NEW VENTURE RESOURCES, INTERNATIONAL ENTREPRENEURIAL CAPABILITY AND PERFORMANCE OF MALAYSIAN HALAL INTERNATIONAL NEW VENTURES

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NEW VENTURE RESOURCES, INTERNATIONAL ENTREPRENEURIAL
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INTERNATIONAL NEW VENTURES

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DEDICATION

To those who were the most special people in my life, my father Golmohammad and my sister Maryam Roudini
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Every journey has a beginning and an end, and to do PhD research begins full of optimism for what lies ahead. To reach the destination, a researcher does not know that how many bridges must be crossed. Such thoughts are predominant in the minds of PhD researcher candidates. Without doubt, in every PhD investigation, there are many people, sources and situations without whose support; this amazing journey would not be possible. This study in no exception.

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ABSTRACT

In globalisation of business, International Entrepreneurial Capability (IEC) has become an essential requirement for internationalisation and competition of firms in global markets. Globalisation has created a new and dynamic world economy and the International New Ventures (INVs) phenomenon. However, there is little knowledge about its significant role in International Performance (IP), while the literature depicts a few investigations in new venture resources and IP from the perspective of IEC. Hence, the general objective of the study is to examine and identify the relationship between new venture resources and IP through IEC. The research questions of this study are in line of determining whether the associations between new venture resources and IP are significant through the IEC. This study adopts a mixed method through sequential explanatory design in order to answer the research questions. The sampling design in quantitative used probability approach which involves simple random sampling, while the qualitative part utilised non-probability by purposeful approach. Samples of 220 respondents from companies of Halal Malaysian INVs have been selected as sample. The data were analysed by Structural Equation Modeling (SEM) with AMOS (ver.16.0) and SPSS software. It can be concluded that, Technological Knowledge (TK) and Managerial Knowledge (MK) as new venture resources directly influencing IP. Managers should be concerned with the quality of procedures using TK and MK by choosing the necessary strategies. Accordingly, Malaysian Halal INVs are predicted to find better opportunities and ways to improve their IPs. In this vein, IP has been affected by International Marketing Capability (IMC), Innovation and Risk-taking Capability (IRC), and new venture resources (TK and MK), while International Networking Capability (INC) has not provided the mediation role in the relationship between new venture resources and IP. In addition, the qualitative results of the study confirm the majority of outcomes in quantitative phase of the study. By considering the results of this research, the researcher believes that managers of INVs should pay more precise attention to the significant role of IEC in the relationship between new venture resources and international performance, because of productive presence in the global markets.
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CHAPTER 1

INTRODUCTION

1.1 Introduction

Over the past two decades, International Entrepreneurship (IE) has emerged as a distinct academic discipline that concentrates on new ventures. They are international from inception or near after it. In this view, investigation into IE as a new stream has resulted in a combination of entrepreneurship and international Business (IB) literature (Keupp, 2009; McDougall and Oviatt, 2000). The ability of firms to become internationalised has become an essential ingredient for success in international markets, because it enables firms to survive and grow under new business situations. In this line of thought, IE theories have moved from just research in the field of entrepreneurship to internationalisation amongst the newest and smallest firms (Oviatt & McDougall, 1994, McDougall & Oviatt, 2000, Smith (2014).

In addition, the literature on internationalisation has received sizable attention over the last few decades. All around the world, internationalisation has been viewed as one of the most significant strategies of growth for entrepreneurial firms (Beamish and Lupton, 2009; Lu and Beamish, 2001; Oviatt and McDougall, 1999; Peng, 2001a; Ruzzier et al., 2006; Yamakawa et al., 2008). The process of globalisation and internationalisation has made it possible for new situations and for economic growth by increasing international trade among countries around the globe, and Malaysia is no exception. On the other hand, SMEs’ are known as the backbone of every economy; they are small but large in numbers. Malaysian SMEs
are now at par with the major international businesses because of Malaysian Halal logo (Said et al., 2014). Based on 2009 prices, Malaysia’s Halal food market is worth RM36.63 billion or 6.3% of nominal GDP. In Malaysia, SMEs’ contribute 32.5% of GDP and employ 59% of the workforce (Malaysia Department of Statistics, 2011). In addition, Malaysia Halal is now becoming a strong economic force locally and globally (Said et al., 2014). Reasons behind the rapid growth are many, but mainly a result of: (1) the rapid spread of the Islamic faith worldwide, (2) the increasing spending power of the Islamic people and (3) the rapidly growing sector of the Muslim tourist industry in the West. Despite the important role of Small and Medium Enterprises (SMEs) in IB the area of internationalisation among Malaysian SMEs has seen only, a small number of empirical investigations (Chelliah et al., 2010). In fact, there is a scarcity of investigations in Malaysian Halal INVs as especial cases of SMEs internationalization.

Although traditionally the study of internationalisation focused on large, well-established firms, globalization; has ushered in a phenomenon known as “International New Ventures” (INVs) which has changed the face of new and dynamic world economies (McDougall and Oviatt 2000; Keupp and Gassmann 2009). However, in international business world, still very little is known about the INVs, and the serious challenges faced by established companies in the international marketplace (Zahra, 2005b). By considering the literature gaps in chapter 2, the problems and challenges of INVs can be connected to their resources such as TK & MK and capabilities such as International entrepreneurial capabilities (IEC) that affect their International performance (IP).

Resources act as a fundamental ingredient for entrepreneurial growth ventures and their survival (Hoegl et al., 2008). They are fastened tightly in knowledge (Grant, 1996), so that the speed of internationalisation of new ventures can be influenced by their resources (Oviatt and McDougall, 2005). Technological Knowledge (TK) and Managerial Knowledge (MK) as resources have especially emphasized IE investigation. These types of knowledge are claimed to be inherent in INVs actions and yield to form an origin of competitive advantage (Yli-Renko et al., 2002; Autio et al., 2000; McDougall et al., 1994).
Based on the studies done on the capability configuration in start-ups, the previous work experiences of founders as Managerial Knowledge (MK) is emphasized and dynamic decision making is affected by the team’s prior experience that involves entrance into new marketplaces (Helfat and Lieberman, 2002; Helfat and Peteraf, 2003; Mosakowski, 1998). Thus, study into the effects of TK and MK on IEC and International Performance (IP) is one of the first investigations in products and services companies.

This study, therefore, examines and identifies the significant roles of new venture resources and IEC on International Performance (IP) of Malaysian INVs. It also supplies the theoretical, methodological and practical contributions to understanding the relationship between new venture resources and international performance through IEC. Furthermore, the results of the research provide managers/ owners of INVs with guidance on how to lever new venture resources by using the related IEC. The investigation also gives instructions on how to assess and measure international performance of the INVs.

This chapter has been divided into the following sections: background of the study, research problem, objectives, research questions, significance of the study, and operational definitions of the investigation. The chapter concludes with a synopsis of the organization of the investigation.

1.2 Background of the Study

The process of globalisation has reduced the barriers of trade by the advancement in transportation, technology and communications. This situation has shifted global value chains and has driven the world to new arrangements which lack boundaries and has resulted in a global village (Knight and Cavusgil, 2004; Ohmae, 1990). Globalisation has made it possible to increase and expand the number of firms involved in international activities. Consequently, the interest of the investigation has been increased by the internationalisation of young and small companies (Autio et al., 2000; McDougall and Oviatt, 1994; Zahra, 2005b). On the
other hand, the literature of INVs e.g., Oviatt and McDougall (1994), and born
global e.g., Knight and Cavusgil (2004) has shown an increasing trend among SMEs
to go international (Xie and Suh, 2014).

Moreover, the literature on internationalisation has received sizable attention
over the last few decades. All around the world, it has been become one of the most
significant strategies of growth for entrepreneurial firms (Beamish and Lupton,
2009; Yamakawa et al., 2008; Ruzzier et al., 2006; Lu and Beamish, 2001; Peng,
2001a; Oviatt and McDougall, 1999). Moreover, there is a continuous adjustment
process involved in globalisation (Ling, 2002). This situation has made it possible
to grow the national economy of many countries around the globe, and Malaysia is
no exception.

Traditionally, large Multinational Enterprises (MNEs) have been the focus of
in internationalization (Coviello and McAuley, 1999; Oviatt and McDougall, 1994).
For more than two decades, there has been an expansion in behavior studies of the
internationalizations of small and medium-sized enterprises (Jones, 1999; Knight,
2001). This investigation on IE as a new stream, is the result of the combination of
entrepreneurship and International Business (IB) literature (Keupp, 2009;
McDougall and Oviatt, 2000). Investigation areas were from the 1990s.

After 1990's entrepreneurship and IB became a closed area of study. As a
result, they could easily have intersected with each other (McDougall and Oviatt,
2000). While scholars in entrepreneurship have focused their studies on management
and SME's creation, IB investigators concentrated their works on the international
activities of multinational corporations. Thus, classical entrepreneurship and IB are
the origin of research in the field of IE (Keupp and Gassmann, 2009; Dimitras and
Jones, 2005; Zahra and George, 2002). Scientific fields such as international new
ventures, entrepreneurship theories, international businesses, and SME
internationalizations have had an effect on IE research (Kraus, 2011).

Based on the literature reviewed, these kinds of studies have increased
rapidly in developed countries (Aspelund et al., 2007; Liesch et al., 2007; Chetty
and Campbell-Hunt, 2004; Knight et al., 2004; Crick and Jones, 2000). In this line,
Gabrielsson, Kirpalani et al. (2008), Cabrol and Nlemvo (2009), Hughes, Martin et al. (2010) Wood, and Khavul et al. (2011) are recent studies in this area. To date, IE investigations such as McDougall and Oviatt, (2000), Oviatt and McDougall, (1994) has mainly concentrated on new ventures formed in developed economies with little or no attention paid to the INVs in developing countries like Malaysia as a fast developing country in South-East Asia.

Over the years, Malaysia’s performance in world trade has developed especially in exports, and international business has generally been important for the country’s economic growth (Ahmed et al., 2006). According to the Seventh Malaysian plan (1996-2000), macroeconomic goals have been sustained with a high level of growth and strengthening in international competitiveness (Mansur et al., 2011). Studies by Anderson, Erikson and Lundmark (2006), Ahmed, Julian et al. (2006), Abdul-Aziz, Ngau et al. (2011), Che Senik, Scott-Ladd et al. (2011), Wahab (2011) and Che Senik et al. (2011); Senik et al. (2010) have also confirmed these trends in Malaysian products and services companies.

In addition, Malaysia aspires to change its status from a developing country to a fully developed one by 2020. This would be done by increasing global business. This has resulted in dramatic economic transformation in the economy. Therefore, Malaysia’s rapid economic growth in the context of macroeconomic endurance has attracted much international consideration (Mansur et al., 2011).

To create opportunities, strategic plans are formulated in firms via knowledge of foreign markets. This knowledge accelerates the process of internationalisation for new ventures (Dib et al., 2010; Wincent, 2005; Korhonen et al., 1996; Liesch and Knight, 1999). Therefore, there is not enough evidence on the role of knowledge as resources such as TK and MK that affect the international performance of new ventures in Malaysian firms. The following sections reveal the background scope of the study related to above-mentioned points.
1.2.1 History of Halal and the Globalisation of Halal Product and Services Companies in Malaysia

The philosophy of Halal is an essential way of life. It is a unique concept in Islam and it is not limited to the food industry (Shafie and Othman, 2006; Syed Marzuki, 2011). In addition, Islamic rules and manners mirror it’s values and ideas and govern every individual Muslims (Al-Harran and Low, 2008). The concept ascribes the manner in which services and goods are produced and this is certified by the laws of Islam (Bohari et al., 2013).

To fulfill the values of Islam, Halal certification has become a new benchmark to ensure that hygiene, quality, and safety conform to Islamic laws. Offering certification in Malaysia began in 1971. The idea of Halal is not purely about a set of laws. In fact, it should be comprehended as an aspect of broader social phenomena (Dolan, 2010). Since the 1980s, Malaysian Muslims have considered requirements important and make sure they fully comply with these laws (Fealy and Hooker, 2006).

Global trade and the creation of pluralistic communities have resulted in the migration of people and this has converted the environment into Halal communities. In other words, globalisation has made possible the community's formation through the ideas in circulation. This situation has led to the argument that the Halal concepts are being globalized. For more than twenty years, through the process of globalization, the concept of Halal has become more and more important. The social concept of Halal is agreeable with the push of globalisation (Dolan, 2010).

In Malaysia, various aspects of the Halal industry are still being handled by different agencies such as the Halal Industry Development Corporation (HDC), Global Halal Support Centre (GHSC), Halal industry training and services, Halal Certification, SMEcorp Malaysia, Malaysia External Trade Development Corporation (MATRADE) and Jabatan Kemajuan Islam Malaysia (JAKIM). The Halal Development Corporation (HDC) is one of the main institutions in the Halal industry and is fully government owned. It is connected to the Ministry of Finance.
Included in the HDC’s functions are Halal industry development, effective use of the brand and the issuance of certification for products and services.

1.2.2 SMEs Internationalisation and National Goals in Malaysia

SMEs represent the majority of businesses in many countries around the globe. Ninety nine percent (99%) of Malaysian business enterprises are made up by SMES (Hashim, 2007). In other words, the internationalisation of Halal SMEs can be viewed as one of the most significant areas of economic development. In fact, Halal products and services have been significant and profitable areas of international business. According to the third Industrial Master plan, the promotion of the country as a global Halal business hub is considered one of Malaysia’s economic growth engines (Abdul, 2013).

The seventh Malaysian plan (1996-2000) witnessed a sustained and high level of macroeconomic growth, high price levels and a strengthening in international competitiveness (Mansur et al., 2011). In addition, the 10th Malaysia plan will cover the years of 2011-2016 and the government of Malaysia intends to focus on providing support and incentives to firms that enter into international markets thereby increasing exports (Che Senik et al., 2011). Small and medium enterprises (SMEs) have also played a crucial role in the Malaysian economic development (Zulkifli-Muhammad et al., 2009).

1.2.3 Significance of Internationalisation of Firms in Malaysia

All around the world, internationalisation has become one of the most significant strategies of growth for entrepreneurial firms (Beamish and Lupton, 2009; Lu and Beamish, 2001; Oviatt and McDougall, 1999; Peng. 2001a; Ruzzier et al., 2006; Yamakawa et al., 2008). This process and situation makes it possible for economic growth by increasing international trade between many countries around the globe, and Malaysia is not an exception. The internationalisations of Malaysian
companies has attracted significant attention especially from product and service companies in recent years. The Malaysian government also concentrates on providing support and incentives for companies that enter global market (Che Senik et al., 2011).

Over the years, Malaysia’s performance in world trade has improved especially in exports, and international trade has generally been important for the economic growth of the country (Ahmed et al., 2006). Some studies such as Anderson, Erikson and Lundmark (2006), Ahmed, Julian et al. (2006), Abdul-Aziz, Ngau et al. (2011), Che Senik, Scott-Ladd et al. (2011), Wahab (2011) and Che Senik et al. (2011); SenikIsa et al. (2010) have pointed out these trends in Malaysian’s products and services companies. According to Chelliah, Sulaiman, and Yusoff (2010), there is a meaningful connection between internationalisation and performance among Malaysian SMEs. Furthermore, Malaysia aspires to change from a developing country into one with a fully developed economy by 2020 by increasing international trade. Therefore, Malaysia’s economy with its rapid development in the context of macroeconomic endurance has been attracting international consideration (Mansur et al., 2011).

Since Malaysia has been successful in increasing the economic growth and internationalization of product and service companies, responding to the needs of vision master plan 2020 has led to increased attention in the relationship between resources and international performance with emphasis on international entrepreneurial capabilities of the Malaysian INVs. As such, this research endeavors to inject significant perceptions into new resources, capabilities and performance such as technological knowledge and managerial knowledge, international entrepreneurial capability (IEC) and international performance (IP) and identify how these new resources (TK & MK) could raise the IEC to international performance standards.

On the other hand, to support firms in their bid to become international, it will be necessary to know what knowledge resources are needed. It would be essential to know what kinds of capabilities would be needed for conducting business in international markets. It would be necessary to know the relationship
between resources, capabilities and international performance in these kinds of firms as INVs.

Therefore, the study has provided instruction to the managers of International new ventures (INVs), firms, vision and strategies to policymakers and introduced the significant roles of international entrepreneurship capability (IEC) in relationship between new venture resources and international performance.

1.3 Statement of the Problem

In the environment of new global business, internationalisation has become a primary driving force for competition (Hitt et al., 2001; MASCHERPA, 2012). Traditionally the study of internationalisation focused on large, well-established firms, but with globalizations, new and dynamic world economies changed and this resulted in the “International New Ventures” (INVs) phenomenon (Keupp and Gassmann, 2009a; McDougall and Oviatt, 2000a). In this case, we still know very little about INVs and the serious challenges that are faced in global markets (Zahra, 2005). In addition, global markets provides both opportunities and challenges for firms that are active in international business (Xie and Suh, 2014). In this line, the internationalisation of Malaysian SMEs must deal with various challenges such as lack of market knowledge, technology knowledge, innovation, business competition and government policies that hold back their prospects in global markets (Hashim, 2012). In this vein, the Malaysian Halal INVs, as a part of SMEs internationalisation (Zahra, 2005) are not exempt from the above mentioned challenges. For instance, the reports of Halal Development Corporation (HDC), Department of Statistic, JAKIM, Custom Department and MATRADE (Jawatankuasa Penyusunan Statistik Produk Halal) 2011 show that most Halal local companies lack the ability to be competitive in global markets (Refer to Appendix D1).

In addition, earlier investigations about internationalisation of firms are principally restricted to the companies that operate in western countries or in developed markets (Zhang et al., 2009). For instance, most investigation of
International entrepreneurship has been centered on relatively young industries with high-technology situated in developed countries (Autio et al., 2000; Bloodgood et al., 1996; Busenitz et al., 2000; Zahra et al., 2000). Similarly, international entrepreneurship investigations have mainly concentrated new ventures which have a foundation in developed economies, while not much attention has been paid to new ventures in emerging economies (McDougall and Oviatt, 2000b; Oviatt and McDougall, 1994; Yamakawa et al., 2008) such as Malaysia.

On the other hand, resources act as a fundamental ingredient for entrepreneurial growth ventures and their survival (Hoegl et al., 2008). They are fastened tightly to knowledge (Grant, 1996), so the speed of internationalizations of new ventures can be influenced by resources (Oviatt and McDougall, 2005). Technological Knowledge (TK) and Managerial Knowledge (MK) as new ventures resources play an important role in the creation of new knowledge. Their lack has resulted in low quality new ventures which are slow to grow and compete (Provance, 2010). It is crucial to comprehend how to use knowledge as resources (i.e. TK and MK) and transfer these resources from the individual to the organization’s performance. Therefore, researches on the impact of TK and MK on International Entrepreneurial Capability (IEC) and International Performance (IP) as gaps are considered in this investigation.

Moreover, prior studies have focused solely on International Entrepreneurship (IE) outcomes without identifying antecedents of the construct, so future investigations must attempt to recognize the main antecedents of International Entrepreneurial Capabilities (IEC) (Zhang et al., 2009). In this line, earlier investigations have directly tested the effects of capabilities and resources on the performance of firms (Lu et al., 2010). However, the indirect effective roles of capability as mediator in the relationships between resources and performance have been ignored. Moreover, Keupp and Gassmann (2009b) after reviewing 175 articles in sixteen journals on international entrepreneurship published over fourteen years confirmed that a large number of the researches have directly mentioned antecedents and outcomes, but indirect relationships between them have been neglected. For these reasons, investigations on the relationship between INVs resources and international performance via international entrepreneurship capability are still
lacking. Therefore, this study has the potential to fill these gaps by determining the causal relationships between new venture resources (i.e. TK and MK), International entrepreneurial capability (i.e. INC, IMC and IRC) and international performance.

Addressing the issues and challenges of going global related to marketing, Abdul-Talib and Abd-Razak (2013) argued that marketing of products has its own challenges. The role of International Entrepreneurial Capability (IEC) such as International Marketing Capability (IMC) for reducing and overcoming challenges faced by INVs in international markets is very significant. According to Halim and Ahmad (2014), there is potential in Halal industry for development, but it has not been entirely explored. In this case, the large number of world Muslim communities support this development based on an increasing Moslem population (1.8 billion in 2011). The current value of the market is expected to reach USD $ 2.3 trillion (Halim and Ahmad, 2014). Thus, it is important to recognise the opportunities related to international performance among the Malaysian Halal INVs.

This study also is a suitable response to the lack of research about those issues, specially, international entrepreneurship capability and their roles in Malaysian INVs’ international performance. Based on studies done on the background of INVs literature, there is a lack in the empirical investigations on superior international performance (Cavusgil and Knight, 2009; Knight and Cavusgil, 2004). Most studies used different independent variables to illustrate the performance of international entrepreneurship such as environmental characteristics, organizational factors, and the strategy of the firms (Tanvisuth, 2008). However, the role of new venture resources (i.e. technological knowledge and managerial knowledge) as independent variables on international performance of INVs has been neglected.

Consequently, by considering the literature, the researcher believed that knowledge as new venture resources with two dimensions such as technological and managerial knowledge can be adequate to transform the International Entrepreneurship Capability (IEC) to International Performance (IP) through this study. It also makes possible a suitable response to the lack of experimental investigations in the context of Malaysian Halal international new ventures (INVs).
Moreover, International Entrepreneurship (IE), its capabilities, international performance and a comprehensive understanding of Malaysian Halal INVs can be of interest to managers, academics and policy-makers.

1.4 Purpose of the Study

The purpose of this study was to examine and determine how new venture resources and international entrepreneurial capability enhance international performance of INVs. In this vein, the researcher was interested in further examining International Entrepreneurship Capability (IEC) in the Malaysian INVs. Moreover, the study would seek to determine the best model in Malaysian INVs to participate in finding and introducing major factors, which are influenced in International Performance (IP). Thus, the main purpose of this study was to present strategies for overcoming and eliminating the barriers encountered by Malaysian INVs in global markets.

However, the researcher recognized that there is lack of study, which introduced academic models, and theories of INVs. Hence, the general idea was to determine the antecedents of IP, while the investigator realised the important causal relationships from new venture resources to IP. Based on the existing body of knowledge concerning today’s organizational resources, capabilities and performance, this investigation addresses high level research questions about the effects of new ventures resources on IEC and IP. This would be accomplished by offering and validating a theoretical model, which illustrates the connection between effective application of international entrepreneurial capability, international performance, and new ventures resources (i.e. TK and MK). These are important factors, which influence the effectiveness of international entrepreneurial capability and international performance.

The theoretical foundation of the study was formed from several conceptual frameworks that were developed through this research, particularly, the measurement method of International Entrepreneurial Capability (IEC) that was
published by Zhang (2009). He presented and developed the application of a new measure of IEC. Hence, one of the main aims of the study was to examine the direct and indirect influence of IEC in the relationships between new venture resources (TK and MK) and International Performance of INVs.

Furthermore, the results of the research would provide managers/owners of INVs guidance on how to lever new venture resources by using the related international entrepreneurial capability. The investigation would also provide instructions on how to assess and measure the international performance of the INVs. In summary, results of the study could be recommended to all managers of International new ventures (INV), especially Malaysian INV companies.

1.5 Research Objectives

1.5.1 General Objective

The general objective of this study was to fill the gaps in the literature. Hence, the current research in a developing country like Malaysia attempts to explicitly focus on the new venture resources, international entrepreneurial capability and international performance of Malaysian international new venture (INV) firms. In this vein, the researcher intends to determine the key factors from new venture resources, which influence improving the international performance of Malaysian INVs. In fact, the major aim of this research is to identify causal relationships from new venture resources to international performance.

As an exploratory research, the aim of this study is to measure different relationships among the six main constructs, which are technological knowledge, managerial knowledge, International Networking Capability (INC), International Marketing Capability (IMC), Innovation and Risk-taking Capability and international performance (IP). The consequences of this research will permit a better understanding of the association between new venture resources, international
entrepreneurial capability (IEC) and international performance. Moreover, another main goal of this investigation may be to help INVs companies in coming out with strategies in recognition, using and promoting IEC for overcoming the challenges in future international business, especially in Halal Malaysian INVs and probably in other nations as well.

To understand the causes of high international performance and maximize the implications that arise in INVs, it is anticipated that the findings and results of this study would help Malaysian companies in international markets. Therefore, companies will be able to retain their international performance by considering technological and managerial knowledge through international entrepreneurship capabilities and thus these firms will contribute to the country’s economic development and progress.

1.5.2 Specific Objectives

This investigation would objectively look into the issues stated in the problem statement. In this study, the relationship between new venture resources and international performance through international entrepreneurial capability is being investigated; therefore, the specific objectives of the research will address the following objectives:

1. To examine the relationship between new venture resources (Technological Knowledge and Managerial Knowledge) and international performance experienced by Malaysian new venture firms.

2. To examine the relationship between new venture resources and international entrepreneurial capability (INC, IMC, and IRC) experienced by Malaysian new venture firms.
3. To identify the significant dimensions of international entrepreneurship capabilities, which have the strongest relationship with international performance, experienced by Malaysian new, venture firms.

4. To analyze the indirect relationships between new venture resources (Technological Knowledge, Managerial Knowledge) and international performance through the international entrepreneurial capability (IEC) experienced by Malaysian new venture firms.

5. To determine how new venture resources (technological knowledge and managerial knowledge) and international entrepreneurial capability ((INC, IMC, IRC) have an impact on international performances.

The fifth research objective guides the second phase of this study via the explanatory nature of the study as the qualitative section.

1.6 Research Questions

The research questions of this study are designed to determine the associations between new venture resources and international performance are significant through the international entrepreneurial capability. In this regard, five specific research questions are as follows:

1. Do new venture resources (Technological Knowledge and Managerial Knowledge) have an effect on international performance in the Malaysian new venture firms?

2. Do new venture resources (Technological Knowledge and Managerial Knowledge) have an effect on international entrepreneurial capability (INC, IMC, IRC) in the Malaysian new venture firms?
3. Do the dimensions of international entrepreneurship capability (INC, IMC and IRC), contribute to the development of international performance, and if so, which factors have the greatest impact on international performance development?

4. To what extent is the impact of new venture resources (Technological Knowledge and Managerial Knowledge) on the development of international performance affected by the dimensions of international entrepreneurial capability (INC, IMC and IRC)?

5. How do new venture resources (Technological Knowledge and Managerial Knowledge) and international entrepreneurial capability (INC, IMC & IRC) impact the development of international performance?

1.7 Research Hypotheses

According to Sekaran (2006a), the direction of data analysis and the prediction of results are provided by the hypotheses of the study. The objective of this research is to investigate whether new venture resources and international entrepreneurship capability would have a relationship with international performance. Moreover, it is significant to investigate whether a high level of international performance will also correlate with indirect relationship between new venture resources and international performance.

In this research, the independent or exogenous variables are Technological Knowledge (TK) and Managerial Knowledge (MK). International Networking Capability (INC), International Marketing Capability (IMC), Innovation, and Risk-taking Capability (IRC) are endogenous variables. The Dependent variable is the international performance of INVs. The hypotheses and sub-hypotheses of this research are stated below:

H1: New venture resources (Technological Knowledge & Managerial Knowledge) are positively associated with international performance.
**H1a:** Technological knowledge has a direct and positive effect on international performance.

**H1b:** Managerial knowledge has a direct and positive effect on international performance.

**H2.** New venture resources (Technological Knowledge and Managerial Knowledge) are positively associated with international entrepreneurial capability (INC, IMC, IRC).

**H2a:** Technological knowledge has a direct and positive effect on International Networking Capability (INC).

**H2b:** Technological knowledge has a direct and positive effect on International Marketing Capability (IMC).

**H2c:** Technological knowledge has a direct and positive effect on Innovation and Risk-taking Capability (IRC).

**H2d:** Managerial knowledge has a direct and positive effect on International Networking Capability (INC).

**H2e:** Managerial knowledge has a direct and positive effect on International Marketing Capability (IMC).

**H2f:** Managerial knowledge has a direct and positive effect on Innovation and Risk-taking Capability (IRC).

**H3:** International entrepreneurship capability (INC, IMC, IRC) is positively associated with international performance.

**H3a:** International Networking Capability (INC) has a positive effect on international performance.
**H3b:** International Marketing Capability (IMC) has a positive effect on international performance.

**H3c:** Innovation and Risk-taking (IRC) capability has a positive effect on international performance.

**H4.** The impact of new venture resources (Technological Knowledge, Managerial Knowledge) on international performance is significantly mediated by the international entrepreneurship capability (INC, IMC, IRC).

**H4a:** International Networking Capability (INC) mediates the relationship between technological knowledge and international performance.

**H4b:** International Marketing Capability (IMC) mediates the relationship between technological knowledge and international performance.

**H4c:** Innovation and Risk-taking (IRC) capability mediates the relationship between technological knowledge and international performance.

**H4d:** International Networking Capability (INC) mediates the relationship between managerial knowledge and international performance.

**H4e:** International Marketing Capability (IMC) mediates the relationship between Managerial knowledge and international performance.

**H4f:** Innovation and Risk-taking capability (IRC) mediates the relationship between managerial knowledge and international performance.
1.8 Significance of the Study

The activities of governments, leaders of industry and policy makers around the world have renewed interest in entrepreneurial thinking and this has been supplemented and legitimized into the international entrepreneurship field (Fernández and Nieto, 2006; Fletcher, 2004; Sadrieh, 2009; Thomas and Mueller, 2000).

As mentioned earlier, the research has utilised capability as mediation roles (intermediate variables) in the connection of resources and performances, while previous investigations have tested the direct effects of resources and capabilities on performance (Lu et al., 2010). This is the first investigation on international entrepreneurship (IE) that concentrates on testing the mediating effect of International Entrepreneurship Capability (IEC) on the relationship between new venture resources and international performance in Malaysian INVs. This study supplies the theoretical, methodological as well as practical contributions to understanding the relationship between new venture resources and international performances through International Entrepreneurship Capabilities.

1.8.1 Theoretical Significance

This is the first study that focuses on examining the mediating effects of international entrepreneurial capability on the relationship between new venture resources and international performance in Malaysian Halal INVs.

The research yields considerable improvements to the literature of International Entrepreneurship (IE) with the development of the understanding of International Entrepreneurial Capability (IEC) and its direct / indirect effect on International Performance (IP). IEC also enables firms to have sustainable advantages and competitiveness in global markets by the transformation of resources. Based on previous studies and Resource Based View (RBV) theories, international entrepreneurial capability has been viewed in this study as a firm-
specific asset or firm-level ability, which is a key determinant of a firm's international performance. This ability includes exploiting the opportunities of business across borders by providing and leveraging the resources, by having a combination of innovation, proactive and risk-seeking activities to discover, enact, and evaluate.

Based on the scope of this study, the lack of investigations can be satisfied in this area especially; in Malaysia. Although the investigation into international entrepreneurship and new ventures is not a new phenomenon in this country, there is a scarcity of research on international entrepreneurial capability and in the relationship between new venture resources and international business performances in Malaysian Halal INVs. Therefore, it is essential that international entrepreneurship capability be introduced and presented in the local literatures, as there is no adequate literature on review.

1.8.2 Methodological Significance

Concerning the methodological issues, a combination of two methods is seldom utilised in international entrepreneurship research (Coviello and Jones, 2004; Hurmerinta-Peltomäki and Nummela, 2006). To respond to this shortage, this study has employed a combination of both research methods as quantitative and qualitative. This research uses multiple sources as the mixed method. In fact, reinforcing a study is acquired by using a combination of various types of data collation, and it is widely approved (Tashakkori and Teddlie, 2003). Qualitative data can help explain, clarify, and provide meaning to quantitative data. Similarly, quantitative data can limit the influence of confusing variables and increase the generalisability of results (Bryman, 2008; Matthes, 2012). Therefore, this study on international entrepreneurship utilises a multi-method research design said to be appropriate, remarkable and entirely infrequent. The combination of various types of data collation makes it possible for the efficient evaluation of international performance in the context of INVs.
1.8.3 Practical Significance

The researcher believes that investigation into International Entrepreneurship Capability (IEC) has a consequential role in understanding international entrepreneurship (IE) and interpreting the international performances of the INVs. Based on the outcomes of many investigations in international entrepreneurship, there are significant means to increase performance of firms and economies (Tanvisuth, 2007). In addition, governments, business people and scholars have acknowledged international entrepreneurship since 1990s. In this investigation, practical significance can be shown at the macro and micro levels.

At the macro level, the proposal from a practical standpoint can be used by policymakers such as government planners and top managers, whose plans play a significant role in making entrepreneurial companies international (Czinkota, 2002; Ellis, 2000). In addition, the results of this investigation may provide some directions for the Malaysian government on how to assist Malaysian INVs to increase their competitiveness through international entrepreneurship capability in international markets.

At the micro level, this research offers managers of firms, which are active in international business, a comprehensive picture of knowledge as a significant resource, available to international entrepreneurship and its capabilities and supply valuable perceptions into how they can deal with today’s dynamic global markets. This investigation provides global managers necessary tools to enhance their performance in international markets.

1.9 Scope of the study

According to Halal Development Corporation (HDC), Malaysia has fast growing internationalised product and service companies. To identify potential participants, multiple sources of governmental organizations such as the Industry Development Corporation (HDC), Global Support Centre (GHSC), industry training
and services, Certification, SMEcorp Malaysia, Malaysia External Trade Development Corporation (MATRADE) and Jabatan Kemajuan Islam Malaysia (JAKIM) have been utilised. Companies are classified and categorized to sub-categories such as food and beverages, pharmaceuticals and cosmetics and personal care (Abdul-Talib and Abd-Razak, 2013).

This study, therefore, used the above categories as the population of the study. In consideration of the theme of this research, this investigation covers only a few selected companies, notably small and young international product and service companies. Furthermore, the research utilises different respondents belonging to companies in different parts of Malaysia such as Penang, Selangor, Johor Bahru, Pahang, Kajang, Kuching Sarawak. The respondents of this investigation were from different positions within their companies such as Owners / CEO, Marketing / Export Managers. The proper sampling process is represented in this population and is discussed systematically and in-depth in the fourth chapter. This is a cross sectional investigation whereby data would be taken from one point in time.

1.10 Definitions of Key Terms

For the purpose of this study, the research has utilised the various conceptual and operational terms that are linked to the research objectives and provide an overview of several terms frequently used throughout this investigation. The definitions are as follows:

**International new ventures (INVs):** International new ventures (INVs), are defined as “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs to multiple countries” (Oviatt and McDougall, 1994).

**International Entrepreneurship (IE):** According to Oviatt and McDougall (2005), “IE is the discovery, enactment, evaluation and exploitation of opportunities, across national borders, to create future goods and services”.
International Entrepreneurship Capability (IEC): International entrepreneurship capability (IEC) refers to firm-level ability which exploits the opportunities of business across borders by providing and leveraging resources, a combination of innovations, proactive and risk-seeking activities to discover, enact, and evaluate (Zhang et al., 2009).


International Marketing Capabilities (IMC): According to Song et al. (2008), it comprises the rivalry of knowledge of client and ability in section to make groups of things a target market in pricing and advertising in merging market action.

Innovative and Risk-taking Capability (IRC): Innovation ability includes direct attention to the company’s capacity that embraces different and modern innovative thoughts, productions or procedures formulated to serve the international marketplace. Risk-seeking ability refers to company's capability to tackle consequential and hazardous resource obligations in an international marketplace (Lumpkin and Dess, 1996).

Managerial Knowledge (MK): Managerial Knowledge covers every aspect of the firm management such as decision-making, strategic planning to financial, human and information-resource management. In addition, it involves marketing and operational management ((Fu, 2012). It plays a significant role in competitive advantage and determines the productive efficiency of a firm (Teece and Pisano, 1994).

Technological Knowledge (TK): It is the idea set “regarding scientific and technical advances on an applied high-technology product” (Spencer, 2003) page: 219. According to Antonelli & Colombelli (2013) technological knowledge has localized in the accumulated competence of the firms.
International Performance (IP): Generally, International Performance (IP) can be observed in the literature of exports and International new ventures (INVs), and have been employed as performance measures (Katsikeas et al., 2000; Sousa et al., 2008). This investigation, measured the three dimensions of financial, operational performance and organizational effectiveness. These dimensions are used from the studies of Gerschewski (2011), Crick (2009); Knight and Cavusgil (2004) and Hult et al., (2008).

1.11 Outline of the Study

This section of the study introduces the research outline. It is divided into six chapters: introduction; literature review; theoretical framework and hypothesis development, research design and methodology, data analysis, findings and discussion, conclusion and recommendations.

The introductory section presents the study in terms of its origins and objectives. It also describes a brief background on the topic, problem statement, objectives of the research, research questions, significance of the study, operational definitions, limitations and delimitations and outline of the study.

Literature review presents brief descriptions and definitions of international entrepreneurship, capabilities and its dimensions with some of the major phenomenon and terms utilised in this research. In fact, the relationships between the constructs and the hypotheses have been organized in the literature review and have been identified to offer support to the operation of this investigation. Based on the literature review in chapter two, chapter three has been built and displays the theoretical implications, models and theories connected to the framework of this research.

Chapter four of this study is research design and methodology. It describes the research method and designs that are used to investigate the research propositions and hypotheses. Data analysis and findings are described in chapter
five. Chapter six the final chapter provides discussion, conclusions and recommendations for future investigations. Figure 1.1 shows a graphical presentation of the research outline.

![Figure 1.1 Outline of the research](image_url)

1.12 Chapter Summary

The first section of this research provides background, outlines the objectives, research questions and the proposed highlighted contribution. The literature review in chapter two, has supplied the foundation of this study. Based on the Resource-Based View (RBV) of the firm, a conceptual framework has been developed in chapter three. In addition, theoretical development and hypotheses have been specified. Discussions of the research methodology, the type of study designs and adequate measures for testing the research questions have been presented in chapter four. Moreover, statistical techniques to test the hypotheses and answer the research questions of the study have been presented in chapter four. In chapter five, the data analysis and findings have been depicted. Finally, discussion, conclusions and recommendations have been suggested in chapter six.
REFERENCES


