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A CONCEPTUAL STUDY ON TECHNOLOGICAL CHANGES AND INTERNATIONAL ENTREPRENEURSHIP

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ABSTRACT

This conceptual paper deals with the focus on what marketing strategy SMEs of IT companies should follow to be successful in new international market. Further, this paper is addressed that how SMEs of IT companies cultivating their innovation behavior during their internationalization. Interpretative approach used as research methodology. The author developed the conceptual framework for SMEs to enter into global market. The findings stated that proceed with this model of Internationalization suiting their Industry specific check points so that it becomes yet another innovative process of Internationalization of SMEs of other Industries as well.

Keywords: Internationalization, SMEs.

1. INTRODUCTION

Plenty of studies conducted on international business which addressed that internationalization of Firms are a process in which firms gradually increase their international involvement. The contribution of SMEs plays a crucial role in developing & developed countries' economies. In Business Management research arena the Internationalization of SMEs is a famous and a hard core topic. McDougall and Oviatt (2000) addressed that International Entrepreneurship is an emerging area but yet struggling to formulate a standard definition. International Entrepreneurship and SME theories are closely linked with each other. While conducting studies on SMEs, it is hard to ignore that entrepreneurs & significance of the entrepreneurs which are mainly used as variables in SMEs' internationalization (Miesenbock, 1988). Schumpeter (1934) addressed that innovation is at the center of heart in entrepreneurship. Conducting the SMEs internationalization research, there is lack of material about pre-internationalization stage of SMEs. It is also very important that firms should have theoretical guidelines to follow in early internationalization stage when they have no or very little international experience (Shahid Kalim & Asgher, 2009). Alvarez *et.al* (2001) coined the term invention & innovation. Invention means discovery of new opportunities whereas, **innovation is exploitation of these opportunities**. It means that achievement of international entrepreneurship is not only a success of discovering a valuable innovation but also that the innovation be introduced successfully to world markets (Acs *et. al.*, 2001). For successful introduction of any invention, market knowledge is essential especially the view point of end users.

Uppsala Model, Born global SMEs, International Entrepreneurship theory and Network Theories are most popular concepts these days into this area (Ruzzier *et. al.*, 2006). Most of these theories are utilized in the research because they stand as widely accepted concepts. The use of such standard approaches is helpful in enhancing the strength and reliability of the research.

This research proposal is the first step of dynamic effort to start the journey on how marketing research helps the SMEs of IT companies exploiting their international opportunities in their early internationalization. The primary of this paper will focus on to understand what marketing strategy SMEs of IT companies should follow to be successful in new international market. In secondary, this paper will address that how SMEs of IT companies cultivating their innovation behavior during their internationalization. First it considers the research questions/objectives and then discusses the study aims, objectives and significance. Finally there is a section about research methodology, the literature review and bibliography.

2. RESEARCH QUESTION

The primary purpose of this study is to understand how marketing research helps SMEs of IT companies utilizing the International opportunities. Thus the research question can be formulated as follows:

To understand how does marketing research help innovative SMEs of IT companies in exploitation of International opportunities in their early internationalization.

Research objectives

In order to answer the research question the researcher formulates a set of objectives, aimed to increase the understanding of the case and put the limelight on different perspectives of the issue.

These objectives are:

- a) What marketing strategy SMEs of IT companies should follow to be successful in new foreign market?
- b) To find how SMEs of IT companies cultivate their innovation behavior in their early internationalization?

3. SIGNIFICANCE OF STUDY

This paper contributes for academic purpose and intellectually for business applications. The significance of this research is to describe and understand the marketing research of SME IT Companies' early internationalization. The purpose of this paper is to understand how marketing research can help the SMEs of IT companies exploit the international opportunities. In addition, how SMEs of IT companies cultivate their innovation capacity during the international operation.

IT companies have tremendous growth in the developed and developing economies. It is one of the pillars of countries' growth (GDP). Other sectors are capitalizing the IT companies' services. IT service sectors are large and form most dynamic part of the countries' economy

both in terms of employment potential and contribution to national income. IT companies are also developing their global service delivery capabilities through a combination of Greenfield investments, cross border M&A as well as collaborations and alliances with domestic players. This has helped them execute end to end delivery of new services (A report on IT and ITES industry, 2010). IT industries are offering the new product & services to their client. This paper explains the IT companies' new products into new international market.

The answers on the research questions will encourage SMEs of IT companies to understand basic needs of innovation, to enrich their innovation pace, identifying factors which are encouraging their innovative capacity and making a positive influence on their financial performance. This study will give a method to analyze the marketability of their products or services. It will also help them in reducing their business risks linked with cross border business. Major objective of this study is to make a theoretical contribution to the field of research by developing a theoretical model. Further, this paper will motivate the SMEs of IT companies to start their business operation across countries. In addition, this paper will be helpful for me to work in International markets. This study illuminates the important role of entrepreneurship in the economic development of India and strategies for competitiveness among developed nations.

4. RESEARCH METHODOLOGY

According to Fisher "Methodology is the study of methods and it raises all sorts of philosophical questions about what it is possible for researchers to know and how valid their claims to knowledge might be" (Fisher, 2007, p. 40). Bloomberg and Volpe mentioned that the processes are studying knowledge is called as methodology (Linda Dale Bloomberg, Marie Volpe, 2008, p8.). The overall agreement among the authors is about that they view methodology as a study about techniques of investigation.

The interpretative approach is a natural choice of methodology. It understands problems, provides a context for thinking about action but does not specify it. It improves the understanding and knowledge that does not tell the best action to take (Fisher, 2004, p.34).

The authors addressed that interpretivism refers to understanding the differences between humans in their role as social actors. It conducts the research among the people rather than variables (Mark Saunders, Philip Lewis, & Adrian Thronhill, 2009, p 116). It implies that on the contrary to realists who form structures out of variables, the interpretivism always forms structures out of interpretations which are used to explore how peoples' knowledge about their world or work influence and get influenced by that of others. This condition is fulfilled in the given research and structures and frameworks are based on interpretations, rather than variables. However, it is a continual process of interpreting the world around us, in that the researcher interprets the actions of others and this interpretation leads to tuning of meaning and actions. Thus having justified the choice of methodology, it is crucial to address an insight into its particular characteristics, techniques and details in order to lead the research in right path and to extract the most important particularities of the chosen methodology. Moreover, it is an attempt to simplify about how meaning is developed through human interactions. This condition is fulfilled to answer the research questions by way of interactions among SMEs of IT companies utilizing the international opportunities in their

early internationalization. So, the interpretation is applied as a dominating point of view on the investigated issues.

4.1. Research strategy

Robson (2002) points out the research strategies, choices and time horizons are turning the research questions into research project. This research looks upon the exploratory and explanatory study. The explanatory study that establishes causal links between variables may be termed as exploratory studies. The importance of exploratory study is “to find out, what is happening and to seek out new insights and to ask questions and to assess phenomena in a new light” (Robson, 2002, p.59). The selection of research strategy will enable researcher to answer research questions and meet objectives. However, the choice of research strategy will be guided by research questions and objectives, to extent existing knowledge, the amount of time, resources as well as research to own philosophical underpinning.

Case study is a robust research strategy for conducting social science research, especially when “how” or “why” question is to be answered (Yin, 1994). This research work is based on case study strategy. Robson (2002, p.178) defines case study as “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple source of evidence”. This study is a case of “how” questions: how can marketing research exploiting SMEs of IT companies utilizing the international opportunities and cultivating their innovative behavior during the internationalization process. It is also a real life context and a contemporary phenomenon. Eisenhardt (1989) gives three reasons for building theory from case studies: it is likely that new theory will be generated; the emergent theory is likely to be testable with constructs that can be proven false; and the resultant theory is to be empirically valid. Indeed, case studies are employed both in an exploratory manner to gain insights into this area and as a first test of the proposed frame work. The case study method is suitable for enhancing insight and understanding of emerging perspectives of the focal domain. It is also an inductive approach to research allowing the researcher to infer general patterns of order or structure from the empirical data.

4.2. Statistics in Research

This study focuses on Multiple Regression analysis. The researcher uses more than one independent variable to explain the variance in the dependent variable. The objective of this analysis is to make a prediction about the dependent variable based on its covariance with all the concerned independent variables. Multiple regression analysis provides a means of objectively assessing the degree and the character of the relationship between the independent variable and the dependent variable.

$$\hat{Y} = a + b_1 X_1 + b_2 X_2$$

Where X_1 X_2 – Independent Variable; Y – Dependent Variable; a , b_1 , b_2 - Constants

X_1 - Internationalization of firm

X₂ - Firm Innovation

Y- Market Knowledge, Market Commitment, new distribution channel, Process innovation, Market Decision

$$\begin{aligned} \Sigma Y_i &= n a + b_1 \Sigma X_{1i} + b_2 \Sigma X_{2i} \\ \Sigma X_{1i} Y_i &= a \Sigma X_{1i} + b_1 \Sigma X_{1i}^2 + b_2 \Sigma X_{1i} X_{2i} \\ \Sigma X_{2i} Y_i &= a \Sigma X_{2i} + b_1 \Sigma X_{1i} X_{2i} + b_2 \Sigma X_{2i}^2 \end{aligned}$$

4.5. Field of study

The field of study follows as:

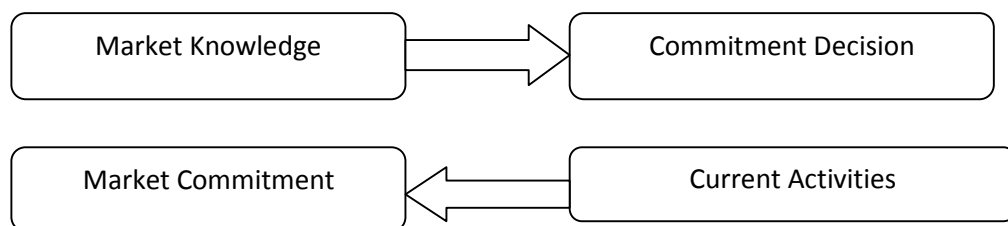
1. For SMEs of IT companies Product aspects
2. For SMEs of IT companies Service aspects

5. LITERATURE REVIEW

The purpose of this section is to ensure that the different concepts and theories that will take from the literature. Due to the quality of research field it is necessary to narrow down the area of theoretical information search. According to Fisher, a good way to describe the set of relevant literatures is to prepare a “map” showing the imagined location of all the appropriate theories (Fisher, p. 28, 2007). The concepts, theories, and arguments that researcher take from literature to build the dissertation are robust. After conducting various studies on this theme, a research model is developed with the following dimensions: In this paper, I depict four theories are connected with each other. The dimensions are (1) Uppsala internationalization model (Umodel) (Johanson, J., Vahlne, 1990), (2) International Entrepreneurship Theory (McDougall, P.P., Oviatt, 2000), (3) Network Theory (Mtigwe, B, 2006) and (4) Firm’s innovative capacity

5.1. Uppsala internationalization model (U-model)

The Uppsala model (U model) looks internationalization as a dynamic progression process which means a firm gradually increment in their international involvement (Johanson & Vahlne, 1990). There is a close relationship with state aspects (Market commitment & market knowledge) and change aspects (commitment decision & current activities) of internationalization. U model has considerable involvement in research on Internationalization of SMEs and scholars tried to refine this model periodically (Morgan and Katsikeas, 1999).



Source: Johanson and Vahlne (1977)

Fig. 1: The Uppsala Model of Internationalization

Johanson *et. al.*, (1990) addressed that “Market knowledge and market commitment are assumed to affect decisions regarding commitment of resources to foreign markets and the way current activities are performed. Market knowledge and market commitment are, in turn, affected by current activities and commitment decisions (Johanson & Vahlne, 1990, in Johanson & Associates, 1994, p. 84). According to Nordic international model firms develop their internationalization by increasing steps in their current markets. The common aspect of U model is “psychic distance”. Organizations enter into new market facing at greater “Psychic distance” because of difference in culture, education, language, government regulation, political systems and business practices etc (Hisrich and Antoncic, 2006). Psychic distance has been highly considered in early internationalization process of SMEs as the firms which don’t have any international experience or very little amount of it, tend to enter the international markets. This model has insisted on experiential learning which affects the commitment decisions. It recommends that gaining the knowledge by doing different activities in current markets (Forsgren, 2002).

This paper, authors concentrated on market knowledge and market commitment for the process of internationalization. These two elements are key processes to start the process of internationalization (Shahid Kalim & Asgher, 2009). U model theory fails to explain that how should firm make internationalization through step by step or stages. This proposed model that to enhance the foreign market knowledge for SMEs and easily applicable. This research also focused on consumer market research which contributes market knowledge of the firms that will ultimately affect the commitment decision. Commitment decisions in turn determine whether a firm should enter into a specific international market or not (Shahid Kalim & Asgher, 2009).

5.2. International Entrepreneurship Theory

International entrepreneurship concept emerged from Uppsala Model while opposing the process aspects of the SMEs’ internationalization. It poses that International Entrepreneurship poses that firms act more from an entrepreneurial drive than following slow incremental processes. This is relatively new emerging research area which is still in search of right definition (McDougall and Oviatt, 2000a) (Antoncic and Hisrich, 2000). International Entrepreneurship can be defined as “a combination of innovative, proactive and risk-seeking behavior that crosses national borders and is intended to create value in organization” (McDougall and Oviatt, 2000b). However, Consensus of some researchers that international Entrepreneurship is a far more comprehensive phenomenon that cannot be understood in the context of SMEs alone and even less so from the context of “Born Global” variety of small firm where a large amount of international entrepreneurship is based (Mtigwe, 2006). As per Bruce Mtigwe (2006) more broad definition would be “a courageous managerial value creation process through which an individual engages in innovative, proactive, calculated risktaking behaviour designed to prosecute foreign business opportunities presented by multinational market successes and imperfections for financial and non-financial rewards.”

This definition is addressed by Bruce and noted that proactive innovative behaviour and calculated risk taking attitude. In this research paper the author used this principle for practical theoretical model. McDougall and Oviatt have linked international entrepreneurship

with small and medium sized firms. During early 1980's many researchers have found that there is a strong link between the entrepreneurship and small businesses. There is link between innovation & entrepreneurship. Innovation is at the focal point of the entrepreneurship (Hitt *et. al.*, 2001; Schumpeter, 1934). Alvarez *et. al.*, (2001) coined the term invention & innovation. Invention means discovery of new opportunity whereas, innovation is exploitation of this opportunity. It means that achievement of international entrepreneurship leads not only to success of discovering a valuable innovation but also that the innovation be introduced successfully to world markets (Acs *et. al.*, 2001). For successful introduction of any invention, market knowledge is essential, especially the view point of end users.

5.3. Network Theory

A network perspective involves taking a relationship view of company's environment. All organizations are connected to more than one business networks involving different parties like customers, suppliers, subcontractors and partners etc (Johanson & Mattsson, 1988). Chetty *et. al.*, noted that a firm can get valuable market information and knowledge from their business network. It would take a firm a long time to acquire and at great cost (Chetty, S., & Campbell, 2003). Networks allow a rapid internationalization (Mitgwe, 2006). Johanson and Mattsson (1998) addressed that positioning of the firm in the market is established in relation to other actor in the international market through "International extension", "penetration" or "International integration". International Extension: A firm extending their operations to new foreign markets by virtue of its relationship to new foreign network partners. Penetration: Expanding its resources commitments. International integration: Co-coordinating its international network activities spread around a number of countries (Johanson & Mattsson, 1988).

5.4. The Firm's Innovative capacity

A number of factors are influencing firms' innovation process namely product /service innovation, process innovation, market innovation and organization innovation. Previous studies addressed that the following variables are considered as measuring the intensity of innovative capacity: Service innovation, process innovation, investment in R& D and new distribution channel. Further, it is noticed that they establish a link between innovative behavior of firms and their performance. The aim of this study is also focused on assessing the influence that a firm's innovative capacity can have on its performance (Ferreira, 2003).

5.5. Marketing Mix

Marketing mix is a very crucial tool for planning or making strategy for new market entry. This paper addressed the 4Ps of the marketing which are Product, Price, Place & Promotion.

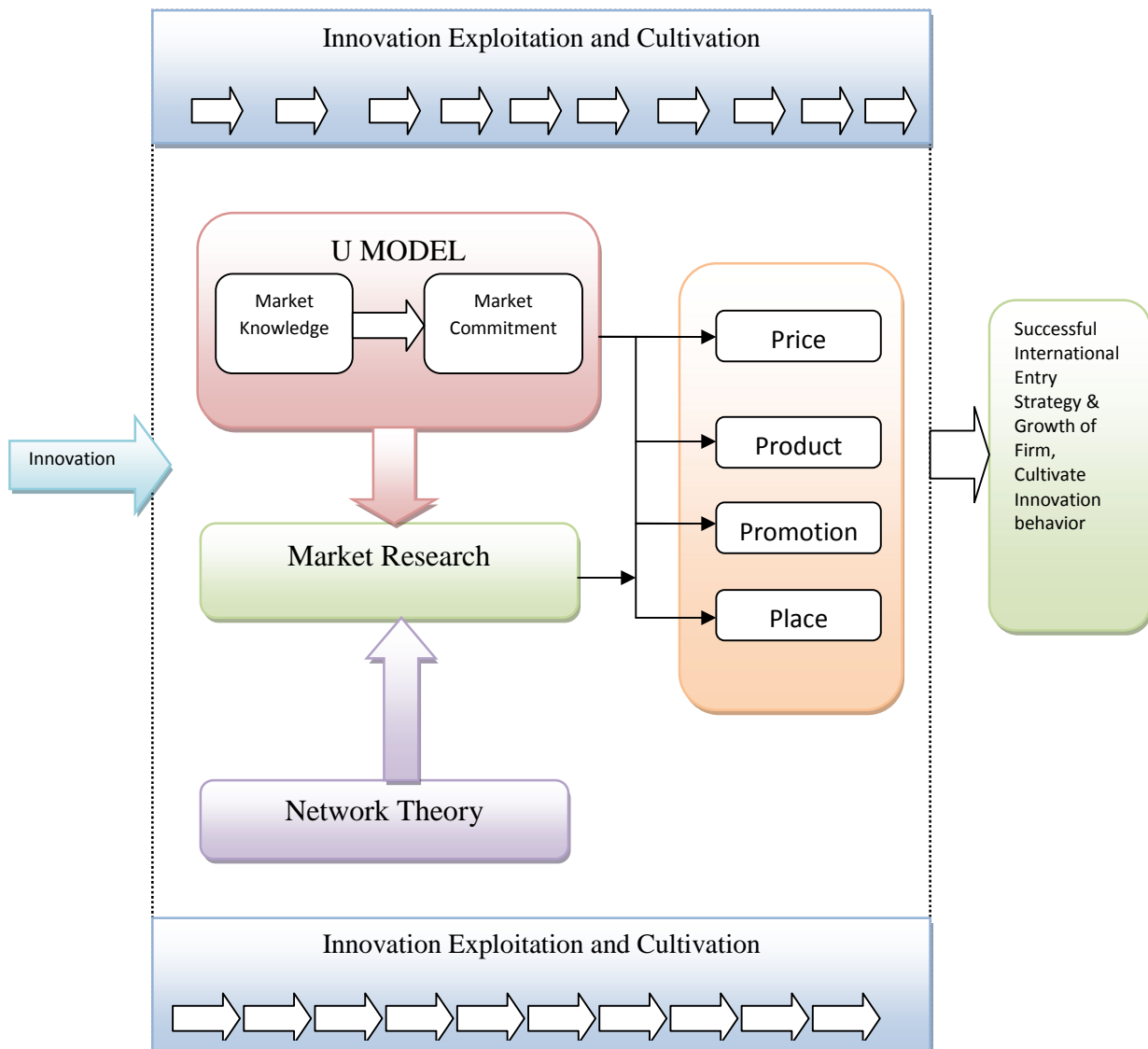
Product: What products company should market? How to customize their product to fit into the market & make satisfactory consumers/target segments.

Price: What price strategy the firm is to adopt for their customers & get optimum results and achieve the firm's objectives.

Place: The products are easily available to target groups. The distribution channel plays a crucial role for success of any business for reaching right product, right quality to right customers at least cost.

Promotion: How the product will be advertised and what would be the communication strategy of the firm.

5.6. Conceptual Frame work



6. CONCLUSION

From the outright understanding of the concept and proceedings of the Internationalization of SMEs in the world market it is evident that initially IT forms had an advantage over other Industries in acquiring world markets at ease but this model would through light sufficient enough for other related and unrelated Industries to proceed with this model of Internationalization suiting their Industry specific check points so that it becomes yet another innovative process of Internationalization of SMEs of other Industries as well.

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