INTERNATIONALISATION OF INDONESIAN SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs): ANTECEDENTS, PROCESSES, AND ORGANISATIONAL PERFORMANCE

by

ONO SUPRIADI

BSc (Honours in International Relations), Pasundan University, Indonesia
MBA (International Business), Flinders University of South Australia, Australia

This thesis is submitted for the degree of Doctor of Philosophy (Management)
Newcastle Business School, The University of Newcastle, Australia

September 2015
STATEMENT OF ORIGINALITY

I declare that this thesis contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. I give consent to the final version of my thesis being made available worldwide when deposited in the University of Newcastle’s Digital Repository, subject to the provisions of the Copyright Act 1968.

____________________
Ono Supriadi
ACKNOWLEDGEMENTS

"In the name of Allah, The Most Gracious, The most Merciful"

“Thanks to Allah, the Greatest, for always guiding and watching over my family and me, and especially for giving me energy to complete this thesis.”

I wish to acknowledge those who have inspired, supported, and helped me in many different ways throughout my doctoral journey.

I am very grateful to my supervisors, Professor Amir Mahmood and Associate Professor Akhtar Hossain, for their constant guidance, thoughtful suggestions, subsequent exchange of ideas and very useful critical comments from the beginning to the end of doing this thesis. To Professor Amir, many thanks for always offering firm and honest comments and for understanding my ups and downs in completing this thesis. To Associate Professor Akhtar, my appreciation for always being there when I needed someone to talk to and for making me confident in completing this thesis. Both of you are extraordinary supervisors and mentors.

My gratitude goes to the University of Newcastle, Australia, and its Faculty of Business and Law, for giving me the opportunity and supporting me financially to pursue my PhD. Special thanks to Associate Professor Suzanne Ryan and Associate Professor Frank Agbola for your great concern that I complete my study.

I also wish to thank all the respondents to my research survey and especially the 9 Indonesian experts for sharing their rich insights into Indonesian SMEs’ internationalisation experiences and efforts, and the owners or managers of 14 Indonesian SMEs for sharing their knowledge and experience in their firms’ internationalisation process. Without their willingness and generosity to supply information and data, this research would not have been possible.

Many thanks to the staff at the University of Newcastle: Miss Hope Tancinco for helping me enrol at the University of Newcastle, Australia; Ms. Kerri Foulds and Ms. Wendy Jones at the Faculty of Business and Law for their administrative assistance. Thanks go also to my fellow PhD students at the Faculty of Business and Law: Andi Sumange, Mohammad Ibrahim, Puritud Inya, Graph, Patrick, Fahad Alofan, and Md. Safiullah for their moral support and togetherness during this journey. Many thanks also go to Mr. Phillip Thomas for editing the thesis.

Finally, my warmest thanks go to my loving parents, sisters, mother-in-law, and all family members for their constant prayers. Foremost, my deepest and sincerest appreciation to my everlasting and loving wife, Henny Sugarti, my beautiful daughter Regina Ayu Pramesti, and my wonderful son, Akhtar Yusuf Kemal, for your unconditional love, support, and patience to withstand my difficulties. May Allah always bless us here in the world and later in the hereafter.

"Alhamdulillahi Robbil 'Alamiin"
DEDICATIONS

TO MY LOVELY FAMILY

Herny Sugianti (Wife)
Regina Ayu Pramesti (Daughter) and Akhtar Yusuf Kemal (Son)

"Small opportunities are often the beginning of great enterprises."
Demosthenes (384-322 BC)

with Love and Respect

My Parents: Iyus Rusanah and Muhammad Tasa
Mother-in-law: Heni Setiaawati, and Late Father-in-law: Endit Suardi
# TABLE OF CONTENTS

STATEMENT OF ORIGINALITY ........................................................................................................... ii
ACKNOWLEDGEMENT ......................................................................................................................... iii
DEDICATIONS ................................................................................................................................ iv
TABLE OF CONTENTS ....................................................................................................................... v
LIST OF FIGURES ............................................................................................................................. xiii
LIST OF TABLES ............................................................................................................................... xv
LIST OF ABBREVIATIONS .................................................................................................................. xxi
ABSTRACT ........................................................................................................................................ xxiii

## CHAPTER ONE: INTRODUCTION .............................................................................................. 1

1.1 Research Background ................................................................................................................ 1
1.2 Research Setting: Indonesia ..................................................................................................... 4
1.3 Overview of SMEs in Indonesia ............................................................................................. 7
  1.3.1 Definitions of SMEs ........................................................................................................ 7
  1.3.2 Profile and Importance of SMEs in Indonesia ........................................................... 8
  1.3.3 Government Policies and Programs on SME Development .................................. 11
  1.3.4 SMEs and Internationalisation Issues ....................................................................... 15
1.4 Research Aims, Objectives, and Propositions ......................................................................... 16
1.5 Justification for Researching into SME Internationalisation .................................................. 19
1.6 Overview of Research Methodology ..................................................................................... 22
1.7 Organisation of the Research ............................................................................................... 23
1.8 Conclusions ............................................................................................................................ 25

## CHAPTER TWO: LITERATURE REVIEW .................................................................................. 27

2.1 Introduction ............................................................................................................................... 27
2.2 Defining Small and Medium-sized Enterprise (SME) ........................................................... 29
2.3 Defining Internationalisation ................................................................................................. 31
2.4 Approaches to Firm Internationalisation ................................................................................ 34
  2.4.1 Internationalisation of Multinational Enterprises (MNEs) ........................................ 34
  2.4.1.1 Internalisation Theory ......................................................................................... 34
  2.4.1.2 The Transaction Cost Approach to Internationalisation .................................. 37
  2.4.1.3 The Eclectic Paradigm ....................................................................................... 44
2.4.1.4 Monopolistic Advantage Theory .......................................................... 54

2.4.2 Internationalisation of Small and Medium-sized Enterprises (SMEs) .......... 55

2.4.2.1 Stage Models of Internationalisation ................................................... 55

2.4.2.1.1 The Uppsala Model of Internationalisation (U-Model) ........ 55

2.4.2.1.2 Innovation-Related Models (I-Models) ................................ 63

2.4.2.2 Network Approaches to Internationalisation ....................................... 68

2.4.2.3 Resource-Based Approach to Internationalisation ............................. 89

2.4.2.4 International Entrepreneurship ......................................................... 98

2.4.3 International Start-Ups .............................................................................. 116

2.4.3.1 International New Ventures ................................................................. 116

2.4.3.2 Born Global SMEs ............................................................................. 135

2.4.3.3 Global Start-Ups .................................................................................. 145

2.5 Toward an Integrated Conceptual Framework for Explaining SME
Internationalisation ............................................................................................. 151

2.6 Conclusions .................................................................................................. 156

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY ....................... 157

3.1 Introduction ................................................................................................... 157

3.2 The Critical Linkages between Variables .................................................... 159

3.2.1 Relationships between Firm Internationalisation and its Antecedents ....... 159

3.2.1.1 Human Capital and Firm Internationalisation ..................................... 159

3.2.1.1.1 Demographics of Owner or Manager ........................................ 161

3.2.1.1.2 International Business Skills .................................................... 162

3.2.1.1.3 International Orientation .......................................................... 164

3.2.1.1.4 Environmental Risk Perception ............................................... 165

3.2.1.1.5 Management Know-How ...................................................... 166

3.2.1.1.6 Industry Specific Know-How .................................................. 167

3.2.1.1.7 Ability to Acquire Financial Capital ........................................ 167

3.2.1.1.8 Proposition 1a and 1b ............................................................... 168

3.2.1.2 Social Capital and Firm Internationalisation ....................................... 168

3.2.1.2.1 Network Structures ................................................................. 170

3.2.1.2.2 Information Access .................................................................. 170

3.2.1.2.3 Links to International Business Networks ................................ 171

3.2.1.2.4 Proposition 2a and 2b .............................................................. 171
3.2.1.3 Organizational Characteristics and Firm Internationalisation .......... 172
  3.2.1.3.1 Firm Basic Characteristics ..................................................... 172
  3.2.1.3.2 Firm Strategy ........................................................................... 174
  3.2.1.3.3 Firm International Experience .................................................. 174
  3.2.1.3.4 Firm Network and Location ...................................................... 175
  3.2.1.3.5 Firm Ability to Produce or Offer Differentiated Products or Services ......................................................... 176
  3.2.1.3.6 Proposition 3a and 3b ................................................................. 176

3.2.1.4 Characteristics of Domestic Market and Firm Internationalisation .... 177
  3.2.1.4.1 Market Size ............................................................................... 177
  3.2.1.4.2 Domestic Competitiveness ........................................................ 178
  3.2.1.4.3 Institutional or Government Support ........................................ 178
  3.2.1.4.4 Domestic Key Economic Conditions ......................................... 179
  3.2.1.4.5 Proposition 4a and 4b ................................................................. 179

3.2.1.5 Characteristics of Foreign Markets and Firm Internationalisation .... 179
  3.2.1.5.1 Market Proximity ....................................................................... 180
  3.2.1.5.2 Market Potential ......................................................................... 180
  3.2.1.5.3 Market Risks ............................................................................. 181
  3.2.1.5.4 Market Barriers .......................................................................... 182
  3.2.1.5.5 Market Attractiveness ................................................................. 183
  3.2.1.5.6 Foreign Market Key Economic Conditions ................................ 183
  3.2.1.5.7 Proposition 5a and 5b ................................................................. 183

3.2.1.6 Market Internationalisation and Firm Internationalisation .......... 184
  Proposition 6a and 6b ............................................................................. 184

3.2.1.7 Industry and Firm Internationalisation ........................................... 184
  Proposition 7a and 7b ............................................................................. 185

3.2.2 Relationship between Internationalisation Process and its Performance .... 185
  3.2.2.1 Dimensions of Internationalisation Processes .............................. 185
    3.2.2.1.1 Initial Intention ......................................................................... 185
    3.2.2.1.2 Time ........................................................................................ 186
    3.2.2.1.3 Mode ....................................................................................... 187
    3.2.2.1.4 Market ..................................................................................... 189
    3.2.2.1.5 Product ..................................................................................... 189
    3.2.2.1.6 Pattern ..................................................................................... 189

vii
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2.2.2 Internationalisation Performance</td>
<td>190</td>
</tr>
<tr>
<td>3.2.2.2.1 Sales Growth</td>
<td>190</td>
</tr>
<tr>
<td>3.2.2.2.2 Sales Profitability</td>
<td>190</td>
</tr>
<tr>
<td>3.2.2.2.3 Staff Involvement</td>
<td>190</td>
</tr>
<tr>
<td>3.2.2.2.4 Geographic Scope of Foreign Sales</td>
<td>191</td>
</tr>
<tr>
<td>3.2.2.2.5 Management Satisfaction with Internationalisation Performance</td>
<td>191</td>
</tr>
<tr>
<td>3.2.2.3 Proposition 8</td>
<td>191</td>
</tr>
<tr>
<td>3.2.3 Relationships between Internationalisation Performance and</td>
<td>192</td>
</tr>
<tr>
<td>Organisational Performance</td>
<td></td>
</tr>
<tr>
<td>3.2.3.1 Internationalisation Performance and Firm Growth</td>
<td>192</td>
</tr>
<tr>
<td>Proposition 9</td>
<td>193</td>
</tr>
<tr>
<td>3.2.3.2 Internationalisation Performance and Firm Profitability</td>
<td>193</td>
</tr>
<tr>
<td>Proposition 10</td>
<td>193</td>
</tr>
<tr>
<td>3.3 Research Conceptual Model and Operationalisation of Research Variables</td>
<td>193</td>
</tr>
<tr>
<td>3.3.1 Research Conceptual Model</td>
<td>194</td>
</tr>
<tr>
<td>3.3.2 Operationalisation of Variables</td>
<td>197</td>
</tr>
<tr>
<td>3.3.2.1 Antecedent Variables</td>
<td>197</td>
</tr>
<tr>
<td>3.3.2.2 Internationalisation Variables</td>
<td>205</td>
</tr>
<tr>
<td>3.3.2.3 Organisational Performance Variables</td>
<td>210</td>
</tr>
<tr>
<td>3.4 Quantitative Research Method</td>
<td>211</td>
</tr>
<tr>
<td>3.4.1 Justification for Quantitative Research Method</td>
<td>212</td>
</tr>
<tr>
<td>3.4.2 Data Sources and Description</td>
<td>212</td>
</tr>
<tr>
<td>3.4.3 Survey Area</td>
<td>212</td>
</tr>
<tr>
<td>3.4.4 Population and Sampling Frame</td>
<td>214</td>
</tr>
<tr>
<td>3.4.5 Sampling Method and Sample Size</td>
<td>214</td>
</tr>
<tr>
<td>3.4.6 Questionnaire Design and Administration</td>
<td>215</td>
</tr>
<tr>
<td>3.4.7 Data Collection Method</td>
<td>216</td>
</tr>
<tr>
<td>3.4.7.1 Postal Survey</td>
<td>216</td>
</tr>
<tr>
<td>3.4.7.2 Relevant Documents</td>
<td>218</td>
</tr>
<tr>
<td>3.4.8 Statistical Technique for Data Analysis</td>
<td>218</td>
</tr>
<tr>
<td>3.5 Qualitative Research Method</td>
<td>219</td>
</tr>
<tr>
<td>3.5.1 Justification for Qualitative Research Method</td>
<td>219</td>
</tr>
<tr>
<td>3.5.2 Multiple Case Studies</td>
<td>220</td>
</tr>
</tbody>
</table>
3.5.3 Cases Selection ........................................................................................................ 220
3.5.4 Data Collection Techniques .................................................................................. 221
  3.5.4.1 In-Depth Interview ......................................................................................... 221
  3.5.4.2 Relevant Documents ...................................................................................... 221
3.5.5 Data Preparation for Analysis .............................................................................. 222
3.5.6 Qualitative Data Analysis .................................................................................... 223
3.6 Combining Quantitative and Qualitative Methods: The Mixed Methods Research ... 223
  3.6.1 Justification for Using the Mixed-Methods ....................................................... 224
  3.6.2 Mixed-Methods Design .................................................................................... 225
  3.6.3 Addressing Triangulation ................................................................................ 227
3.7 Ethical Issues ........................................................................................................... 228
3.8 Conclusions .............................................................................................................. 228

CHAPTER FOUR: EMPIRICAL DESCRIPTION OF INTERNATIONALISATION
ANTECEDENTS, PROCESSES, AND ORGANISATIONAL PERFORMANCE .......... 230
4.1 Introduction ............................................................................................................. 230
4.2 Internationalisation Antecedents of Indonesian SMEs ............................................. 233
  4.2.1 Human Capital .................................................................................................. 233
    4.2.1.1 Demographics of Owner or Manager ..................................................... 233
    4.2.1.2 International Business Skills ............................................................... 234
    4.2.1.3 International Orientation ................................................................. 235
    4.2.1.4 Environmental Risk Perception ...................................................... 236
    4.2.1.5 Management Know-How ................................................................. 240
    4.2.1.6 Industry Specific Know-How ......................................................... 241
    4.2.1.7 Ability to Acquire Financial Capital ............................................... 241
  4.2.2 Social Capital .................................................................................................. 242
    4.2.2.1 Network Structures ........................................................................... 242
    4.2.2.2 Information Access .......................................................................... 243
    4.2.2.3 Links to International Business Networks ...................................... 244
  4.2.3 Organizational Characteristics .................................................................... 244
    4.2.3.1 Firm Basic Characteristics ............................................................... 244
    4.2.3.2 Firm Strategy ..................................................................................... 245
    4.2.3.3 Firm International Experience .................................................... 245
    4.2.3.4 Firm Network and Location ......................................................... 245
null
CHAPTER FIVE: EMPIRICAL ANALYSIS OF THE RELATIONSHIPS BETWEEN INTERNATIONALISATION ANTECEDENTS, AND INTERNATIONALISATION PROCESSES, AND ORGANISATIONAL PERFORMANCE OF INDONESIAN SMEs .... 273

5.1 Introduction ............................................................................................................... 273

5.2 Factor and Reliability Analysis .................................................................................. 278

5.2.1 Human Capital .................................................................................................. 279

5.2.2 Social Capital .................................................................................................. 280

5.2.3 Organisational Characteristics ......................................................................... 281

5.2.4 Characteristics of Domestic Market .................................................................... 282

5.2.5 Characteristics of Foreign Markets ..................................................................... 283

5.2.6 Market Internationalisation ............................................................................... 285

5.2.7 Industry ............................................................................................................. 286

5.2.8 Internationalisation Process ............................................................................. 287

5.2.9 Internationalisation Performance ..................................................................... 288

5.2.10 Firm Growth .................................................................................................... 290

5.2.11 Firm Profitability ............................................................................................ 291

5.3 The Relationships between Internationalisation Antecedents and Internationalisation Process and Performance .................................................................................. 292

5.3.1 Testing Proposition 1a and 1b ......................................................................... 292

5.3.2 Testing Proposition 2a and 2b ......................................................................... 304

5.3.3 Testing Proposition 3a and 3b ......................................................................... 311

5.3.4 Testing Proposition 4a and 4b ......................................................................... 317

5.3.5 Testing Proposition 5a and 5b ......................................................................... 323

5.3.6 Testing Proposition 6a and 6b ......................................................................... 334

5.3.7 Testing Proposition 7a and 7b ......................................................................... 339

5.4. The Relationships between Internationalisation Process and its Performance (Testing Proposition 8) .................................................................................. 343

5.5. The Relationships between Internationalisation Performance and Organisational Performance .................................................................................. 348

5.5.1 Testing Proposition 9 ....................................................................................... 348

5.5.2 Testing Proposition 10 ...................................................................................... 351

5.6 Conclusions ............................................................................................................. 356
CHAPTER SIX: DISCUSSION ON RESEARCH FINDINGS AND CONCLUSIONS .......... 360

6.1 Introduction ................................................................................................................ 360

6.2 Discussion on Research Findings ............................................................................. 362
   6.2.1 Aim One ............................................................................................................. 362
   6.2.2 Aim Two .......................................................................................................... 363
   6.2.3 Objective One .................................................................................................. 365
      6.2.3.1 Discussion on Findings from Propositions 1a and 1b ......................... 365
      6.2.3.2 Discussion on Findings from Propositions 2a and 2b ......................... 380
      6.2.3.3 Discussion on Findings from Propositions 3a and 3b ......................... 387
      6.2.3.4 Discussion on Findings from Propositions 4a and 4b ......................... 393
      6.2.3.5 Discussion on Findings from Propositions 5a and 5b ......................... 399
      6.2.3.6 Discussion on Findings from Propositions 6a and 6b ......................... 414
      6.2.3.7 Discussion on Findings from Propositions 7a and 7b ......................... 417
   6.2.4 Objective Two: Discussion on Findings from Proposition 8 ......................... 420
   6.2.5 Objective Three ............................................................................................... 434
      6.2.5.1 Discussion on Findings from Proposition 9 ........................................... 434
      6.2.5.2 Discussion on Findings from Proposition 10 ......................................... 439
   6.2.6 Objective Four ................................................................................................ 446

6.3. Contributions of the Research .............................................................................. 447
   6.3.1 Theoretical Contribution ............................................................................... 448
   6.3.2 Methodological Contribution ....................................................................... 448
   6.3.3 Practical Contribution .................................................................................... 448

6.4. Limitations of the Research and Suggestions Future Research ....................... 449

6.5 Summary of the Research ..................................................................................... 450

6.6 Conclusions ........................................................................................................... 455

REFERENCES ................................................................................................................. 458

APPENDICES:
Appendix 1: Notification of Human Research Ethics’ Expedited Approval
Appendix 2: Information Statement of the Survey and Survey Questionnaire
Appendix 3: Information Statement of the Interview with Experts
Appendix 4: Information Statement of the Interview with SME Owners-Managers
Appendix 5: Interview Consent Form
LIST OF FIGURES

Chapter One:
Figure 1.1 Map of Indonesia .............................................................. 004
Figure 1.2 SWOT Analysis of Indonesian SMEs in the Context of Internationalisation ......................................................... 016
Figure 1.3 Organisation of the Thesis .............................................. 025

Chapter Two:
Figure 2.1 Organisation of Chapter Two ........................................ 028
Figure 2.2 The Second Uppsala Model of Firm Internationalisation ................................................................. 058
Figure 2.3 Network Model of Firm Internationalisation ................... 069
Figure 2.4 Modes of Resource Adjustment ....................................... 094
Figure 2.5 The Domain of International Entrepreneurship with Regard to Other Academic Literature on Organisation .................................................. 103
Figure 2.6 The Internationalisation of the Firm from an Entrepreneurial Perspective ............................................................. 105
Figure 2.7 The Domain of Academic Literature in International Business and Entrepreneurship ......................................................... 112
Figure 2.8 The Elements of INV Creation ........................................ 126
Figure 2.9 The Types of INVs .......................................................... 128
Figure 2.10 Effects of Early International Commitment on International Positional Advantages .......................................................... 130
Figure 2.11 Typology of New Ventures ............................................ 132
Figure 2.12 Antoncic and Hisrich’s Integrative Conceptual Model of International Entrepreneurship (2001) ............................................. 154
Figure 2.13 Ruzzier, Hisrich, and Antoncic’s International Entrepreneurship Conceptual Model (2006) ....................................................... 155

Chapter Three:
Figure 3.1 Organisation of Chapter Three ....................................... 158
Figure 3.2 The Research Integrated Conceptual Model ....................... 196
Figure 3.3 The Stages of the Interview Data Collection ....................... 222
Figure 3.4 Steckler et al.’s Model of Mixed Methods ................................................................. 225

Chapter Four:

Figure 4.1 Organisation of Chapter Four .................................................................................. 232
Figure 4.2 The Risk of Doing Business Internationally is Greater than that of Doing
   Business in Indonesia ............................................................................................................. 237
Figure 4.3 Doing Business Overseas is More Profitable than Doing Business in
   Indonesia ................................................................................................................................. 237
Figure 4.4 Opportunities to Grow in Domestic Market (Indonesia) are Larger than
   Those in Overseas Markets ..................................................................................................... 238
Figure 4.5 International Business Environment (Overseas Markets) is Riskier than
   Domestic Business Environment (Indonesia) ....................................................................... 239
Figure 4.6 Domestic (Indonesia’s) Business Regulations are More Supportive than
   International Business Regulations ...................................................................................... 239

Chapter Five:

Figure 5.1 Organisation of Chapter Five .................................................................................. 277

Chapter Six:

Figure 6.1 Organisation of Chapter Six .................................................................................. 361
Figure 6.2 The Integrated Research Conceptual Model ......................................................... 364
# LIST OF TABLES

## Chapter One:

<table>
<thead>
<tr>
<th>Table</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Indonesia – Key Fundamentals: 2011 – 2017f</td>
<td>5</td>
</tr>
<tr>
<td>1.2</td>
<td>Analysis of Indonesian PESTLE Landscapes</td>
<td>6</td>
</tr>
<tr>
<td>1.3</td>
<td>Main Characteristics of Micro, Small, and Medium-sized Enterprises (MSMEs) in Indonesia</td>
<td>8</td>
</tr>
<tr>
<td>1.4</td>
<td>Number of Micro, Small, Medium, and Large Enterprises: 2011 – 2013</td>
<td>9</td>
</tr>
<tr>
<td>1.5</td>
<td>Proportion of the Economic Sectors of Micro, Small, Medium-sized Enterprises (MSMEs) based on Unit Numbers in 2011 (%)</td>
<td>10</td>
</tr>
<tr>
<td>1.6</td>
<td>Contributions of Enterprises to Indonesian Economy</td>
<td>11</td>
</tr>
<tr>
<td>1.7</td>
<td>Number of Institutions and Assistance Programs to Strengthen SMEs: 1997 – 2003</td>
<td>13</td>
</tr>
<tr>
<td>1.8</td>
<td>Proportion of Assistance Programs to Strengthen SMEs</td>
<td>14</td>
</tr>
</tbody>
</table>

## Chapter Two:

<table>
<thead>
<tr>
<th>Table</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Summary of Various Definitions of SMEs</td>
<td>30</td>
</tr>
<tr>
<td>2.2</td>
<td>Evolution of the Internationalisation Concept</td>
<td>32</td>
</tr>
<tr>
<td>2.3</td>
<td>Comparison of the Transaction Cost and Internalisation Theories</td>
<td>37</td>
</tr>
<tr>
<td>2.4</td>
<td>Review of the Innovation-Related Internationalisation Models (the I-Models)</td>
<td>64</td>
</tr>
<tr>
<td>2.5</td>
<td>Firm-Level Variables Favouring a Born Global Internationalisation Path</td>
<td>138</td>
</tr>
<tr>
<td>2.6</td>
<td>Entrepreneur-Level Variables Favouring a Born Global Internationalisation Path</td>
<td>140</td>
</tr>
</tbody>
</table>

## Chapter Three:

<table>
<thead>
<tr>
<th>Table</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Operationalisation of Human Capital Defining Components</td>
<td>197</td>
</tr>
<tr>
<td>3.2</td>
<td>Operationalisation of Social Capital Defining Components</td>
<td>200</td>
</tr>
<tr>
<td>3.3</td>
<td>Operationalisation of Organisational Characteristics Defining Components</td>
<td>200</td>
</tr>
<tr>
<td>3.4</td>
<td>Operationalisation of Characteristics of Domestic Market Defining Components</td>
<td>202</td>
</tr>
</tbody>
</table>
Table 3.5 Operationalisation of Characteristics of Foreign Market Defining Components ........................................................................................................................................... 203
Table 3.6 Operationalisation of Market Internationalisation Defining Components .................................. 204
Table 3.7 Operationalisation of Industry Defining Components ..................................................................... 205
Table 3.8 Operationalisation of Internationalisation Process Defining Components ................................ 206
Table 3.9 Operationalisation of Internationalisation Performance Defining Components .......................... 209
Table 3.10 Operationalisation of Firm Growth Defining Components .......................................................... 210
Table 3.11 Operationalisation of Firm Profitability Defining Components .................................................. 211
Table 3.12 Number of Exporters in All Provinces, 2011 – 2012 ........................................................................ 213

Chapter Four:
Table 4.1 Sources of Financial Capital ........................................................................................................... 241
Table 4.2 Countries and/or Economies in which the Indonesian SMEs are Selling their Goods or Services ........................................................................................................................................... 259

Chapter Five:
Table 5.1 Value of the Correlation Coefficient (r) and Description of its Strength ........................................... 275
Table 5.2 Percentage of the Observation with a Significant and Positive Correlation (%) and its Description of Strength for Supporting Proposition ...................................................... 275
Table 5.3 Summary of the factor and Reliability Analysis of Human Capital .................................................. 279
Table 5.4 Summary of the factor and Reliability Analysis of Social Capital .................................................... 280
Table 5.5 Summary of the factor and Reliability Analysis of Organisational Characteristics ................................................................. 282
Table 5.6 Summary of the factor and Reliability Analysis of Characteristics of Domestic Market ................................. 283
Table 5.7 Summary of the factor and Reliability Analysis of Characteristics of Foreign Markets ......................... 284
Table 5.8 Summary of the factor and Reliability Analysis of Market Internationalisation ................................. 285
Table 5.9 Summary of the factor and Reliability Analysis of Industry ............................................................ 286
Table 5.10 Summary of the factor and Reliability Analysis of Internationalisation Process ............................ 287
Table 5.11 Summary of the factor and Reliability Analysis of Internationalisation Performance ................................................................. 288
Table 5.12 Summary of the factor and Reliability Analysis of Firm Growth .............................................. 290
Table 5.13 Summary of the factor and Reliability Analysis of Firm Profitability ........................................... 291
Table 5.14 Summary of Test of Association between Human Capital and Internationalisation Process ................................................................. 292
Table 5.15 Summary of the Outcome of Test of Association between Human Capital and Internationalisation Process ................................................................. 297
Table 5.16 Summary of Test of Association between Human Capital and Internationalisation Performance ................................................................. 298
Table 5.17 Summary of the Outcome of Test of Association between Human Capital and Internationalisation Performance ................................................................. 303
Table 5.18 Summary of Test of Association between Social Capital and Internationalisation Process ................................................................. 304
Table 5.19 Summary of the Outcome of Test of Association between Social Capital and Internationalisation Process ................................................................. 307
Table 5.20 Summary of Test of Association between Social Capital and Internationalisation Performance ................................................................. 308
Table 5.21 Summary of the Outcome of Test of Association between Social Capital and Internationalisation Performance ................................................................. 310
Table 5.22 Summary of Test of Association between Organisational Characteristics and Internationalisation Process ................................................................. 311
Table 5.23 Summary of the Outcome of Test of Association between Organisational Characteristics and Internationalisation Process ................................................................. 313
Table 5.24 Summary of Test of Association between Organisational Characteristics and Internationalisation Performance ................................................................. 314
Table 5.25 Summary of the Outcome of Test of Association between Organisational Characteristics and Internationalisation Performance ................................................................. 316
Table 5.26 Summary of Test of Association between Characteristics of Domestic Market and Internationalisation Process ................................................................. 317
Table 5.27 Summary of the Outcome of Test of Association between Characteristics of Domestic Market and Internationalisation Process ................................................................. 319
Table 5.28 Summary of Test of Association between Characteristics of Domestic Market and Internationalisation Performance ................................................................. 320
Table 5.29 Summary of the Outcome of Test of Association between Characteristics of Domestic Market and Internationalisation Performance .......... 322
Table 5.30 Summary of Test of Association between Characteristics of Foreign Markets and Internationalisation Process ........................................ 323
Table 5.31 Summary of the Outcome of Test of Association between Characteristics of Foreign Markets and Internationalisation Process ............. 328
Table 5.32 Summary of Test of Association between Characteristics of Foreign Markets and Internationalisation Performance .......................... 328
Table 5.33 Summary of the Outcome of Test of Association between Characteristics of Foreign Markets and Internationalisation Performance .... 334
Table 5.34 Summary of Test of Association between Market Internationalisation and Internationalisation Performance ...................................... 335
Table 5.35 Summary of the Outcome of Test of Association between Market Internationalisation and Internationalisation Process ..................... 336
Table 5.36 Summary of Test of Association between Market Internationalisation and Internationalisation Performance ...................................... 337
Table 5.37 Summary of the Outcome of Test of Association between Market Internationalisation and Internationalisation Performance .......... 339
Table 5.38 Summary of Test of Association between Industry and Internationalisation Process ................................................................. 340
Table 5.39 Summary of the Outcome of Test of Association between Industry and Internationalisation Process .................................................. 341
Table 5.40 Summary of Test of Association between Industry and Internationalisation Performance ................................................................. 342
Table 5.41 Summary of the Outcome of Test of Association between Industry and Internationalisation Process .................................................. 343
Table 5.42 Summary of Test of Association between Internationalisation Process and Internationalisation Performance ...................................... 344
Table 5.43 Summary of the Outcome of Test of Association between Internationalisation Process and Internationalisation Performance .......... 348
Table 5.44 Summary of Test of Association between Internationalisation Performance and Firm Growth .............................................................. 349
Table 5.45 Summary of the Outcome of Test of Association between Internationalisation Performance and Firm Growth ............................. 351
Table 5.46 Summary of Test of Association between Internationalisation Performance and Firm Profitability .......................................................... 352
Table 5.47 Summary of the Outcome of Test of Association between Internationalisation Performance and Firm Profitability .................................. 355
Table 5.48 Results of the Propositions Testings ................................................................. 358

Chapter Six:
Table 6.1 Findings from the Empirical Analysis of the Relationship between Human Capital and Internationalisation Process ............................................. 368
Table 6.2 Findings from the Empirical Analysis of the Relationship between Human Capital and Internationalisation Performance ........................................ 372
Table 6.3 Findings from the Empirical Analysis of the Relationship between Social Capital and Internationalisation Process ........................................... 383
Table 6.4 Findings from the Empirical Analysis of the Relationship between Social Capital and Internationalisation Performance ............................... 384
Table 6.5 Findings from the Empirical Analysis of the Relationship between Organisational Characteristics and Internationalisation Process ...................... 389
Table 6.6 Findings from the Empirical Analysis of the Relationship between Organisational Characteristics and Internationalisation Performance ........... 391
Table 6.7 Findings from the Empirical Analysis of the Relationship between Characteristics of Domestic Markets and Internationalisation Process ................. 395
Table 6.8 Findings from the Empirical Analysis of the Relationship between Characteristics of Domestic Markets and Internationalisation Performance ........ 397
Table 6.9 Findings from the Empirical Analysis of the Relationship between Characteristics of Foreign Markets and Internationalisation Process ..................... 403
Table 6.10 Findings from the Empirical Analysis of the Relationship between Characteristics of Foreign Markets and Internationalisation Performance ........ 407
Table 6.11 Findings from the Empirical Analysis of the Relationship between Market Internationalisation and Internationalisation Process ......................... 415
Table 6.12 Findings from the Empirical Analysis of the Relationship between Market Internationalisation and Internationalisation Performance ................. 416
Table 6.13 Findings from the Empirical Analysis of the Relationship between Industry and Internationalisation Process ................................................. 418
Table 6.14 Findings from the Empirical Analysis of the Relationship between Industry and Internationalisation Performance .................................................. 419
Table 6.15 Findings from the Empirical Analysis of the Relationship between Internationalisation Process and Internationalisation Performance .................................. 423
Table 6.16 Summary of Internationalisation Process and the Interviewed SMEs .......... 427
Table 6.17 Summary of Internationalisation Performance of the Interviewed SMEs .... 432
Table 6.18 Findings from the Empirical Analysis of the Relationship between Internationalisation Performance and Firm Growth ........................................... 437
Table 6.19 Findings from the Empirical Analysis of the Relationship between Internationalisation Performance and Firm Profitability ............................................ 442
Table 6.20 Summary of the Main Scholarly Elements Developed in the Current Study ................................................................................................................. 451
**LIST OF ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AANZFTA</td>
<td>ASEAN-Australia-New Zealand Free Trade Area</td>
</tr>
<tr>
<td>ACFTA</td>
<td>ASEAN-China Free Trade Area</td>
</tr>
<tr>
<td>AEC</td>
<td>ASEAN Economic Community</td>
</tr>
<tr>
<td>APEC</td>
<td>Asia Pacific Economic Cooperation</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of South East Asia Nations</td>
</tr>
<tr>
<td>BG</td>
<td>Born Global</td>
</tr>
<tr>
<td>CIA</td>
<td>Central Intelligence Agency</td>
</tr>
<tr>
<td>E.U.</td>
<td>European Union</td>
</tr>
<tr>
<td>EBIT</td>
<td>Earnings before Interest and Taxes</td>
</tr>
<tr>
<td>ECC</td>
<td>E-Commerce Corporation</td>
</tr>
<tr>
<td>ESBI</td>
<td>Export Support Board of Indonesia</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>IDR</td>
<td>Indonesia Rupiah</td>
</tr>
<tr>
<td>IE</td>
<td>International Entrepreneurship</td>
</tr>
<tr>
<td>INV</td>
<td>International New Venture</td>
</tr>
<tr>
<td>ISIC</td>
<td>International Standard Industrial Classification</td>
</tr>
<tr>
<td>LE</td>
<td>Large Enterprise</td>
</tr>
<tr>
<td>ME</td>
<td>Medium-sized Enterprise</td>
</tr>
<tr>
<td>MNE</td>
<td>Multinational Enterprise</td>
</tr>
<tr>
<td>MSB</td>
<td>Marketing Service Body</td>
</tr>
<tr>
<td>MSMEs</td>
<td>Micro, Small, and Medium-sized Enterprise</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
</tr>
<tr>
<td>N-OLI</td>
<td>Network, Ownership, Location, and Internalisation</td>
</tr>
<tr>
<td>NSDC</td>
<td>National SME Development Centre</td>
</tr>
<tr>
<td>OLI</td>
<td>Ownership, Location, Internalisation</td>
</tr>
<tr>
<td>OLMA</td>
<td>Ownership, Location, Mode of Entry, and Adaptation</td>
</tr>
<tr>
<td>PESTLE</td>
<td>Political, Economic, Social, Technological, Legal, and Environment</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>RBV</td>
<td>Resource-Based View</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
</tr>
<tr>
<td>----------</td>
<td>--------------------------------------------</td>
</tr>
<tr>
<td>RoI</td>
<td>Return on Investment</td>
</tr>
<tr>
<td>RoS</td>
<td>Return on Sales</td>
</tr>
<tr>
<td>SBCC</td>
<td>Small Business Consultancy Clinics</td>
</tr>
<tr>
<td>SE</td>
<td>Small Enterprise</td>
</tr>
<tr>
<td>SEC</td>
<td>Small Enterprise Credit</td>
</tr>
<tr>
<td>SED</td>
<td>Small Enterprise Development</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium-sized Enterprise</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strength, Weakness, Opportunity, and Threat</td>
</tr>
<tr>
<td>TCA</td>
<td>Transaction Cost Approach</td>
</tr>
<tr>
<td>U.S.</td>
<td>United States</td>
</tr>
<tr>
<td>WFTO</td>
<td>World Fair Trade Organisation</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organisation</td>
</tr>
</tbody>
</table>
This thesis empirically investigates the antecedents, processes, performance, and consequences of internationalisation of Indonesian SMEs (small and medium-sized enterprises) engaged in manufacturing and services. It also develops an integrated conceptual model that explains the rationale of SME internationalisation in Indonesia.

It is proposed that there are significant and positive relationships between the following: internationalisation antecedents and internationalisation process; internationalisation antecedents and internationalisation performance; internationalisation process and internationalisation performance; and internationalisation performance and organisational performance of Indonesian SMEs.

A combination of qualitative and quantitative methods is employed. In-depth interviews were conducted with 9 Indonesian experts and 14 Indonesian SME owners or managers using a semi-structured interview guide. Postal surveys were also done which resulted in 131 usable respondents’ answers. Both the in-depth interviews and postal surveys were conducted concurrently in five provinces of Indonesia: Jakarta, West Java, Central Java, Yogyakarta, and Bali. The qualitative data were analysed using NVivo 10 software, while the quantitative data were examined using statistical techniques, namely descriptive statistics, factor analysis, reliability analysis, and inferential (comparative and correlation) statistics of the Statistical Package for Social Sciences (SPSS) 22 software. Applying the mixed methods follows the model developed by Steckler et al. (1992), and the qualitative results serve to help interpret and explain the quantitative findings.

The findings indicate that of seven defining components of internationalisation antecedents - human capital, social capital, organisational characteristics, characteristics of domestic market, characteristics of foreign markets, market internationalisation, and industry - “market internationalisation” has the least observations (3.7% at the 5% and 10% significance levels) concerning significant and positive relationships with the internationalisation process, and “organisational characteristics” is found to have the most observations (44.44% at the 5% significance level and 55.55% at the 10% significance level) that has significant and positive relationships with internationalisation process. The variable “industry” has the least observations (4.54% at the 5% and 10% significance levels) concerning significant and positive relationships with internationalisation performance. Lastly, “organisational characteristics” is discovered to have the most observations (25% at
the 5% significance level and 29.55% at the 10% significance level) regarding significant and positive relationships with internationalisation performance.

Furthermore, the findings indicate that 18.18% (at the 5% significance level) and 22.22% (at the 10% significance level) observation of the defining components of internationalisation processes have significant and positive relationships with internationalisation performance. It is evident that 36.36% (at the 5% significance level) and 45.45% (at the 10% significance level) observation of the defining components of internationalisation performance do have significant and positive relationships with the Indonesian SMEs' growth. Finally, 42.42% (at the 5% significance level) and 45.45% (at the 10% significance level) observation of the defining components of internationalisation performance are found to have significant and positive relationships with the Indonesian SMEs' profitability.

The originality of this thesis is embedded in at least four key aspects. First, the study has been conducted in Indonesia, a country in which SME internationalisation is not widely known or documented. Second, the relationships among three aspects of internationalisation of Indonesian SMEs - specifically the antecedents, processes and performance, and consequences integrated in a newly developed conceptual model for this research - have been analysed together at the same time. Third, the study has also developed a new approach for describing the strength of the relationship among the researched variables beyond the matters of hypothesis rejection or acceptance. Fourth, the study has applied the second model of mixed methods developed by Steckler et al. (1992) as mentioned above.

The implications of the research findings not only for practitioners (especially managers and researchers), but also for policy-makers, are provided in the last chapter, Chapter Six, of this study.

**Key Words:**
Internationalisation, Small and Medium-sized Enterprises (SMEs), Antecedents, Processes, Organisational Performance, Indonesia.