SMEs' Globalization Management A Case Study of Service Industry

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Abstract. Previous studies of the enterprises internationalization have pointed out that enterprises must rely on the resources and information of their partners to promote the internationalization. Under the promotion of the New Southbound Policy, the Taiwan government provides the resources and information needed for internationalization, and integrates the strength of various partners to help the enterprises expand markets to Southeast Asia, which is rarely mentioned in the previous studies. Moreover, the New Southbound Policy belongs to practical policy, and should put forward more practical suggestions for enterprises’ reference. Hence, in this study, the author discusses the internationalization process of catering service industry in the view of awareness-motivation-capability and relation in competition theory, and using the method of case study. Taking six international catering service providers as an example, the study found that manufacturers must introduce the market orientation to obtain information of customers and competitors in the Southeast Asian market. And enter the Southeast Asian market by strategic alliance or seeking local partners. The results of this study can be a reference for Taiwan restaurant service providers to layout their Southeast Asian operations.

Introduction

In view of the essence of the current market, enterprises in Taiwan are facing the increasingly severe problems in the process of internationalization, including the liability of foreignness and newness [1, 2], especially in export industries such as the high-tech industry and the manufacturing industry. If they do not take into account the risks and opportunities of international or global competition [1, 3], they will not be able to survive for a long time in the market. Most scholars focused on the path and process of enterprise internationalization and the enterprise performance, but recently some scholars have extended their discussion on enterprise performance to the survival rate of internationalized enterprises, because the adverse factors such as the non-equivalence between the fierce competition facing the internationalized enterprises and the scale of them have led to a high rate of failure [4]. In recent years, enterprises in Taiwan have gradually shifted from export investment to foreign direct investment (FDI) that is deeply internationalized. The foreign direct investment facilitates enterprises to form a system in the world to expand their international scale. Foreign direct investment does not only consider the domestic economic conditions and the capabilities of the enterprises, but also the international economic environment and the development space of the local market. However, the environment facing enterprises after entering the new international market is not as easy as imagined. When an enterprise enters the international market, it will face the market or resource competition, which means the degree of competitive perception to the international market environment becomes an important factor, because this will determine why and how the enterprise engages in its competitive interactions [5, 6, 7, 8, 9]. Some studies point out that the interpretation and perception to the external competitive environment by enterprise managers will affect the competitive behavior of enterprises [10], thereby determining the subsequent performance output [11, 12, 13, 14].

To study the internationalized competitive behavior and the degree of awareness to international competition of enterprises, this study uses the view of "awareness-motivation-capability (AMC)" to
confirm the essential driving factors for the competitive behavior of enterprises derived in the international market [11, 14, 15]. The AMC view primarily emphasizes the awareness to the competitive elements in the environment. The awareness factor represents the psychological level of competitive behaviors, and this psychological level derives from the management awareness of internationalized enterprises to the status of international competition. This psychological factor is a key construct in the study of competitive dynamics [16], as well as a source of understanding the implementation of competitive market-oriented activities by internationalized enterprises. In terms of the motivation, the international strategic alliance and network relationship are used to understand the extent of competition strategies and competitive behaviors (e.g., independent competition or team competition) used by enterprises after entering the international market [17]. In the past, Taiwanese enterprises took their own resources to fight for overseas investment opportunities and markets, but internationalization with a single operational model often fails. Therefore, the number of overseas relations and connections will become one of the important factors for the internationalization of enterprises.

**Literatures Review**

**Awareness-Motivation-Capability perspective**

Chen [15] proposes three driving factors that influence the competitive behaviors or response of enterprises based on the “stimulus/response” model of social cognition theory, i.e. awareness, motivation and capability. Competitive awareness refers to the awareness to competitive actions taken by the opponent and the relationship in response to such competitive actions; the competitive motivation means the incentive of the organization to take competitive actions; and the capability means the capability of an organization in resource scheduling and flexible arrangement when executing competitive actions [15]. Chen [15] also points out that the three driving factors will affect the possibility of competitive actions and responses, thereby affecting the organizational performance. The AMC view has been widely used in research on competition between enterprises [11, 12], so it has been a theory that is fairly mature and widely accepted. Deriving from the motivation of internationalization, the model of internationalization discusses the motivation of internationalization from the intention and development of enterprises, thereby generating the internationalized strategy and related models. Previous studies on the motivation of internationalization is based on the eclectic theory proposed by Dunning [18], and often divide the motivations of internationalization into: 1. Market seeking: focusing on the size or growth potential of the local market, enterprises settle in to engaged in business activities, provide products or services and increase the market share; 2. Follow the customer: When the customers seek for international development, the enterprise must follow the customer to invest and provide products or services for the customer; 3. Oligopoly interaction: In the oligopoly structure, the enterprise enters the market after its competitors enter a certain market in order to prevent its competitors from taking the lead in the local market and forming oligopoly; 4. Resource seeking: Resources can be divided into substantive resources, such as labor, raw materials, etc. and strategic resources, such as business management, know-how, etc. Child and Hsieh [29] study the decision-making model of SME internationalization from the attributes of network information, and establish a model by configuration and situational analysis. The study uses the attributes of network information to understand the use of network information and the models of network. The decision-making models can be divided into four types: reactivity, incrementalism, bounded rationality, and real options reasoning. When the explicitness of information is lower and the scope of information is narrower, SMEs tend to use the reactivity decision-making models. Moreover, traditional SMEs tend to use the reactivity decision-making model, and SMEs with high knowledge sensitivity use the incrementalism and bounded rationality decision-making models, while knowledge-oriented SMEs use the real options reasoning decision-making model.
Method

Case Study

This study aims to explore the change of requirements of enterprises transforming from the self-internationalization to the internationalization driven by policies under the support of government resources and policies, and design and build feasible mechanisms and internationalization models to promote the internationalization of Taiwanese enterprises. In recent years, most enterprises expanding towards western countries have faded away from the Chinese mainland market. Some enterprises have transferred their production bases to other countries with lower labor costs, and some other enterprises have sold off their business in mainland China to reduce investment losses. These enterprises use the equity joint venture and sole proprietorship model in the entry strategy for internationalization proposed by Pan and David [44]. Even if these enterprises are the ultimate entry strategy for internationalization, they still fail to maintain their competitive advantages and withdraw from the market. One of the main reasons is that government resources are not fully integrated to provide overseas operating conditions required for Taiwanese enterprises. Driven by the current New Southbound Policy, this study wants to understand the development process of internationalization of Taiwanese enterprises under the support of government policies, and investigate the relevant factors that should be emphasized and different models of internationalization. However, not all industries can be internationalized and obtain significant profits in the Southeast Asian market through the New Southbound Policy. If we look at the development of all industries in Taiwan under the influence of the New Southbound Policy from a general perspective, we may have bias and cannot provide more specific practical and theoretical suggestions. Therefore, this study adopts the catering service industry as the research object, and integrates relevant factors from the experience of the internationalization of catering service industry in Southeast Asia, and provides the path and mode for Taiwan catering service providers under the New Southbound Policy.

Case Insights

The international catering service providers selected for this study include McDonald’s, KFC, DOME, Tony’s Roma’s, Nando’s, and Food Republic. McDonald’s and KFC stands for the American fast food, DOME for the catering cafe, Tony's Roma's for the American-style grilled restaurant, Nando's for the South African roast-chicken restaurant chain, and Food Republic for the traditional Singapore food brand. In the above six individual cases, apart from discussing the internationalization processes and related factors of the international catering service industry, we also found that the commonalities of key elements in these internationalization processes, which can be presented through propositions as follows:

**Proposition 1:** In the process of expanding the international market, the catering service providers should be first aware of the competitive situation and development potential of entering the market. The catering service providers would be easier to successfully enter the market if they introduce the market-oriented model and understands the market environment of the Southeast Asian marketing advance.

From the above cases, it can be found that the international catering service providers have been aware of the growth potential of the Southeast Asian market in the early days. In the internationalization process of McDonald’s, KFC, DOME, Tony’s Roma’s and Nando’s, the size of the local market and the consumption habits of consumers are investigated at first before deciding the regions and countries to set up their first store in the South Asian market to extend their business map to Southeast Asia. McDonald’s and KFC are the fast-food operators entering the Southeast Asian market in the early days. They know that Southeast Asia was a colony of European and American countries, so local residents are highly acceptable to European and American food. In addition, the local fast food industry is still in its infancy, so the purchasing power of its potential consumers is beneficial for their internationalization. DOME is highly aware of the high acceptance level of
consumers to coffee in Southeast Asia. In recent years, Southeast Asia has witnessed a fast development of economy and consumer income has been increasing, which create a huge market space for the medium and high-end coffee catering. On this basis, DOME decides to expand its business to Southeast Asia. Tony’s Roma’s and Nando’s know that Southeast Asia is dominated by Islam. In the regions where pork products are banned, it is beneficial for the two brands to internationalize their catering business. Additionally, there are fewer restaurants in Southeast Asia for beef cooking, which lowers the obstacle of market access and the market competition for Tony’s Roma’s and is conducive to its internationalization.

**Proposition 2:** Before expanding the business to Southeast Asian countries, catering service providers should first check the fitness of the attribute of their catering products with local market consumption, and the primary entry area must be carefully selected to gradually expand to other countries and successfully achieve the internationalization.

**Proposition 3:** Catering service providers should have a sound international cooperation model in the process of internationalization, so as to facilitate the entry into overseas markets, understand local consumption habits, and establish the effective joint venture or agency models, thereby achieving a higher degree of internationalization.

**Proposition 4:** Catering service providers should seek the cooperation with local strategic alliance partners in the Southeast Asian market to reduce risks of internationalization and obtain more sources of information.

**Proposition 5:** After entering the Southeast Asian market, catering service providers should cultivate global dynamic capabilities with a differentiation strategy, and develop new products to meet the needs of local consumers while maintaining the quality of original products, so as to create superior international market performances.

**Discussions**

May researches at home and abroad have provided rich evidence and research results on the “enterprise internationalization” [20, 22, 23, 24, 25, 45, 46], but few studies focus on the internationalization that have been promoted by government policies, and much fewer on the catering service providers’ awareness of internationalized competition. And most of such studies are still at the stage of discussion, without integrated and forward-looking discussion. This study coincides with the promulgation of new policies, the provision of government resources and the emergence of integration platforms, which make government policy promoters and industrial leaders face new challenges and difficulties. This study uses the AMC model to discuss the internationalization models of six international catering service providers, and gives five propositions to summarize the directions to be followed for the catering service industry to enter the Southeast Asian market, thereby better understanding the application of AMC view and enriching the connotation of internationalization theory.

**References**


