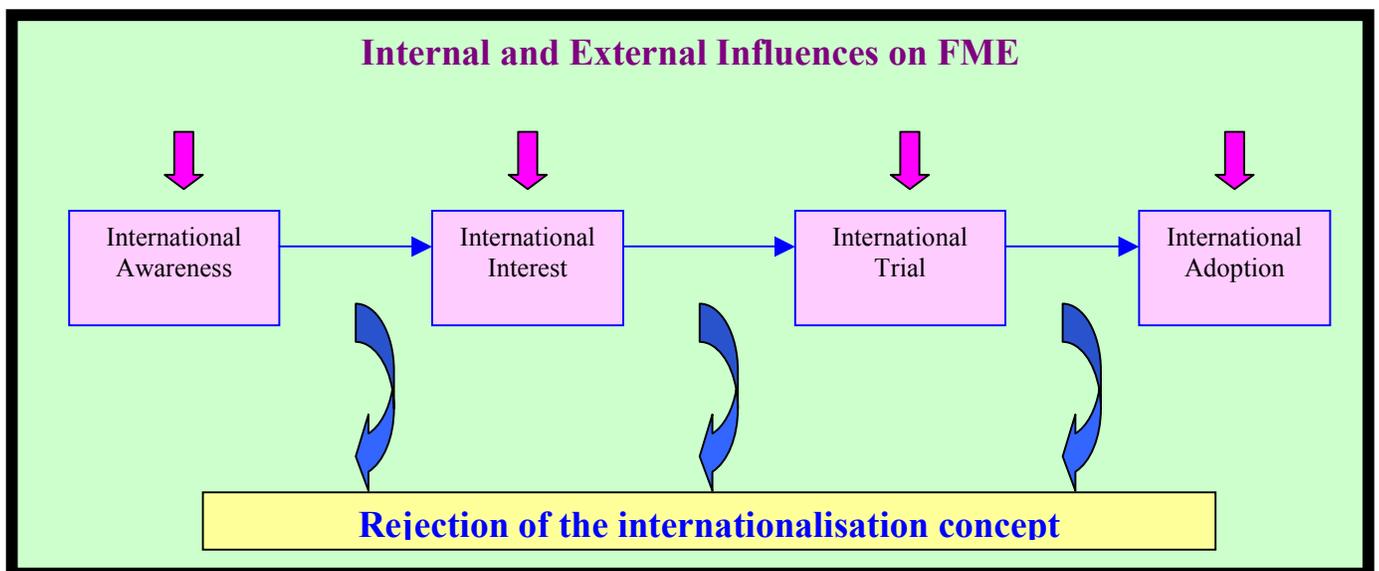


Figure 2: Development of the Conceptual Model of an Holistic Process of Small Firm Internationalisation

### Stage 4: International Adoption

The post adoption evaluation stage can lead to a strengthening commitment and a 'leaping' of stages into strategic alliance or joint manufacturing, rather than a gradual

commitment of ‘outward’ linkages, such as exporting, as is often the case for the ‘born global’ (Oviatt & McDougall, 1994). The proposed model also allows firms to begin their international process from any of the ‘inward’ or ‘outward’ (Fletcher, 2001) activities. The proposed model does not assume that this process of international commitment for all firms will be step by step, and that all stages will be included. The four stages in this proposed model focus on the process of adopting an innovation, *international commitment*, and not simply on forms of gradual ‘outward’ or ‘inward’ activities or ‘linkages’.

The firm will be influenced by both ‘internal and external forces’ during this FME process (Blankenburg, 1995) and may for various reasons (internal or external) (Blankenburg, 1995; Fletcher, 2001) de-internationalise, or ‘pull-out’ (Fletcher, 2001) at this point, either temporarily or permanently. Fletcher (2001) categorises these firms into ‘proactive’ and ‘reactive’ de-internationalisation. This will depend on how the firm perceives the foreign market and the level of network knowledge that it can use as it constantly *interacts* with changing internal and external forces (Blankenburg, 1995; Johanson and Mattsson, 1988). De-internationalisation may also occur as a result of transactional cost evaluations where the firm ‘externalises’ certain activities (e.g. manufacturing) because the level of its network contacts allows them to control these activities without having to ‘own’ them (Johanson and Mattsson, 1988). This situation is the same as the fourth stage in Johanson and Mattsson’s (1988) model, the International Among Others. They found this type of firm to be large and is included in the proposed model.

However, for the de-internationalisation process identified in Fletcher’s (2001) study, the firms were identified as small, medium and large, as well as INVs or ‘born global’ firms. Oviatt and McDougall’s (1994) model allows for categorisation of these ‘start-ups’ into four types, which this model includes. Not all INVs are global. Oviatt and McDougall (1994) categorises INVs into geographic as well as global and these situations are included in the proposed model.

Table 1 (below) compares the delineation of the stages in the proposed model with some of the other leading models so that possible explanatory variables for the ‘stages’ can be identified.



<b>Bilkey &amp; Tesar (1977)</b>	<b>Cavusgil (1977)</b>	<b>Czinkota (1982)</b>	<b>Reid (1981) tested by Chety &amp; Hamilton (1996)</b>	<b>Johanson and Mattsson (1988)</b>	<b>Lim et al (1991)</b>	<b>Oviatt &amp; McDougall (1994)</b>	<b>Fletcher (2001)</b>	<b>Blankenburg (1995)</b>	<b>Proposed Model</b>
Stage 1 Management is not interested in exporting	Stage 1 Domestic marketing	Stage 1 The completely uninterested firm	Stage 1 Export awareness	Stage 1 The early international		Stage 1 Export/Import Start-Up	Stage 1 'Inward' / 'Outward international activities	Stage 1 Develop foreign network knowledge	<b>Stage 1 International Awareness</b>
Stage 2 Management is willing to fill unsolicited orders, but no effort to explore the feasibility of active exporting	Stage 2 Pre-export stage	Stage 2 The partially interested firm	Stage 2 Export intention	Stage 2 The lonely international	Stages 1 & 2 Export awareness & interest	Stage 2 MNC Trade	Stage 2 'Linked' 'Inward' / 'Outward' international activities	Stage 2 Identification of internal/ external forces	<b>Stage 2 International Interest</b>
Stage 3 Management actively explores the feasibility of exporting	Stage 3 Experimental involvement	Stage 3 The exporting firm	Stage 3 Export trial	Stage 3 The late starter	Stages 3 & 4 Export intention & adoption	Stage 3 Geographically Focused Start-Up	Stage 3 De- internationalisation (temporary)	Stage 3 Establish linkages to the foreign network	<b>Stage 3 International Trial</b>
Stage 4 The firm exports on an experimental basis to some psychological close country	Stage 4 Active involvement	Stage 4 The experimental firm	Stage 4 Export evaluation	Stage 4 The international among others		Stage 4 Global Start-Up	Stage 4 De- internationalisation (permanent)	Stage 4 Realised FME	<b>Stage 4 International Adoption</b>
Stage 5 The firm is an experienced exporter	Stage 5 Committed involvement	Stage 5 The experienced small exporter	Stage 5 Export Acceptance						
Stage 6 Management explores the feasibility of exporting to psychologically distant countries		Stage 6 The experienced large exporter							

**Table 1: Delineation of the Stages of the Models and Proposed Conceptual Model**

### **Attributes of the Proposed Model**

Given the discussion in the literature of ‘born global’ firms (Oviatt & McDougall, 1994, 1997; Knight & Cavusgil, 1996; Young, 1992, Harveston, 2000; Karlsen, 2001), ‘de-internationalisation’ by firms (Fletcher, 2001; Benito & Welch, 1997), ‘externalisation’ by firms (Johanson and Mattsson, 1988) and the ‘leap frogging’ of stages (Oviatt & McDougall, 1994, 1997; Knight & Cavusgil, 1996), it is important to note that the proposed model makes allowances for these possibilities. The proposed model views export development primarily as an incremental sequential process. This is in keeping with most of the Stage Models and some of the Network Models, which incorporate stage development early in the internationalisation process of the firm. However, it is understood that firms can ‘leap frog’ into more advanced stages, namely other forms of ‘linkages’ like alliances and joint ventures, mainly from the ‘international interest’ stage (see Figure 2 above).

‘Leap frogging’ is thought to be due to a ‘change agent’ (Rogers, 1983) such as entry of a new manager to the firm (bringing well-developed person-centered networks) (Hallen, 1992) or an external stimulus such as an unsolicited order or cooperative manufacturing (Fletcher, 2001). It was also identified in the literature that certain firms are ‘born global’, that is, they start exporting or some other international ‘inward’ or ‘outward’ linkage to foreign markets within five years of establishment (Fletcher, 2001).

Based on the type of management in the firm and availability of resources (internal and external), both tangible (manufacturing plant) and intangible (such as level of international network connections) (Blankenburg, 1995; Johanson and Mattsson, 1988), some firms may take decades to adopt international development. Others may achieve this in a relatively short period (‘born global’) (Oviatt & McDougall, 1994). Welch and Luostarinen (1988), have observed that international experience (network ability) (Johanson and Mattsson, 1988) and the perception of the manager (internal and external forces) (Blankenburg, 1995) may explain why some ‘young firms’ see the market place as ‘international’ in character from the very beginning.

The model also incorporates the possibility for firms to de-internationalise. As outlined in this paper, de-internationalisation does not always mean a complete break with cross-border trade, although there is evidence that this can occur. In other circumstances, as

identified by Hadjikhani (1997), a planned de-internationalisation from a market can increase the degree of internationalisation of a firm in terms of its international experience. Such a withdrawal can lead to greater international involvement in the long term.

The issue of international market selection was reviewed in an earlier section. The process by which firms select their international markets will be gauged in a number of ways. An attempt has been made to identify and include the possibility in the proposed model, of firms initiating international target market selection based on markets that are ‘psychically’ close (or ‘psychologically’ close) as sometimes referred to in the literature (Crick, 1995).

The real value of the proposed conceptual model is that it does not assume that the four stages are followed by all firms in the same manner, nor that international commitment is a static activity. The model allows for firms who are able to move through these stages rapidly because of their network knowledge (INVs). The model also allows for the situation of firm’s that de-internationalise, either temporarily or permanently, because of their perception of the network (market). This model allows for firms that adopt this strategy because of proactive or reactive reasons. The model also makes allowance for firms that de-internationalise through externalisation. Thus, the proposed model allows for:

- *a dynamic, constantly changing understanding of international activity,*
- *the development of network connections,*
- *the use of ‘inward’ and/or ‘outward’ linkages during this process,*
- *the use of ‘inward’ as well as ‘outward’ linkages as an initial mode of FME,*
- *the changing managerial perceptions resulting in de-internationalisation or externalisation, either temporarily or permanently,*
- *the ability of some firms to move through (forward and backward) these stages simultaneously, because of their high level of network connections, and*
- *the ability of some firms to achieve international commitment rapidly (INVs), either regionally or globally.*

## **Conclusion**

The discussion in this paper has integrated the traditional MNE concepts of internationalisation; foreign investment theories approach; the stage model approach; and the location advantage with the relationship marketing and network approaches. The literature review, spanning across these competing theories of internationalisation suggests that a comprehensive and appropriate model of the SME international marketing process is lacking. The proposed conceptual model in this study incorporates and addresses traditional as well as current models of firm internationalisation.

The review conducted in this paper provided useful insights into a number of models developed to explain the export behaviour and other modes or 'linkages' of firms for FME. A number of issues, which appear to challenge the stage theories were discussed. In addition, researchers such as Andersen (1993) and Sullivan (1994) highlighted the difficulty in delineating the stages, or measuring the degree of internationalisation. This was further attested to by Crick (1995). These limitations can lead to measurement error and the inability to establish content and construct validity in quantitative studies (Sullivan, 1994). Thus, in order to overcome such limitations, a four-stage model is proposed, based on the theory of innovation diffusion and networks. The proposed model for this paper incorporates multi-item measures, giving rise to a comprehensive model of the process of small firm internationalisation: a network perspective in Figure 3.

In summary, the proposed model suggests a four-stage international adoption stage. This allows for de-internationalisation as the firm moves from 'international awareness' through to 'international adoption'. This is based on the model of innovation-diffusion proposed by Lekvall (1971) presented in Figure 1. In addition, the 'internal' and 'external environment' are included in the proposed model. Both were found to influence the firm's selection of 'international strategies' in Fletcher's (2001) study of an holistic model of internationalisation. Blankenburg's (1995) model of the influences on a firm's FME strategy identified two 'forces', 'internal' and 'external', which underlie the process of 'realised FME'. They have been incorporated into the proposed model. Johanson and Mattsson's (1988) model of international firm strategies highlighted the importance of 'networks' on the firm's internationalisation process. This has been incorporated into the proposed model. Finally, Fletcher's (2001) study of the internationalisation process of

firms identified the ‘linkages’ that existed between ‘inward’ and ‘outward’ ‘international strategies’. The paper identified the importance of ‘networks’ in developing ‘linkages’ to facilitate the firm’s selection and entry into foreign markets. Thus, the ‘international strategies’ identified in Fletcher” (2001) study have been incorporated into the proposed study.

An overview of the various theoretical frameworks of the Network Perspective, together with the emerging issues in the internationalisation business literature and their impact on the utility of the theoretical frameworks, has been addressed in first part of this paper. The issues examined included internationalisation and the network perspective; network perspective and the contextual environment; network perspective of foreign market entry (FME); process of growth of infrastructural networks; and relationship development in networks.

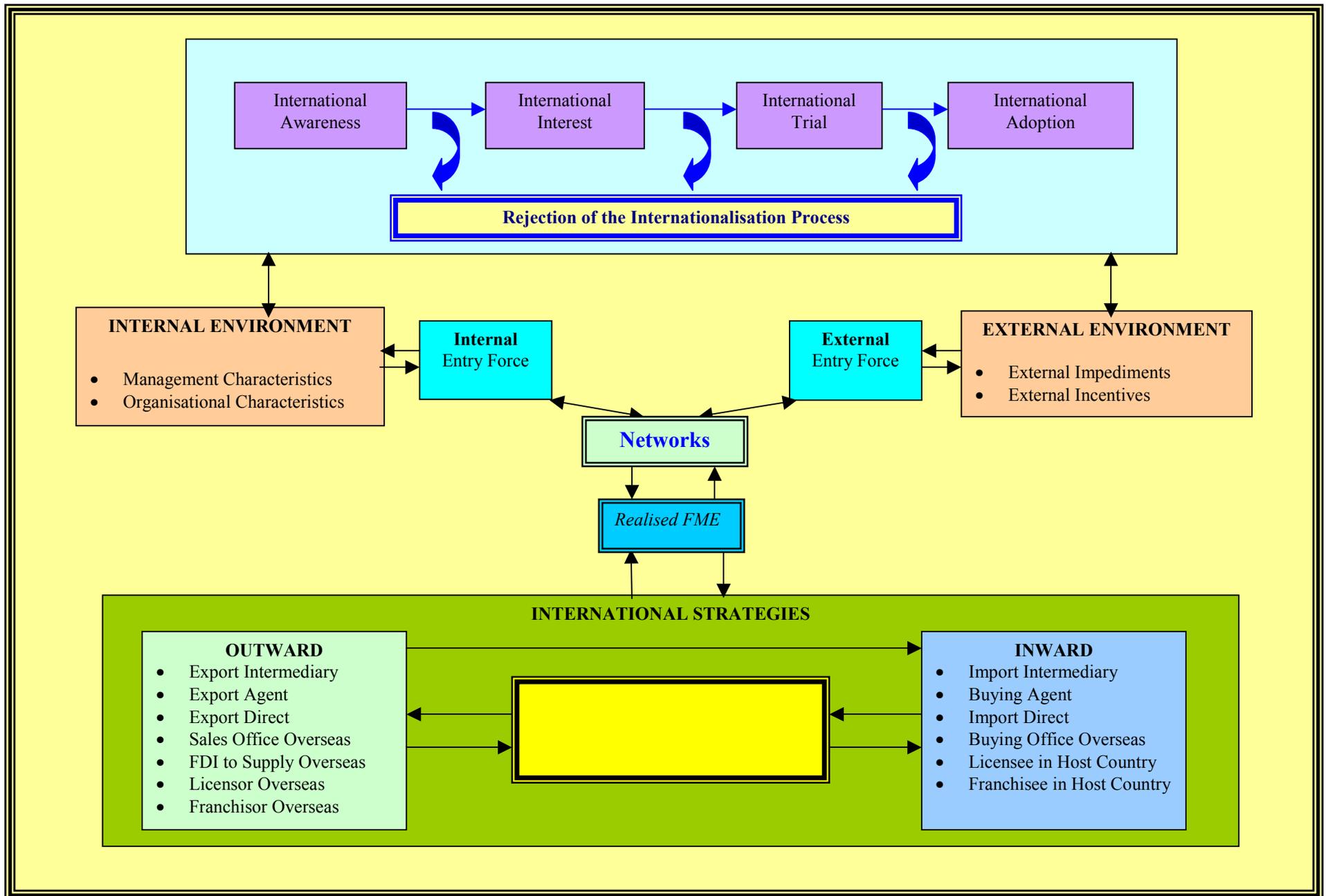
The discussion commenced by reviewing the research emerging over the past four decades and attempted to explain the divergent international behaviour of buyer-seller networks in different business environments. These issues include network formation; market selection; foreign market entry (FME) and selection and network management on the process of small firm internationalisation. This paper also discussed the applicability of the theories.

Finally, the conceptual model (Figure 3) describes some international SMEs as controlling assets, especially unique knowledge through a network of relationships that creates value across countries. Merrilees and Tiessen’s (1999) model suggests that *relationship-driven global international marketing strategies* are more characteristic of SMEs competing in high-tech industries. How unusual are the intimate alliances that Larson (1992) describes, and what social and economic process and conditions, promote network building across national borders? Keeble et al (1998) found that UK based SMEs in technology-intensive industries, often needed to internationalise early because of the global nature of the technology market niche which they have been set up to explore. They found that these firms internationalised more frequently and the extent of their activities was more widespread than SMEs in low-technology sectors. The conceptual model proposed in this paper will need to be tested to ascertain if there are differences between small firms and their internationalisation process across high and low

technology networks or business environments. In addition, the 'born global' firm and its activities are beginning to emerge as a research area (Harveston, 2000), and it seems that the risk-averse and incremental nature of internationalisation described by traditional process theory may be inadequate for explaining this phenomena. This change in the environment that now faces the international firm (Fletcher, 2001) while incorporated in the proposed conceptual model now needs application and testing.

It is suggested that given the exploratory, comprehensive and holistic nature of this conceptual model, the next step is to provide empirical research using a multiple case study research strategy. A qualitative, cross-case analysis approach (Parkhe, 1993; Richards, 1993; Yin, 1984; 1994) is recommended to examine the suitability of this conceptual model for describing the different types of international SMEs across industries and countries and to identify *how* international networks and international marketing approaches are adopted by some high and low-technology SMEs.

**Figure 3: A comprehensive model of the process of small firm internationalisation: a network perspective**



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