International Journal of Business and Economics
Vol. 7, No. 2, 2022, pp. 140-148
http://ijbe.ielas.org/index.php/ijbe/index
ISSN (online) 2545-4137

Strategic Internationalization of Small High-Tech Enterprise from a Small Country: Advantage, Disadvantage and Strategy Development and Implementation

Dr. Carson Duan

UNE Business School, University of New England, Australia
*Corresponding Author: cduan@myune.edu.au
ORCID ID: https://orcid.org/0000-0001-5459-9352

Received: 2022-09-21 Accepted: 2022-10-16 Published online: 2022-10-22

Abstract

Despite the internationalization of high-tech enterprises from large counties often appearing on the news and in academic journals, small firms from small countries have been ignored. This research brings up a strategic entrepreneurship study focusing on small firms in a small country to fill the research gap. A qualitative method of case study is deployed in this study. The paper argues that small firms have advantages and disadvantages to engaging in the internationalization process through a detailed combined SWOT and Uppsala model analysis. However, extra caution must be taken in setting strategies for markets and partnerships. The paper concludes that cultural distance plays a pivotal role in success, and small high-tech firms must consider cultural norms in the internationalization process.

Introduction

The operating revenue of Future System Group (Nickname) increased 240% from NZ$25 million to NZ$60 million from 2010 to 2013. The company's current ambitious goal is to triple in size in the next five years (Scott-Kennel, 2014).

As software, hardware and cell phone Integration Company, one of the main reasons for Future's success is its willingness to develop and foster partnerships with some of the world's leading IT and management consulting companies like Google, Salesforce, Amazon Web Services and NetSuite (Joanna, 2014). In 2011, Future was recognised as Google's Top Partner in Asia Pacific, then in 2012, as Google's Enterprise Partner of the year in Australia and New Zealand. Future plans to further develop strategic relationships and partnerships in the future.

As a high-tech firm, Future followed a traditional pathway to become an international company (regional to multinational to global), known as the Uppsala model (Johanson, 2009). Beginning in the Australian and New Zealand market in

Vol. 7, No. 2, 2022, pp. 140-148
http://ijbe.ielas.org/index.php/ijbe/index
ISSN (online) 2545-4137

1992, it expanded to Southeast Asia in 2000, and then moved into the UK market in 2002. By 2005, Future had become a multinational high-tech firm. Unfortunately, the company had to close down operations in Singapore and UK in 2007 due to the Global Financial Crisis (GFC).

The firm is now beginning its second internationalisation process after achieving steady growth since 2010. Their vision is to improve the business performance of clients through the innovative use of technology and cloud integration.

Key Advantages of Global Partnerships

Chetty and Agndal (2006) discussed three categories of social capital roles in influencing internationalisation mode change. The efficacy role of social capital describes the relevance of trust, commitment, social norms of behaviour, and building long-term and mutually satisfying nurturing relationships. Chetty (2016) explained three key advantages of having partnerships with global-level players to overcome a lack of resources and reputation: 1) large firms that have superior technological resources providing credibility and recognition; 2) they signal acceptance of a small firm's product; and 3) they express social status.

Future has enjoyed the benefits of having major global partners. Google Earth, Google Maps and Google Apps integration capability has been one of the largest revenue drivers for Future. Partnering with Google and Sales Force has differentiated Future quite substantially from competitors. Also, building a partnership with NetSuite has enabled Future to provide customers relationship management (CRM) and enterprise resources planning (ERP) solutions to customers in NZ and Australia. As a result of partnerships, Future's product line has been radically increased.

Future acquired Onlineone, a leading Australian NetSuite reseller and partner, in 2013 and became NetSuite's partner in Australasia. Following the acquisition and strengthened relationship with partners over the Tasman Sea, Future anticipates that nearly all of their Australian growth in the future will be derived from partnerships and cloud integration.

From a resource-based view (RBV), competitiveness of a firm is based on resources. Strategic business partnerships give Future an edge to help them compete with larger companies. These competitive advantages include: 1) lowering the barrier to access markets in new countries; 2) new skills and technology insights; 3) help developing new product lines; 4) increased company credibility; 5) enhanced company image; and 6) easier access to partners' product support.

Vol. 7, No. 2, 2022, pp. 140-148
http://ijbe.ielas.org/index.php/ijbe/index
ISSN (online) 2545-4137

Disadvantages of Global Partnerships

Partnering with global players does have disadvantages. Firstly, the firm (like Future) has limited impact on partners' 1) product quality, 2) product development directions, 3) product price, and 4) software upgrade scheduling.

Secondly, the agreements for partnership programs are created by the global players and thus the rules are set up to protect them unconditionally. The joiners, like Future, take the risk of something going wrong. The small firms have to adjust their business structure to fit their partners' business models. Joiners need to pay a joining fee and annual renewal fee to keep the relationship. Joiners also have a yearly product sales target. If they fail to reach the target, the partnership will be terminated. The current annual target for Google AdWords sales is US$10,000 for a joiner to be eligible to maintain their partnership with Google. Another example of this is the Microsoft Partnership Program, where the partnership agreement from Microsoft defines the available boundary (e.g. NZ only), markets (e.g. not valid in the education market) and other restrictions.

Finally, global partners can fail in different markets due to various political, economic, social and technological (PEST) factors. This type of failure causes capital, reputation and market loss for small companies that have close technology ties with their partners. For example, in January 2010, Google announced that they were no longer willing to censor searches in China and would pull out of the country completely by June of that year (Fannin, 2010). All partners' products integrated with the Google search engine in China had to redirect to a third country to retrieve the search results, which caused massive technological chaos, and financial and social capital damage.

Competitor & Industry Analysis

Gluck, Kaufman and Walleck (2000) showed that competitor analysis can give firms a strong understanding of their market. This drives the formulation of a strategy and it applies whether a firm creates a strategy through strategic thinking, formal strategic planning, or opportunistic strategic decision making. Competitor analysis, together with an understanding of major industry trends, is a key input in strategy formulation and should be developed properly. Michael Porter has defined a competitor analysis framework that focuses on four key aspects (Porter, 1980 cited by ICMA on netmba.com): *objectives*, *assumptions*, *strategic resources and capabilities*. The analysis of these four aspects is critical for a firm to understand not only its current competitors but also to identify potential competitors.

There are two groups of competitors in the NZ ICT industry. The first group includes global players such as HP, IBM and Dimension Data; companies with government backgrounds such as Datacom (partially owned by NZ Post before 2012); and companies part of large infrastructure corporations such as Gen-i (owned by

Vol. 7, No. 2, 2022, pp. 140-148
http://ijbe.ielas.org/index.php/ijbe/index
ISSN (online) 2545-4137

Telecom NZ. Both the names of Telecom NZ and Gen-i have changed since 2014, but this essay will still use the 2014 names aligning with the original case study.). The second group includes fast-growing small to medium-sized players that have an established presence in the market such as AppServe (part of Spark now), Revera, Intergen and Concepts.

Secondary research through companies' websites showed that companies in the first group have200 or more employees in multiple locations in NZ. Their annual revenue is NZ$400 million or higher. They have their own data centres and infrastructure to provide cloud services. Their services include hardware, software, consulting and development in the ICT market. They target the general ICT market in governments, educational institutions and large enterprises.

Companies in the second group have fewer than 100 employees and less than $100 million in annual revenue. In general, they specialise in one or more particular areas in the ICT industry. Normally they do not own infrastructure like data centres or cell phone network. They target one or more specific areas of ICT markets. All of them provide consulting services, professional services, ICT management, and software integration development in networks and the cloud.

After analysing the objectives, assumptions, strategies, resources, capabilities, and profile of the second group of competitors, the closest resemblance to Future's products and services come from Intergen and Appserve because both of them provide CRM and ERP implementation and integration services in addition to the ICT services mentioned in the previous section. Intergen and Appserve deliver solutions based on Microsoft products (CRM and ERP). Future offers NetSuite's Cloud ERP and Salesforce's Cloud CRM. Future's strengths are distributing and integrating various products from different providers. The strengths of Intergen and Appserve are delivering Microsoft's products. From a customer experience perspective, in terms of functionality and appearance, there are limited differences between Future's products and that of Intergen and Appserve.

All Future, Intergen and Appserve have expanded quickly in the past few years. Relying on their close relationship with Microsoft and Telecom NZ, their market activities are competitive. Future's rapid grow this due to strong partnerships with Google, NetSuite and Salesforce. Future's sole distributor position in NZ for some of its partners' products and its integration facility make Future virtually competitor free in the NZ ICT market at the moment. Future also has a partnership with Revera to utilise its hardware advantages.

Vol. 7, No. 2, 2022, pp. 140-148
http://ijbe.ielas.org/index.php/ijbe/index
ISSN (online) 2545-4137

Strategic Recommendations for Growth

Future has experienced major increases in profit since 2010 after the GFC, despite losses in the Australian market. Its ambitious new goal aims at 25% annual growth (to triple the size of the company) across Australasian and international markets in the next five years. It plans to achieve this growth by working with its four key partners: Google, Salesforce, Amazon Web Services and NetSuite, and then develop new partnerships with other companies to open up new markets and secure new customers (Scott-Kennel, 2014). In addition to the partnerships with these four key players, Future's current growth strategies include: 1) creating a more assertive, and differentiated brand and culture; 2) building the capacity and capability to deliver its vision; 3) managing knowledge and developing repeatable processes to improve performance and profitability; 4) becoming market leaders in cloud integration;5) increasing growth in the annuity revenue stream; 6) securing new and substantial customers and leveraging relationships with existing partners; 7) maximising the use of partnerships with resellers and solution providers to ensure that the company does not engage in any unnecessary or duplicative product development; and 8) encouraging staff to be courageous, passionate, innovative and outcome-focused team players.

In addition to the strategies mentioned above, the following approaches need to be adopted to achieve these goals. Firstly, given the small size of the NZ ICT market, in order to achieve three-fold growth, the firm must expand internationally. It should continue to grow in NZ, enlarge its customer base and profits in Australia, enter the Asian market and have eyes on opportunities in other countries. The expansion should be based on in-depth market research and follow either the causation model or effectuation model of entrepreneurial theory (Sarasvathy, 2014).

Second, steady overseas expansion involves acquiring local companies or establishing joint ventures to gain localisation advantages to close the psychic distance. These advantages include: 1) skipping the start-up stage; 2) inheriting systems, intellectual property, customers and image; 3) locking in long-term contracts with both suppliers and customers; 4) gaining established relationships and social capital; and 5) most importantly, giving Future room to focus on expanding its business.

Third, overseas company acquisition requires financial resources. Future needs to obtain investment from crowd funding, private equity or even an IPO as soon as possible. Several rounds of capital injection may be required. Future needs to carefully evaluate its market value and distribute partial equity to investors in exchange for cash injections.

Fourth, in order to achieve a higher valuation of the company for capital injection, Future needs to strengthen its cash position. It needs to 1) reinforce profitability in the NZ market, 2) turn the negative cash flow position in Australia to profit, 3) stabilise as a technological leader position in its niche market, and 4) perfect the delivering of services that it currently sells. Company restructuring is a good way to resource capital if there is no way to make a profit in the Australian market. In other words, Future may have to create a separate entity that only includes its profitable business units in NZ for the purpose of sourcing capital.

In addition to the above, Future still needs to undertake the following miscellaneous efforts: 1) manage IP well, as it is an important intangible asset of the company; 2) avoid head-on competition with key players in the market; 3) manage growth well, as growth can be erratic; 4) take first entry advantages in non-mature markets; 4) overcome the unpredictability of the Australian market and make Future look like a local company in Australia instead of a NZ firm; 5) undertakecorporatesocial responsibility (CSR)efforts in new markets to behave ethically and contribute to economic development; 6) manage social capital and networks well; 7) focus on creating a platform and provide platform services on it; 8) co-create value with local and international partners as well as customers; 9) enhance social media usage to create value; 10) identify and follow technology trends such as Office 365 and Microsoft Azure that have been growing faster than Google Apps since 2013; and 11) evaluate PEST risks in targeting foreign markets and use design thinking for international marketing planning.

Finally, repeating successful stories (triumph development and implementation cases) and exploring paradigm shifts are the secrets of all successful businesses. Focusing on service dominant (S-D) logic instead of product dominant (P-D) logic is the current trend in the ICT industry. Future needs to avoid being the victim of its own success whereby the firm loses control of its growth because it is progressing too quickly.

Strategy Implementation – Potential Issues and Timing

Unwillingness to change and grow will be an obstacle to deploying new strategies after years of steady growth. A presentation from Chetty (2016) showed that firms stop growing when business is satisfactory.

A lack of consistent innovation and creativity is an issue for firms' internationalisation. The creativity and innovative capability decreasing along with company scale increasing has been observed by Amabile and Khair (2008). Fear of failure also seems to rise with the scale of a business. Not only do firms become more conservative as they grow, but fear also makes managers more likely to deny that failure has happened and more eager to erase all memory of it (Khaire, 2008).

Absence of international entrepreneurial risk-taking is another possible issue that Future may face, particularly given this is the company's second internationalisation process. Due to limitations on the firm's cash reserves, Future has been very carefully assessing new projects to ensure adequate return. The necessary aversion to financial risk has forced the company to turn down potential lucrative contracts. This attitude may affect company growth and can be overcome by standardising project processing procedures and comprehensive improvement of contracts.

In addition to the abovementioned potential issues, other matters still need to be considered. These include: 1) resistance to company culture change; 2) lack of an immediate action plan; 3) activities outlined above being time consuming; and 4) loose implementation monitoring. The action plan should include a number of milestones and review points. It is important that progress should be reviewed by the key stakeholders at regular intervals, and that necessary amendments and adjustments are made as appropriate.

It will take three phases to complete the implementation of the recommended growth strategies and finish the internationalisation process. Phase one will be eighteen months from the beginning of 2014. The most important components of phase one are to 1) diversify its customers and services in existing markets, 2) stabilise the cash flow position, 3) prepare for company multinationalisation by conducting PEST research, 4) reorganise the company internal structure, and 5) be ready to source investment. Phase two will be a period of successful multinationalisation execution and preparing for internationalisation (18 months from mid-2015). The fundamental components of this phrase are to: 1) acquire small to medium-size steadily growing companies in the Asia Pacific region, 2) transfer knowledge from Future to new subsidiaries, 3) enlarge technological areas of the newly acquired companies to achieve fast growth, 4) manage cash flow to attract new investment for continuing expansion. Phase three will comprise realising the internationalisation process and accomplishing the firm's goal (two years from 2017) by repeatedly applying the successful development, deployment and selling stories.

Conclusion

Secondary research has shown that most successful ICT companies experienced a wild growth period (Forbes, 2003). Achieving 25% annual growth in the five yearsfollowing2014 is a valid goal for Future since it1) achieved 33% revenue growth between 2010 and 2013, 2) the company is in a virtually competition-free market in NZ and Australia, 3) it has strong social capital (partners) to provide necessary resources, and 4) it is ina fast-growing industry.

Internationalisation is Future's main strategy to achieve its fast growing goal. It needs to strengthen its cash position in the NZ and Australian market to attract investment for expansion. It may also need to reorganise the internal company structure to attract more capital injection to acquire companies in different countries.

Future will stabilise its regional market (NZ and Australia) first, then become a multinational company in Asia Pacific and finally realise the internationalisation process. This process will take three phases over five years. It will be necessary to overcome potential issues such as 1) an unwillingness to change and grow, 2) a lack of consistent innovation and creativity, and 3) a reluctance to take risks.

References

T., & Khaire, M. (2008). Creativity and the Role of the Leader. *Harvard Business Review.* Retrieved from: https://hbr.org/2008/10/creativity-and-the-role-of-the-leader#:~:text=The%20first%20priority%20of%20leadership,strategy%2C%20employees%20must%20contribute%20imagination.

Chetty, S. (2016). New Venture Growth Strategy. *Training material for Master of Entrepreneurship.* Otago University. Dunedin, New Zealand.

Chetty, S., & Agndal H. (2006). Social Capital and Its Influence on Changes in Internationalization Mode Among Small and Medium-Sized Enterprises. *Journal of International Marketing.*

Disalvo, D. (2011). The Fall of Kodak: A Tale of Disruptive Technology and Bad Business. *Forbes.* Retrieved from: http://www.forbes.com/sites/daviddisalvo/2011/10/02/what-i-saw-as-kodak-crumbled/#2149b0b20f5f

Duan, C., Kotey, B., & Sandhu, K. (2021). A systematic literature review of determinants of immigrant entrepreneurship motivations. *Journal of Small Business & Entrepreneurship*, 1-33. Doi:10.1080/08276331.2021.1997490

Duan, C., Sandhu, K., & Kotey, B. (2021). Understanding immigrant entrepreneurship: home-country entrepreneurial ecosystem perspective. *New England Journal of Entrepreneurship*, 24(1), 2-20. Doi: 10.1108/NEJE-05-2020-0013

Duan, C., Kotey, B., & Sandhu, K. (2021). Integrated Business Strategies for Transnational Digital Entrepreneurship: Case Studies for Immigrant Startups. In K. Sandhu (Ed.), Handbook of Research on Management and Strategies for Digital Enterprise Transformation (pp. 1-23): IGI Global.

Duan, C., Kotey, B., & Sandhu, K. (2020). Transnational immigrant entrepreneurship: effects of home-country entrepreneurial ecosystem factors. *International Journal of Entrepreneurial Behavior & Research*, 27(3), 711-729. Doi: 10.1108/IJEBR-05-2020-0300

Duan, C., Kotey, B., & Sandhu, K. (2021). The Effects of Cross-Border E-Commerce Platforms on Transnational Digital Entrepreneurship: Case Studies in the Chinese Immigrant Community. *Journal of Global Information Management*, 30(3), 1-19. doi:DOI: 10.4018/JGIM.20220301.oa2

Duan, C. (2022). E-Platform-Enabled Transnational E-Entrepreneurship: Case Studies of Chinese Immigrant Entrepreneurs in New Zealand. *International Journal of E-Entrepreneurship and Innovation*, 12(1), 1-16. Doi:10.4018/IJEEI.290822

Duan, C. (2022). Effects of Boundaryless Digital Platforms on Transnational Entrepreneurship: Evidence of Chinese E-Platforms From an Ecosystem Perspective. *International Journal of E-Entrepreneurship and Innovation*, 12(1), 18. Doi: 10.4018/IJEEI.301608

Fannin, R. (2010). Why Google Is Quitting China. *Forbes*. Retrieved from http://www.forbes.com/2010/01/15/baidu-china-search-intelligent-technology-google.html

Forbes. (2003). The 25 Fastest-Growing Tech Companies. *Forbes*. Retrieved from http://www.forbes.com/2003/04/07/0407fasttechtable.html

Gluck, F. W., Kaufman, S. P., Walleck, S. A., McLeod, K., & Stucky, J. (2000). Thinking Strategically. Retrieved fromhttp://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/thinking-strategically

Internet Centre for Management and Administration (ICMA). (2010). Competitor analysis. Retrieved from http://www.netmba.com/strategy/competitor-analysis/

Johanson, J., & Vahlne, J. (2009, May). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*.

Partanen, J., Chetty, K. S., & Rajala. A. (2011, May). Innovation Types and Network Relationships. *Entrepreneurship Theory and Practice*.

Sarasvathy, S., Kumar, K., York, G. J., & Bhagavatula, S. (2014, Jan). An Effectual Approach to International Entrepreneurship: Overlaps, Challenges, and Provocative Possibilities. *Entrepreneurship Theory and Practice*. 71.

Scott-Kennel, J., & Van Der Merwe, V. (2014). Future System Group – Partnering for Success. In J. Scott-Kennel & M. Akoorie (Eds.), *Case in International Business Strategy: A New Zealand Perspective* (pp. 63-67). Hamilton: MI Publishing.