# Internationalization of a social enterprise – motives, process, and challenges: A case study of Free the Seed.

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**Abstract (English)**

Most of the empirical studies have been researched on determinants and internationalization, yet lacking studies examined the internationalization holistically, concerning the social enterprise. This study aims to discover the drivers and barriers of a social enterprise during internationalization specifically to Free to Seed, a leading biodegradable packaging manufacturer in Malaysia. The literature reviews synthesize the internationalization strategy and process, as well as the social enterprise and its sustainability. This study utilized a single case-study approach to identify the internationalization motives, strategic choices, and challenges in a social enterprise. The motives were examined by analyzing the process and mode of entry to entering a foreign market. The findings show how the social enterprise adapt the existing resources to meet the markets demand and successfully pursues business and social goals. Challenges of internationalization and how the firm has overcome them was also discussed. Lastly, limitations were suggested of this study and implication for future research.

**Abstract (Portuguese)**

A maioria dos estudos empíricos foram pesquisados sobre determinantes e internacionalização, mas faltam estudos que examinem holisticamente a internacionalização, no que diz respeito à empresa social. Este estudo visa descobrir os motores e as barreiras de uma empresa social durante a internacionalização especificamente para a Free to Seed, um fabricante líder de embalagens biodegradáveis na Malásia. A literatura analisa a estratégia e o processo de internacionalização, bem como a empresa social e a sua sustentabilidade. Este estudo utilizou uma abordagem de estudo de caso único para identificar os motivos da internacionalização, as escolhas estratégicas e os desafios de uma empresa social. Os motivos foram examinados através da análise do processo e modo de entrada num mercado estrangeiro. Os resultados mostram como a empresa social adapta os recursos existentes para satisfazer a procura dos mercados e prossegue com sucesso os objectivos empresariais e sociais. Os desafios da internacionalização e como a empresa os superou foram também discutidos. Finalmente, foram sugeridas limitações a este estudo e implicações para futuras pesquisas.

Title of the dissertation: Internationalization of a social enterprise – motives, process and challenges: A case study of Free the Seed.

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## Introduction

The liberalization and deregulation of markets, advances in telecommunication and technologies have changed the ways how the company operate. Internationalization has become a significant route for companies to enter into a larger market which enables them to expand their customer base, increase production line, generate more profits, and enhance the company's growth. Numerous insights about different issues that influence internationalization are classified into internal factors and external environment, including firm structure, firm size, business strategy, entrepreneurial orientations, human resource capabilities, social network, language and currency, competitive market, and trust (Bowen, 2020; Chandra, Paul, & Chavan, 2020; Hutchinson, Quinn & Alexander, 2006; Mendy & Rahman, 2019; Santhosh, 2019).

Apart from that, research also revealed that insufficient capital, technological strength, available growth opportunities, legislative, tacit knowledge, resources capability, managerial competencies, cultural differences are amongst the crucial factors that determine the firm's survival in the internationalization process (Chandra, Paul, & Chavan, 2020; Ganesan & Samii, 2016; Hutchinson, Fleck, Lyold-Reason, 2009). While the internationalization processes have been extensively studied, most of the research focused on large multinational companies, retailing firms, and even small-and-medium-sized enterprises (SMEs) (Bowen, 2020; Hutchinson, Quinn & Alexander, 2006; Li, Yi & Cui, 2017; Moghaddam, Sethi, Weber, & Wu, 2014), only scant empirical research examining social enterprise (Evans, Ermilina, & Salaiz, 2020; Jenner, 2016).

The literature on internationalization has widely studied commercial firms, however, the understanding of how internationalization occurs within the social enterprise is limited (Evans, Ermilina, & Salaiz, 2020). This is despite the social entrepreneurship and social enterprises are vibrant and growing, commonly address the global issue. In Malaysia, social enterprises create 34% of employment opportunities, improve community well-being (27%) and protect the environment (24%) (The British Council, 2019). However, cash flow issue is one of the biggest challenges (55%) for social enterprises, followed by awareness (36%), challenges in recruiting staffs (33%), and difficulty in obtaining financing (31%) and grants (27%) (The British Council, 2019). However, the study of social enterprise in Malaysia is relatively new, with only a handful of local research examining the definition of the social enterprise with highly specific case studies of individual enterprises (Cheah, Amran, & Sofri, 2019; Khadir & Sarif, 2016).

Addressing the abovementioned issues, **this study aims to explore the peculiarity and challenges of the internationalization of a social enterprise from a developing economy**. In particular, it aims to understand the internationalization of a social enterprise in terms of motives, impediments and ways of overcoming them. To fulfil the research objective, three research questions have been developed:

*1. Which factors and how have influenced the motive of the studied social enterprise to internationalize?*

*2. Which factors and how shaped strategic choices in the internationalization of the social enterprise (locations, modes of entry, adaptation)?*

*3. What challenges the studied social enterprise has faced in internationalization and how it has overcome them?*

The case study, based on interview and secondary data, shed some light on the motives, timing, strategy, and challenges of the internationalization of the social enterprise. The findings help to understand how social enterprise's foreign expansion is similar to and different from for-profit organizations. The analysis reveals that an understanding of social enterprise internationalization is attainable by integrating multiple theoretical foundations such as resource-based theory and born global view. The research finding also shows the role of the flexibility of a social enterprise in adapting to the demands of foreign expansion.

# Chapter I. The phenomenon of internationalization

Internationalization has been recognized as the key step for firms to enter the foreign markets as it requires lesser resources, lower risk, and cost to expand the business internationally (Uner et al., 2013). The international expansion is not only restricted to export but also encompasses foreign direct investment and various collaboration strategies e.g., cross-border collaboration, alliances and joint ventures (JV).

The term "internationalization" has been much discussed concerning its various definitions. In general, the internationalization of enterprises means their involvement in the international environment. Welch and Luostarinen (1988) defined internationalization as a "*process of increasing involvement in international operations*". Wright and Ricks (1994) have a similar view where highlighted internationalisation can be understood as a firm-level activity that crosses national borders. According to Jones and Coviello (2005), internationalisation can be captured as "*patterns of behaviour, formed by an accumulation of evidence manifest as events at specific reference points in time*" (p. 292). While Ruzzier, Hisrich and Antoncic (2006) described internationalization as a synonym for the geographical expansion of economic activities over a national country's border.

Other definitions of internationalization proffered by researchers are confined to business activities, strategy, and transaction. Katerina and Aneta (2014) refer internationalization to as the tendency of companies to systematically increase the international scope of their business activities. Whereas Fernades, Pereira, Simões and Moreira (2019) and Carlos, Jesus, Henriques and Moreira (2021) associated internationalization with strategies formed by enterprises that decide to operate in the foreign market, involving the cross-border transaction of goods, services, or resources between organizations that origin different countries.

## 1.1. Internationalization strategy

Due to the increasing global trade, Welch and Luostarinen (1988) proposed a broader scope of the internalization process that includes both **inward** and **outward internationalization.**

***Inward Internationalization***

The process of inward internationalization involves the production and purchasing activities in foreign markets such as the import of goods and raw materials; the import of staffs and specialists; the acquisition of machinery and knowledge with foreign companies (Welch & Luostarinen, 1988). Moreira et al., (2018) suggested inward activities happened more frequent in the early stage of firms and it may include establishing joint ventures with foreign partners in the home market.

Generally, inward activities require lower investment and simultaneously allows a valuable contribution to domestic production through the supply of raw materials, components, and technical know-how (Moreira, Ferreira, & Silva, 2018). This knowledge can be of the utmost importance in selecting potential business partners, reducing the liability of foreignness regarding legal issues and cultural differences (Karlsen, Silseth, Benito, & Welch, 2003). Therefore, firms' inward internationalization is performance-driven, allowing firms to construct internal capability and enhance performance with the capitals, knowledge, and skills that they gain from overseas (Buckley, Clegg, & Wang, 2002).

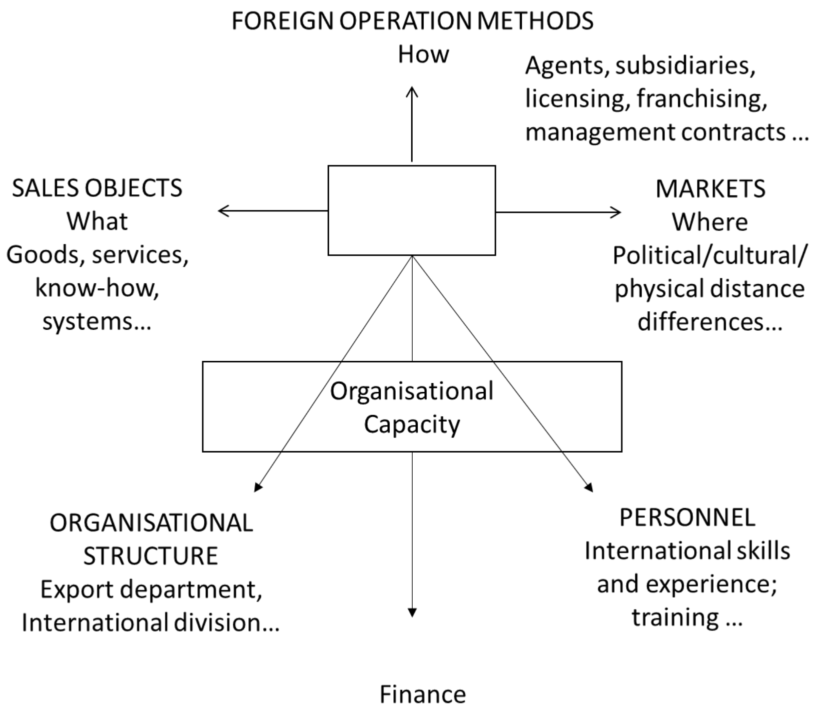
***Outward internationalization***

The process of outward internationalization involves business activities such as exports, subsidiary sales, production and manufacturing contracts, licensing and foreign direct investments (Welch & Luostarinen, 1998). Outward internationalization creates an opportunity for local firms to expand their businesses to the global market (Ireland et. al., 2001) through alliance formation and cooperation with a foreign partner (Idris & Saridakis, 2018) as the internationalization process is less complex. (Meyer & Skak, 2002).

The degree of outward internationalization (DOI) can be measured by the ratio of foreign sales to total sales (FSTS) (Welch & Luostarinen, 1988) and the ratio of the number of overseas subsidiaries to total subsidiaries (OSTS) which examines the scale and scope of subsidiaries across countries (Sun et al., 2015). In general, a firm's outward internationalization enhances product and process innovation, better utilization of capacity, skill development and improve business performance (Morgan & Katsikeas, 1997).

Welch and Luostarninen (1988) further emphasized that success in outward activities is partly dependent on inward performance. Given the diversity to operate internationally, it is important to understand the company's strategy for capacity planning which included several dimensions, i.e., foreign operation method, sales objects, organizational structure, finance, personnel, and markets (Welch & Luostarninen, 1988). In general, these dimensions of internationalisation as presented in Figure 1 discusses how a company can increase international involvement.

**Figure 1. Dimensions of internationalisation**




Source: Welch, L. & Luostarinen, R., 1988. Internationalization: Evolution of a Concept. *Journal of General Management*, 14(2), pp.39.

### 1.1.1. Motives of internationalization

There are numerous motives for a firm to expand internationally. Past studies have found firm's growth, profits, networks, supply chain relations, and some other opportunities (Hansson & Hedin 2007; Dunning & Lundan; 2008; Onkelix & Sleuwagen 2008; Hollensen, 2008) play the role as the motivation for firms to engage in the internationalization process. In the typology of the motives of internationalization developed by Dunning (2001), there are four main perspectives, namely **market-seeking, efficiency-seeking, resource-seeking and strategic asset-seeking.**

**1) Market-seeking**

In market-seeking internationalization, companies intend to invest abroad either defensively protecting existing markets or aggressively exploiting new markets (Wattanasupachoke, 2002). Particularly, a firm going to enter the foreign markets that already ventured by their competitors to prevent from being left behind (Wattanasupachoke, 2002), especially the firm follow their competitors, clients, and suppliers abroad to sustain the business (Dunning & Lundan, 2008).

**2) Efficiency-seeking**

In efficiency-seeking internationalization, companies intend to maximize their business efficiency by leveraging relative cost differentials across geographic markets (cost arbitrage) also diversifying the risk (Dunning & Lundan, 2008). For example, a firm retains core business activities that are capital, technological or informational intensive like research and development in developed countries, while leveraging the business activities that are labour- or resource-intensive e.g., manufacturing in developing countries.

**3) Resources-seeking**

The companies that engage in resources-seeking internationalization are (i) primary producers and seek access to natural and physical resources like fuels, metals, agricultural products; (ii) searching for supplies of cheap and skilled or semi-skilled labour to fill the gap in the home market; (iii) searching for technological knowledge or capabilities especially through mergers and acquisitions in developed economies to upgrade the company's knowledge and technological resource base (Dunning & Lundan, 2008).

**4) Strategic asset-seeking**

Strategic-asset seekers usually enter the foreign markets through mergers and acquisitions as this mode of entry the companies to obtain advanced proprietary technology, specific knowledge, managerial expertise and capability, high-skilled labour, brands and distribution in the host country (Dunning & Lundan, 2008). The idea behind this motive is for the companies in the underdeveloped markets for technology and other intangible assets to use mergers and acquisitions to gain access to advanced economies and further up the technology ladder.

Hansson and Hedin (2007) build on Dunning's typology of internationalization motives and proposed another perspective, namely **network seeking.** This is to recognize networking as a significant motive for a company to go in the internationalization process as building networks, relations, and collaborations with partners in foreign countries can be very vital for companies. Hence, investing in relational capital and local linkages allows the company to create a competitive advantage.

Onkelix and Sleuwagen (2008) on the other hand introduced the **push** and **pull** of motivational factors in internationalization. Push factors defined motives that arise from attractive conditions and favourable development of foreign markets that draw a company into internationalization. Whereas pull factors are the motives that reflect the specific characteristics of a company given by its resources, competitiveness, and product life cycle.

However, Hollensen (2008) has a different point of view on internationalization motives from other researchers and he viewed the motive of internationalization as **proactive** and **reactive**. The proactive motives of internationalization are profit and growth objectives, managerial initiatives, technological competencies, uniqueness of product, foreign market opportunities, market information, economies of scale, and tax benefits. On the other perspective, reactive motives of internationalization are competitive pressure, small domestic market and lack of domestic demand, overproduction or excess capacity, unconsolidated foreign orders, the possibility to extend sales of seasonal products, and proximity to international customers or psychological distance.

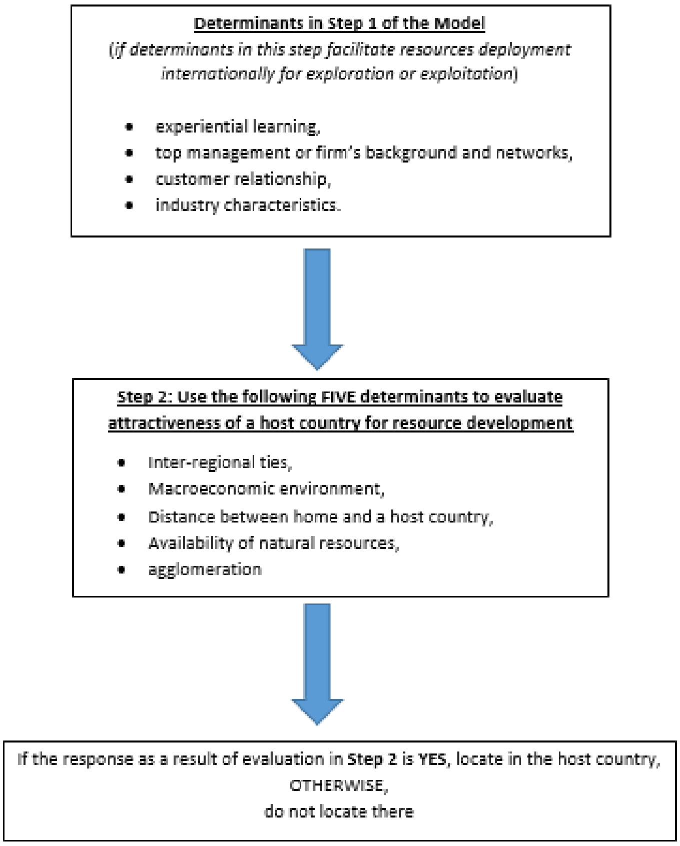
### 1.1.2. Strategic decisions in internationalization

#### 1.1.2.1. Location

Finding a suitable location for internationalization is an important factor for companies to minimizes risk and ensure early success in growth and profitability (Bose, 2016). Jain et al. (2016) further supported the importance of strategic destination for internationalization has the possibility of either increase or decrease a company's profitability. According to Jain et al. (2016), location determinants are categorized into two broad categories i.e., firm- and industry-specific location as well country-specific location.

For the selection of firm- and industry-specific location, internal capabilities, and resources i.e., top management background, networking, customer relationship and industry characteristics has to be taken into the consideration by either expanding the company to the international market through exploration or exploitation. The company then access the country-specific location by evaluating the macroeconomic environment, distance, availability of natural resources and inter-regional ties (Jain et al. 2016). This is illustrated in the Two-Step Model as presented in Figure 2 below:

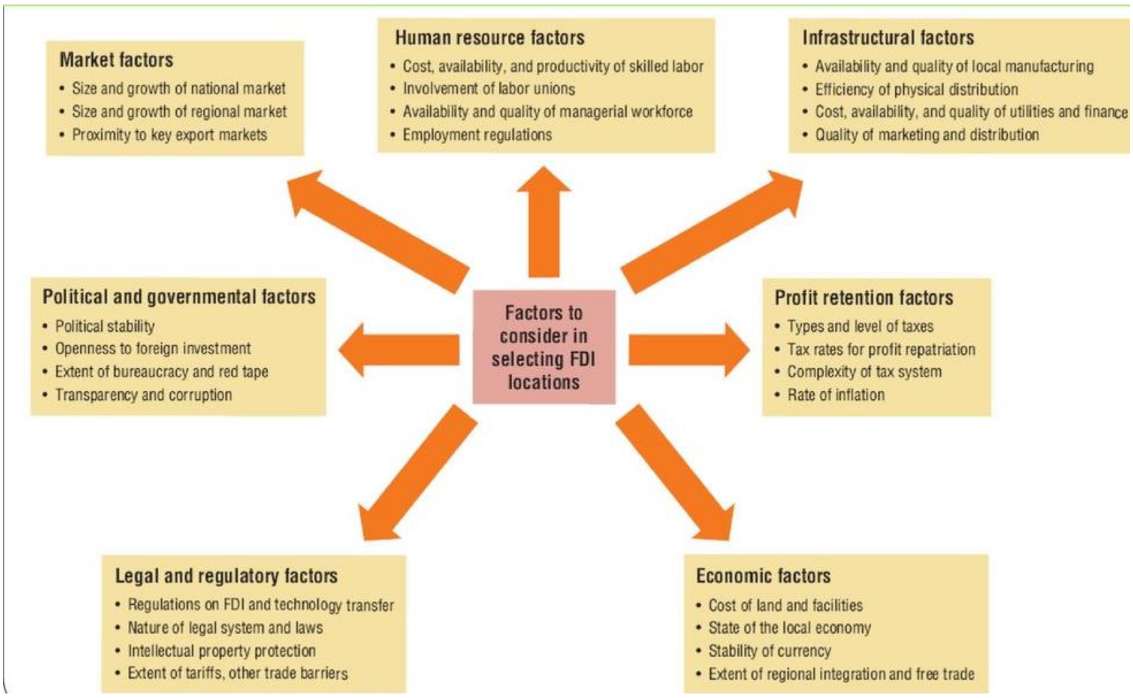
**Figure 2. A comprehensive model of location determinants**




Source: Adopted by Jain, N.K., Kothari, T. and Kumar, V., 2016. Location choice research: Proposing new agenda. *Management International Review*, *56*(3), pp.303-324.

Another approach of location determinants can be based on Dunning's (2014) Location Decision for Foreign Direct Investment (FDI) which included various factors e.g., market, human resource, infrastructural, profit retention, economic, legal, and regulatory, political, and governmental (Root, 1988, Green & Cunningham 1975, Ho & Lau, 2007, Dunning, 2014) as presented in Figure 3.

**Figure 3. Factors to consider in Selecting FDI locations**




Source: Dunning, J. H., 2014, Explaining International Production (*New York: Routledge,*); Ho, D.H.K. and Lau, P.T.Y., 2007. Perspectives on Foreign Direct Investment Location Decisions: What Do We Know and Where Do We Go From Here. *Int'l Tax J.*, *33*, p.39-48; Green, R.T. and Cunningham, W.H., 1975. The determinants of US foreign investment: An empirical examination. *Management International Review*, pp.113-120; Root, F.R., 1988. Entry Strategies for International Markets. *Journal of Marketing*, *52*, pp.128-132.

Market size and the high growth potential of host countries are the market factors that associated with foreign market investment selection of location since larger potential demand and lower costs due to scale of economies (Walsh & Yu, 2010). Bevan and Eastrin (2000) found that transition economies with larger economies also tend to attract more FDI.

Human capital is found to be a relevant determinant, especially in skilled labour-intensive sectors where the level of education improves productivity and facilitates technological innovation (Brooks et al., 2010). Furthermore, the United Nation Conference on Trade and Development (UNCTA) (1999) also indicated the trend of shifting of labour-intensive processes to developing countries has in the past three decades. Moreover, the main locational advantage of some developing countries is the low cost of labour which related to relatively low wages and high labour productivity.

Good quality of infrastructure also attracts more FDI (Vijayakumar et al., 2010). This triggers the clustering effect as foreign firms often invest in similar areas to existing FDI with a good track record so they can benefit from external economies of scale (Walsh & Yu, 2010). By clustering with other firms, new investors benefit from positive spillovers from existing investors in the host country. Evidence for these effects is widespread, such as Barrell and Pain (1999) in the Western European region, and Campos and Kinoshita (2003) in the transition economies, both finding empirical evidence of agglomeration effects.

Profit retention factors, such as tax rates are the key element to determine the location for investment because it is directly affecting the company profit, hence countries with lower corporation tax rates tend to attract more FDI (Cheng and Kwan, 2000, Jaworek et. al., 2019). Jaworek et. al. (2019) found high taxes limiting Polish companies to explore foreign market by greenfield projects, instead, they will more likely go for acquisitions. They speculate Polish investors taking over foreign entities sought to optimize the tax structure using the benefits of different levels of profitability in their capital group and the ability to reduce taxes in countries with high tax rates. Cheng and Kwan (2000) observed export-oriented FDI is more responsive to preferential tax treatment, but FDI that is aimed at the local market is more responsive to policies on market access and policies that affect domestic demand.

Whereas for economic factors, a weaker exchange rate might be expected to increase vertical FDI as firms take advantage of relatively low prices in the host country to increase home-country profits (Walsh & Yu, 2010). Blonigen (1997) created a “firm-specific asset” argument to show that exchange rate depreciation in host countries tend to increase FDI inflows. However, exchange rate volatility could discourage investment. Jadhav (2012) found the inflation rate along with other economic factors is statically significant for the emerging economies. He also discovered the host country inflation rate, market size, and trade openness have a positive effect on total inward FDI. Dunning (2009) suggested the critical factor in the spatial distribution of FDI related to the overall economic prosperity of the countries; when the economic slowdown, the inbound FDI fall and vice versa.

Legal and regulatory factors such as laws, intellectual property protection, tariffs and trade barriers also affected the internationalization location decision. Bayraktar (2013) founds FDI inflows strongly increase, as well as legal rights, while at the same time the cost of construction permits decline. Dunning (2009) proposed quality of intellectual property rights is a key reason to attract FDI for knowledge-intensive industries. The author also points out the regulation on FDI including entry, performance and exit requirement; country legal and law system on corruption policy, land tenure critically affects the locational decision of foreign firms.

In addition, political stability, government policy on openness to foreign investment also will influence the internationalization location. Resmini (2000) found increasing openness to foreign investment benefit vertical FDI in the manufacturing field in Central and Eastern Europe. Walsh and Yu (2010) view political and macroeconomic stability are key concerns of potential foreign investors. Cole et al. (2009) suggested that good governance can affect FDI location choice and Wei (2000) found that corruption significantly adds to firm costs and impedes FDI inflows. Besides, the high sunk cost of FDI makes investors highly sensitive to uncertainty, including the political uncertainty that arises from poor institutions (Walsh & Yu, 2010).

#### 1.1.2.2. Timing

After an attractive market have been identified, the next concern would be the timing to enter the global market. The advantages of being a pioneer in entering a market earlier than other international businesses are commonly known as **first-mover advantages** (Peng, 2009). The first advantage is the ability to prevent rivals and capture demand by establishing a strong brand name. The second advantage is the ability to build sales volume where the early entrant enjoys a cost advantage over later entrants. The cost advantage provides an opportunity for an early entrant to offer at a much lower price than later entrants, thereby driving later entrant out of the market. A third advantage is the ability of early entrants to engage the customers to their products and services and create value for the brands which makes the customers reluctant to switch to other products and services. Such switching costs make it difficult for later entrants to win the business (Hill, 2011).

Entering a foreign market before others will have disadvantages too, which often referred to as **first-mover disadvantages** (Shaver et al., 1997). Early entrant may need to bear the pioneering costs to venture into the market, where this cost can be avoided by the later entrant. Pioneering costs may include the cost of time, efforts and expenses, cost of failure, cost of liability, and cost of promotion. It is due to when the business landscape in a foreign country that is so much different from the home country, the companies must devote considerable effort, time, and expense to learn the culture (Shaver et al., 1997), it may cause mistakes and failure.

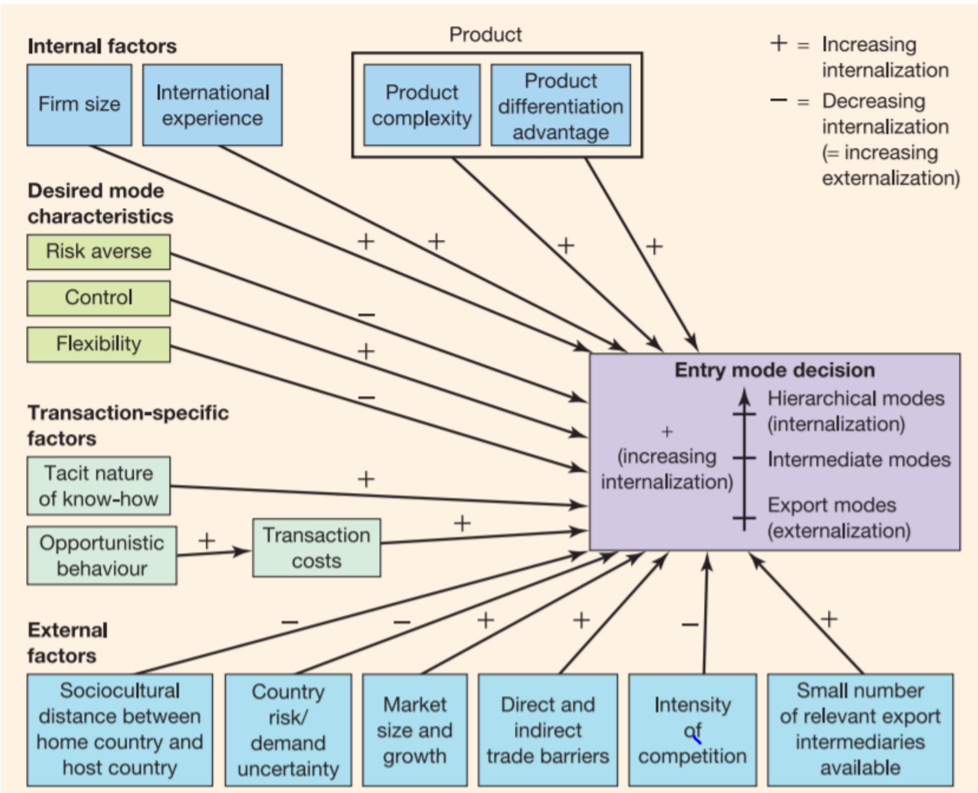
On the other hand, there is evidence supporting the late mover strategy (Fuentelsaz et al., 2002). The research found that the probability of survival increases if an international business enters a national market after several other foreign firms have already done so the late entrant may benefit by observing and learning from the mistakes made by the early entrants (Shaver et al., 1997). Hence, the key is through interaction with other strategic variables that entry timing has an impact on performance (Peng, 2000).

#### 1.1.2.3. Mode of Entry

***Macro-level determinants***

There are different modes of entry into the international business based on the size of the business, the company's expansion strategies, the demand at the international market, the economy and the business environment at the destination of the international market. Hollensen (2014) viewed internal factors, desired mode characteristics, transaction-specific factors and external factors are associated with entry mode decision as presented in Figure 4 below.

**Figure 4. Factors affecting decision on foreign market entry mode.**




Source: Hollensen, S., 2007. *Global Marketing: A decision-oriented approach*. Pearson Education, p. 297

In general, the determinants of foreign market entry modes can be divided into three levels, i.e., macro, meso and micro-level determinants.

***Macro-level factors***

One of the factors that affect the consideration of entry mode is the *direct and indirect trade barrier*. Firms seek to balance the risks due to industry structural barriers and liabilities of foreignness while seeking entry into international markets (Elango & Sambharya, 2004). *Barriers to entry* are one of the industry factors affecting the choice of foreign market entry modes (Zekiri & Angelova, 2011). Entry barriers such as tariff and non-tariff are imposed by governments to protect domestic industry or to ensure that companies entering from foreign markets conform to trade relation's arrangements with other countries. It will increase difficulties for a newcomer to enter into a market, so the existing companies are more valuable and thus reduce the risk of new competition.

***Meso (Industry)-level factors***

Another factor is the intensity of the level of *local competition*, when the intensity of competition is high in the host market, firms usually will favour lower resource commitments entry modes such as exporting since the markets tend to be less profitable and therefore do not justify heavy resource commitments (Hollensen, 2014). Besides, the number of relevant intermediaries available is essential as it indicates the *bargaining power of suppliers*. Highly concentrated markets will lead to a monopolistic situation where supplier have higher bargaining power, so a firm tends to enter via WOS to gain control and reduce risks (Hollensen, 2014). On the other side**,** *the bargaining power of buyer* is relatively important for a firm to consider as it may lead to certain foreign market entries, often called forward vertical integration (Shervani et al., 2007). Peng (2009) suggests the company usually entered through acquisition of its value or supply chain to gain control and create synergies for the parent company.

***Firm-level factors***

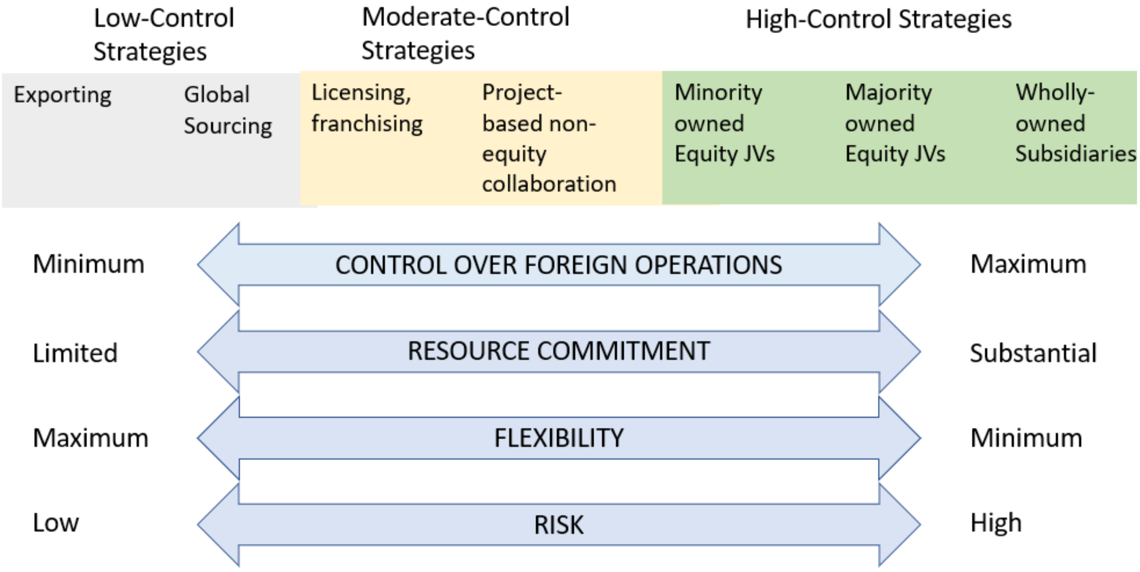
*Firm size* is an indicator of the firm's resource availability, with the increasing resource availability provides the basis for increased international involvement over time (Hollensen, 2014). The size of a firm is often the reflection of its competitive advantage in financial, physical, human, technological, or organizational resources (Lin & Ho, 2019). A large firm size demonstrates a firm's ability to absorb the high costs and risks associated with international activities through sole ownership of foreign affiliates (Ekeledo and Sivakumar, 2004), while SMEs are more likely to enter foreign markets using export modes because they do not have the resources necessary to achieve a high degree of control or to make these resource commitments (Hollensen, 2014).

Another firm-specific factor that influencing the mode of choice is the *international experience* of managers and thus of the firm. Experience referring to the extent to which a firm has been involved in operating internationally, which can be gained from operating either in a particular country or in the general international environment (Hollensen, 2014). The author added international experience reduces the cost and uncertainty of serving a market and hence increases the probability of firms committing resources to foreign markets, which favours direct investment in the form of WOS.

Firms with more international experience are likely to know foreign condition resulting in much better positioning their firms strategically in response to the various international conditions and preparation for further international expansion opportunities (Barkema & Shvyrkov, 2007). However, Datta et al. (1991) mention having a presence and operating in multiple countries with varying cultural contexts may also burden firms with a significant increase in transaction and operating costs due to growing management complexity and coordination issues, which could potentially outweigh the benefits of international expansion.

*High complexity* product which required higher control to provide before and after-sale service, hence the hierarchical modes would be the best suit (Hollensen, 2014). *Product differentiation advantages* allow firms to charge a premium price and allow firms to limit competition through the development of entry barriers. It is the competitive strategy of the firm, serving customer needs better and thereby strengthening the competitive position of the firm compared to others. Due to these advantages represent a ‘natural monopoly’, firms seek to protect their competitive advantages from dissemination using hierarchical modes of entry (Hollensen, 2014).

**Figure 5. Entry modes and control over operations**




Source: Driscoll, A 1995 'Foreign market entry methods: a mode choice framework', International marketing reader, Routledge, London; New York.

Figure 5 presented entry modes and control over the operation in various perspectives and suggested few strategies as a mode of entry. Previous research found the various entry modes can be considered as a continuum (Sternquist, 1998), ranging from low control (e.g., exporting) to high control (e.g., WOS), which vary in the degree of risk-averse, control and flexibility. The study also includes resource commitment and classify those factors is divided into three strategies that can be shown in Figure 5: (I) Low control strategies like exporting and global sourcing enjoy the minimum control over foreign operations, commit limited resources, high flexibility, and lower risk; (II) Moderate control strategies like licensing, franchising and project-based non-equity collaboration that enjoy a medium level of control over foreign operations, average resources required and that translate into modest flexibility and risk; (III) High control entry strategies as JV and WOS demand a substantial resource abroad with maximum control but come with minimal flexibility with high risk.

Hill (2011) classified two types of company asset (management and technology) as its core competence. The prior belong to most service firms and the latter are high-tech firms. One of the valuable assets of the service firm is the brand name; hence they are favour a combination of franchising, wholly-owned subsidiaries (WOS), and joint venture (JV) to have a higher level of control. When a firm's core competence is the proprietary technological know-how, it will probably do so through a WOS to minimize the risk of losing control over that technology and maximize profit (Hill, 1992). For the tangible asset, Hollensen (2014) proposed for the firm that produces high-value product such as luxury watches would go for exporting method while low-value item like beverages firm could enter through licensing or local production due to lower shipment cost and prohibitive reason.

Management also weighs up the flexibility associated with a given mode of entry to match the adaptability of the firm’s business model commitments (Hollensen, 2014). The hierarchical modes that involving substantial equity investment are typically the costliest, it offers the highest control but least flexible and most difficult to change in the short run. Intermediate modes like contractual agreements and JV limit the firm’s ability to adapt or change strategy when market conditions are changing rapidly.

***Choice of foreign market entry modes (How)***

#### 1.1.2.4. Entry mode theories

**Transaction cost theory** focuses on the efficiency of different organizational structures to minimize transaction costs associated with doing business across borders, such as information search costs and opportunism costs (Palenzuela & Bobillo, 1999). The latter arises when a local partner takes advantage of the entrant firm’s dependency by using its assets like technology or brand for additional purposes other than those originally granted (Madhoka, 1997). To mitigate the threat of opportunistic behaviours, entrant firms are likely to use entry modes with higher levels of control. According to the theory, firms should select the most efficient type of entry mode in terms of economizing transaction costs and reducing resource commitments when operating in a foreign market (Brouthers et al., 2000). For instance, establishing a WOS may reduce transaction costs by lowering opportunistic threat, yet the savings might be offset by higher bureaucratic costs associated with managing a WOS; in that case, a lower control level entry mode such as franchising might be a better option (Chen & Mujtaba, 2007).

The **resource-based theory** explains entry mode choice depends on an entrant firm’s portfolio of resources and capabilities (Brown & Zhou, 2003). The theory considers a firm to be a unique combination of tangible and intangible resources, which allow the firm to operate in a cost-efficient manner and contribute to the firm’s competitive advantage (Sharma and Erramilli, 2004). According to the theory, a firm chooses the entry mode that can best exploit its existing resources or generate new resources in the foreign market (Sharma and Erramilli, 2004). For example, a high control entry mode gives fashion firms an enhanced ability to obtain maximum returns when a firm possesses resources that are sufficient to exploit a new market; in contrast, a low control entry mode is useful for enhancing a firm's competitive advantage in a new market by relying on its partner's resources such as capital, physical facilities (Lu et al., 2011).

**The institutional theory** examines how firms enter and operate in foreign markets, in the institutional context of specific rules, norms and values (Davis, et. al., 2000; Meyer & Nguyen, 2005). The theory suggests that firms entering new foreign markets will copy actions of both local-host market firms and competitors in this specific market, and thus validate their operations as well as their market presence (Davis et al., 2000; Yiu & Makino, 2002). Scott (1995) distinguishes these institutional forces into three specific groups: regulative, normative, and cognitive. Regulative forces refer to laws and rules; cognitive forces can be considered concepts by which meanings are created; the normative ones include values and norms. Whereas the regulative forces arise from economics, normative and cognitive forces are embedded in sociology (Peng & Heath, 1996). Several authors (Chatterjee & Singh, 1999; Davis et al., 2000) suggest that the institutional context significantly influences entry mode performance because of the direct connection of the type and usage of specific organisational capabilities with entry mode choice. For instance, the institutional structure may create barriers to foreign market entry such as legal restrictions on ownership (Delios & Beamish, 2001).

Root (1994) also proposed three different rules for entry mode selection:

1. *Naive rule.* The decision-maker uses the same entry mode for all foreign markets. They ignore the heterogeneity of individual foreign markets.

2. *Pragmatic rule.* The decision-maker uses a workable entry mode for each foreign market. In the early stages of exporting, the firm typically starts doing business with a low-risk entry mode. When the initial mode is not feasible or profitable, then the firm starts looking for another workable entry mode. In this case, not all potential alternatives are investigated, and the workable entry may not be the best entry mode.

3. *Strategy rules*. This approach requires that all alternative entry modes be systematically compared and evaluated before any decision is made. It chooses the entry mode that -

maximizes the profit contribution over the strategic planning period subject to (a) the availability of company resources, (b) risk, and (c) non-profit objectives.

Research has shown the mode of entry strategy changes concerning the level of commitment, for instance, a well-known Nordic study shows the pattern from no exporting to exporting via an agent, to a sales subsidiary and lastly to a production subsidiary (Johanson & Wiedersheim-Paul, 1975). The rationale behind the pattern is due to increasing the market knowledge, experience of operation and skills required which have gained over time while discovering the arise of opportunities and threats externally.
Johanson & Vahlne (1977) believe that internationalization is the product of a series of incremental decisions thus building a model that aligns with previous research.

#### 1.1.2.5. Level of adaptation

Theodosiou & Leonidou (2003) indicated that research has particularly concentrated on whether firms, regardless of the foreign market entry mode chosen, should standardize or adapt their marketing strategy in overseas markets to ensure the sustainability of international operations. On top of the supporter for *standardization* and *adaptation*, the third group of scholars provided their *contingency* perspective.

*Standardization* advocates view that the globalization trends facilitated by advancement in technology, communication, transportation, and increased international travel have led to greater market similarity, higher convergence of consumer needs and preferences (Yip, 1996; Backhaus & van Doorn, 2007). Furthermore, a cluster of countries that share similar macroenvironmental characteristics (Chung, 2005), greater similarity between the home and the host country's stage of economic and infrastructural development, regulatory environment, competitive intensity also favour standardization (Katsikeas et al., 2006).

Essentially, the global consumer is increasingly looking for high-quality products at a low price (Dimitrova & Rosenbloom, 2010). Hence, this strategy offers several benefits: a) significant economies of scale and scope in all value-adding activities, particularly in research and development, production, and marketing (Griffith et al., 2014); b) high level of consistent company image across countries (Chung et al., 2012); and c) enhance international operations performance due to better coordination and control (Backhaus & van Doorn, 2007).

Proponents of *adaptation* argue that, although increasing globalization tendencies, variations between countries in the area like purchasing power, commercial infrastructure, culture and traditions, laws and regulations, and technological development are still substantial, thus it is necessary to adjust a firm's strategy to individual circumstances of each foreign market (Terpstra & Sarathy, 2000). Brouthers et al. (2005) showed that adjustments in competitive strategy to certain geographic areas result in higher satisfaction with export performance.

The adaptation of market strategies helps reduce the liability of foreignness and improve pragmatic legitimacy (Maruyama & Wu, 2015; Wu & Salomon, 2016). Moreover, the adaptation of products and marketing practices to local markets seem to be associated with a high learning engagement (Peterson & Pederson, 2002). Ciszewska-Mlinarič & Trąpczyński (2019) found foreign market adaptation is one of the competitive advantages for firms from CEE countries given the constraints related to internationally less recognizable brands and a lower scale of operations, which results in limited market power and experience curve effects.

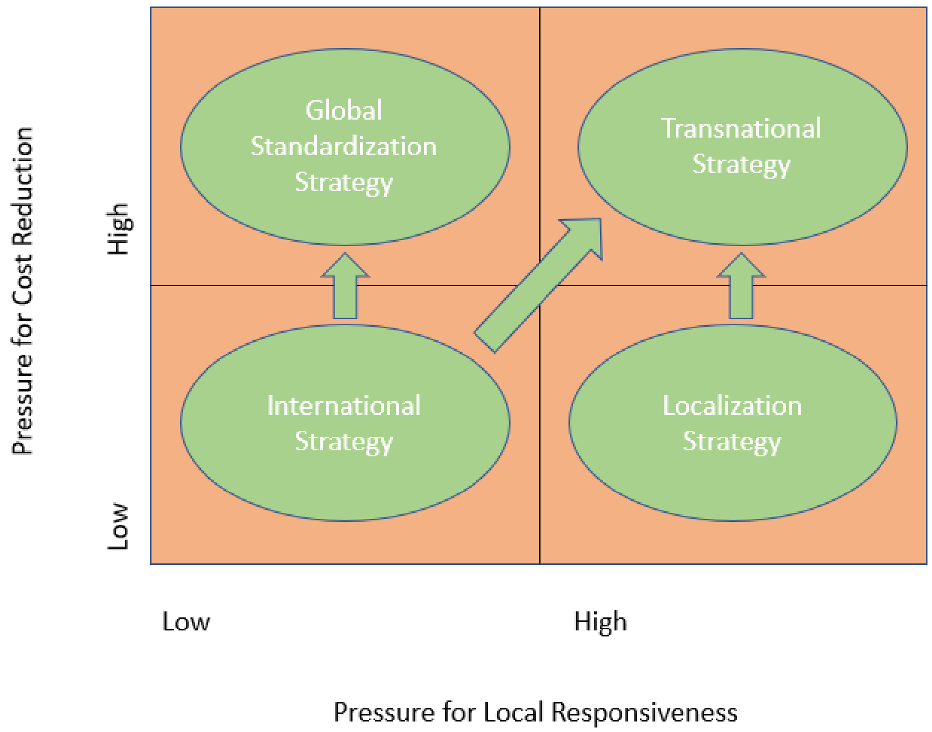
The third group of researchers offers a *contingency* perspective on the above polarization. In their view: (a) standardization or adaptation should be seen as the two ends of the same continuum, where the degree of the firm's marketing strategy standardization/adaptation can range between them; (b) the decision to standardize or adapt the marketing strategy is situation-specific, and this should be the outcome of thorough analysis and assessment of the relevant contingency factors prevailing in a specific market at a specific time; (c) the appropriateness of the selected level of strategy standardization/adaptation should be evaluated based on its impact on company performance in international markets (Cavusgil & Zou, 1994; Vrontis et al., 2009 ). Therefore, the degree of standardization or adaptation is contingent upon several external and internal organizational forces (Theodosiou & Leonidou, 2003).

The external factors such as industry conditions, the host country's level of economic and technological development, government restrictions, and national differences in tastes are more feasible to succeed with adaptation (Kanso & Kitchen, 2004 Chung, 2007). Internal elements like the firm size, internationalization experience, local market knowledge, foreign entry mode choice, and the degree of autonomy delegated to local management may affect the firm's strategy (Solberg, 2000, Chung, 2007, 2009).

Firms operating in the global market are facing two competitive pressures on the external environment, one from the competitors and another from the local consumer (Hill, 2011). Thus, he proposed the internationalization strategy focusing on the pressures between cost reduction and local responsiveness. Cost reduction forces a firm to achieve economies of scale, learning effect and location economies by lower the cost of value creation, and the need for local responsiveness occurs from differences in consumer preferences, distribution channels and local authority regulation.

Welch and Luostarinen (1988) tend to study the dimension on internalization from the perspective of the method and organisation capacity, nonetheless, in the modern time where international business is a common phenomenon, it is important to examine the external environment where competitor and customer are the vital factors for firms to understand and adapt to the model where profit can be maximized.

**Figure 6. Changes in strategy over time**




Source: Hill, C., 2011. *International business*. 8th ed. New York: McGraw-Hill Irwin, p.465.

The **international strategy** is those company, fortunately, operating in the blue ocean and serving universal needs. This occurs only in a few niche industries such as pharmaceutical where the firm conducts its research and development actives in the home country and having strong control over its product and marketing strategy. The **localization strategy** concentrates on tailoring their output to suit local preference, increase the value of that output in the local market for maximizing business profitability. However, such adaptation is only feasible when the consumer willing to pay a higher price to cover the customisation cost.

The **global standardization strategy** empathises on increasing profitability and profit growth by taking on a cost reductions pathway. It reflects in the software and semiconductor field whose provide the products often serve universal needs with a strategic goal is to pursue a low-cost strategy on a global scale. Lastly, the most common in the global marketplace where most players taking **transnational strategy** due to the highly competitive environment (Bartlett & Ghoshal, 2002). In this strategy, companies try to provide a valuable offering to the local market with an attractive price, to secure the market share and aim to grab the piece from others eventually. However, this required a substantial amount of investment such as financial, effort and time, thus it is the hardest strategy to implement even for multinational companies (Hill, 2011). Nevertheless, with the emerging competition, both international and localization strategies become less viable with a high possibility to evolve to either global standardization or transnational.

## 1.2. Internationalization process and models

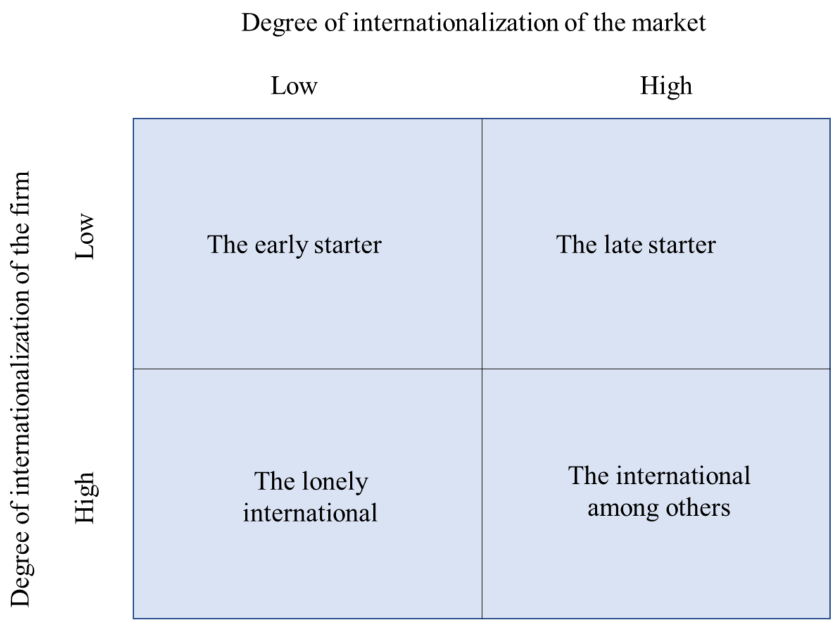
### 1.2.1. Network view of the internationalization process

The network approach of internationalization is a cumulative investment process because it is based on the analysis of three interlink hypothesis which are the relationships with the network, exchange market assets, and duration to create and grow investment opportunities (Johanson & Mattsson, 1985). The **early starter** type implies those firm have a low commitment and weak relationship with their foreign network; hence, lack of foreign institutional knowledge follows by a low level of international operations (Eriksson et al., 1997). Similar to the early starter, the **late starter** firms have a low level of commitment and experience in overseas market but having some relationships with counterparts that already internationalized (Johanson &

Mattsson, 1988), which helps the firm accumulate experiential knowledge through increasing interaction with its oversea network (Costa-Silve & Madureira, 2004).

Compared to the *late starter*, the **lonely international** firm acquires the first-hand experience by participating in activities abroad; however, it lacks existing relationships in the foreign market. The ideal position resides as the **international among others**, that has developed its good position and resources overseas. They enjoy gathering superior knowledge by physically present in the country (Porter, 1990), combined a strong tie with their internationalised network which resulting higher number of opportunity to further expand its market share by increasing the integration such as mergers, acquisitions, and strategic alliances (Gebert Persson et al., 2015).

**Figure 7. Four categories of internationalized companies**




Source: Johanson, J. & Mattsson, L.-G. (1988), "Internationalization in industrial systems internationalization –a network approach", p. 294.

### 1.2.2. Uppsala model

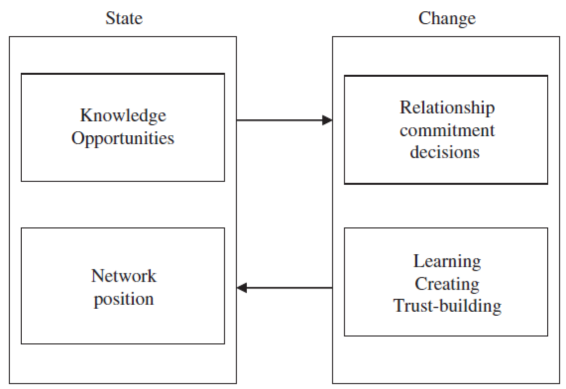
This gradual internationalization phenomenon was noticed by Swedish researchers and constructed the Uppsala model (Johanson & Vahlne, 1977). It was based on observations from the number of Swedish set up subsidiaries overseas and studying the industry of Swedish companies in global market, formed a regular pattern of those company usually started with exporting when the demand occurs from the foreign market, following by recruiting and partner with local agents who have a local network and market knowledge. Finally, they will build their own sales organization, and even the production line once the opportunity for growth is spotted. This dimension of internalization pattern was labelled by the authors as the establishment chain which typically begin in the foreign markets near to home country in terms of geographical distance and slowly enlarge their operation once the potential benefits subside the risk through learning institutional knowledge and relationships building.

Since then, many studies demonstrated the importance of networks in the internationalization of firms (Penrose, 1966; Hagg & Johanson, 1982; Martin et al., 1998). Hagg & Johanson (1982) concluded from their research that firms develop the relationship through the learning-by-doing process, which eventually adding their commitment and engagement more frequently once they learn about the peers' capabilities and resources. Martin et al., (1998) discovered the vertical organizational relationship with suppliers, particularly with customers, could affect their pattern of overseas expansion.

Penrose (1966) and the resource-based view (RBV) presume the resources from the network are diversified and the value derived by the combination of every single resource, regardless of market condition. Those academicians acknowledged the important role of network and interlinkage within a network provide a source of additional knowledge to a firm. It includes their counterpart resources, needs, capabilities, strategies, and other relationships. They view internationalization as the outcome of firm actions to consolidate network positions.

Johanson & Vahlne (2009) enhance the original model by adding the concept of relationship-specific knowledge as shown in Figure 8. The new model contains two sets of variables (State & Change) that affecting each other which indicate a dynamic, cumulative learning process, also trust and commitment developing. They also view the firm's environment as surrounded by networks, and it affects the ways how a firm acquire knowledge from experiential learning, trust and commitment building with its counterpart, also about recognising and exploiting opportunities through the activities.

**Figure 8. Uppsala model (2009 version)**




Source: Johanson, J. & Vahlne, J., 2009. The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership, p.1424.

The top left box implies **opportunities** arise throughout the process of **knowledge** gathering, for instance, the market needs, partner's capabilities, strategies, and networks. The **network position** was presuming the internationalization process is attained in the network. If the process is ideal for every counterpart, a positive outcome of learning, trust and commitment will be developing in a network relationship and position. The **relationship commitment decision** at the top box of change variables outlines a firm choose to have a strong or weak tie with one or few relationships in its network, as both types come with different degree of effort, learning and opportunities. Finally, the right beneath box emphasizes experiential **learning**, especially specific knowledge only able to access actors within the network, incremental **trust-building** between partners results in **creating** opportunities through the individual field of knowledge.

Overall, they believe internationalization is leaning toward discovering opportunities than resolving uncertainties. The revised model shows the internationalization process is the development of networks and business relationship in foreign countries via extension, penetration, and integration. A firm is inclined to follow its important partners to go abroad, especially those involved in international business with a well-established network position nationwide, either by discovering a potential business opportunity in a particular country or wants to show the willingness to increase commitment to this business relationship.

### 1.2.3. Accelerated internationalization

The entrepreneurial start-ups that serve the sizeable oversea markets with their unique knowledge-based resources, since or near its establishment, is being described as "born global" firm (Knight & Cavusgil, 2004). With limited resources in financial, human, and tangible as most new businesses; born global develop their internationalization path rather swiftly, from the domestic establishment to initial foreign market entry is often 3 years or less (Autio et al., 2000, McDougall & Oviatt, 2000). These young firms appear to gain benefits from being the flexibility to adapt to the foreign market to gain success. This type of firm is showing an extraordinary portion of overseas revenue to total income, one the baseline that use the measurement proposed by Welch & Luostarinen, which is Foreign Sales to Total Sales (FSTS).

The small domestic market, together with the current global business environment such as increasingly universal homogeneous demand, growth of middle class, efficient and affordable logistics, reliable infrastructure network, the rise of global alliances, and other innovative technologies make communication gaps smaller are the factors that facilitated early and rapid internationalization (Knight & Cavusgil, 2015). The authors explain this phenomenon illustrated the emergence of an international business landscape provides chances for any firm, regardless of years of operation, experience, and resources can be an active participant in global trade and investment. The raising of born global companies demonstrates a more diverse universal business scene, where the new organizations can defeat the limitation in resource and experience with their innovation, commitment, entrepreneurial orientation, valuable offerings, and strong global networks, enable them to compete with the unshakable players (Knight & Cavusgil, 1996).

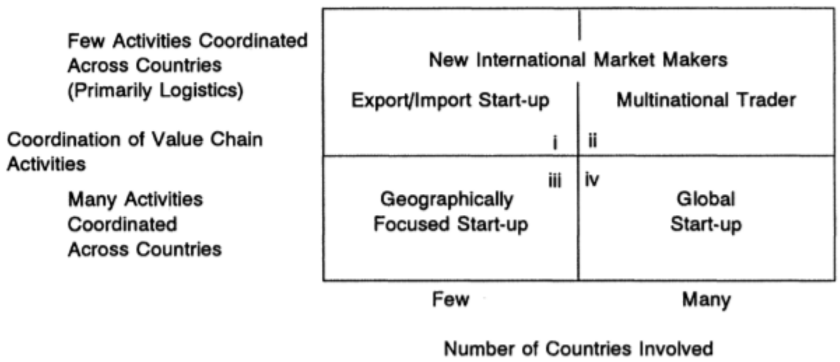
Nevertheless, some crucial component needed for a born global firm to survive and thrive for the expansion during the initial stage, that required a high degree of entrepreneurial orientation, persistence, innovation, and unique offerings. In other words, some features of born global firms are ground-breaking, essentially proactive attitude (Acedo & Jones, 2007; Zhou, 2007), which signifies the founders need to view the world as their marketplace and constantly seek opportunities; followed by endowed with distinctive intangible resources and dynamic capabilities (Conner & Prahalad, 1996; Grant, 1996), proficient at coordinating their resources under asset parsimony, by leveraging unique capabilities and strengths to overcome the deficiency of experience and resources for a young company; and lastly, a skilful strategy by cultivating mainly differentiation or focus approach according to their organization capacity

(Knight & Cavusgil, 2005). Differentiation causes the firm to disrupt the existing market particularly the market niches by providing the buyers with distinct value, begin with exploring the idea of targeting a specific customer group with distinguished expertise and acquires predominant capabilities. (Knight & Cavusgil, 2015).

***International new ventures***

Most researchers would relate this phenomenon mainly applied to the high-tech industry; however, the European Union found this trend also appears in trading, scientific, technical fields; basic manufacturing, information, and communications industries (Eurofound, 2012). Oviatt & McDougall (1994) define an international new venture as a business organization that, seeks to attain a significant competitive advantage from the utilization of resources and the sale of outputs in multiple countries since its inception. The authors presented a 2-by-2 matrix concentrating on types of international new ventures differentiated by the amount of value chain activities are coordinated and the number of countries operated.

**Figure 9. Types of International New Ventures**




Source: Oviatt, B. & McDougall, P. (1994) "Toward a Theory of International New ventures", pp. 59

The top left quadrant refers to **export/import start-up** that focusing a few countries where the founder has prior knowledge and experience while the **multinational trader** regularly accesses trading opportunities where the current network is present or the area they can establish swiftly. The advantages of these two types that mainly emphasizing logistics activities depend on their capability in creating new markets demand and ability to recognize the imbalances of resources between counties. It can be performing superior economic outcome by having a solid network, information of the markets and players then exploit the opportunities in the market.

The **geographically focused start-up** refers to those committing to a certain geographical area, narrow to the market where a specialized need arises, extend the activities beyond logistics such as research and development, human capital, and manufacturing. The benefit obtained through satisfying that needs via applying foreign resources and accomplished sustainability by forming a strong and dedicated partnership with local actors. **Global start-up** covers the universal market and featured as the opportunity-driven kind to attain resources most efficiently and trade them with the nation that offers the highest return. Perhaps it is the most challenging type to sustain in both the markets served and activity coordination, however, such a huge challenge comes with a reward of being the market leader in the respective industry over a long period once it succeeds because it is a blend of a mode of distinctive, and almost impossible to duplicate with its well-built partnership in numerous nations.

To sum up, a born-global firm empathizes with the analysis of a young start-up and its substantial proportion of total revenue derived from the sale in the international market particularly via exporting. However, international new venture stress at a young internationalizing venture launched in established multinationals with a range of value chain activities by various of entry strategies including FDI. Thus, the former is more indicative whereas the latter is extensive.

**Table 1: Comparing the Born Globals and Uppsala model**

| | **Born Globals/ International New Ventures** | **Uppsala Model (1977)** | **Revised Uppsala Model (2009)** |
|---|---|---|---|
| **Timing of expansion** | 3 years or less after inception | A long learning process, proceed slowly | Depends on existing business relationships |
| **Learning modes** | Incremental - Founder’s experience and knowledge from business partners | Experiential-based on current activities. | Via networks of relationships. |
| **Foreign market entry modes** | Export-> Intermediate -> Hierarchical | Ad hoc exporting -> Selling via agent -> Sales and Manufacturing subsidiaries | Depends on existing business relationships |

| | | | |
|---|---|---|---|
| **Internationalization process/Location** | Learning knowledge through network ties. | Establishment chain, start in neighbouring markets, gradually to distance markets. | Pursed within the network. |
| **Internationalization strategy** | Adapt it to local market needs. | Result of a process of incremental adjustments to changing conditions of the firm and its environment. | Firm's action to strengthen its network positions & protecting its position in the market. |

Source: Own work based on Sharma, D. and Blomstermo, A., 2003. The internationalization process of Born Globals: a network view. *International Business Review*, 12(6), pp.739-753; Knight, G., & Cavusgil, S. T. 2004. Innovation, organizational capabilities, and the born-global firm. Journal of International Business Studies, 35(2): 124–141; Johanson, J. & Vahlne, J., 1977. The Internationalization Process of the Firm—A Model of Knowledge Development and Increasing Foreign Market Commitments. *Journal of International Business Studies*, 8(1), pp.23-32; Johanson, J. & Vahlne, J., 2009. The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40(9), pp.1411-1431.

# Chapter II. Social entrepreneurship

## 2.1. The characteristics of entrepreneurship

Oxford dictionary defines entrepreneurship as "the ability of an individual or a group conducting activity to generate profits, by starting or running businesses, with bearing certain risks" (OxfordLearnersDictionaries, 2021). Nowadays, the scholars explain entrepreneurship in several ways, some said is the creation of new business ventures (Gartner, 1988; Minniti, 2007); few recognized it as an effect of spillover of knowledge (Acs et al., 2013), and Ratten (2020) stated it is a form of empowerment.

Entrepreneurship, an innovative activity, recognizing gaps in the marketplace and capture opportunities by introducing and working on the new idea, process, product, or service to the economy as the result of disrupting the market status quo (Stevenson, 1986). The activity of entrepreneurship involved risk and reward from financial, psychic, and social aspect, which once it succeeds, they will be enjoying the freedom of being financially independent, gain better self-esteem and improve individual social status (Hisrich et al, 2005; Shivganesh, 2007). Some literature also as associated entrepreneurship is an activity to create incremental wealth and profit marking by committing resources, effort, and time to provide value for the market demand (Ronstadt, 1984; Peng& Shekshnia, 2001). It has been acknowledged as the backbone of economic progression (Peng & Shekshnia, 2001; Chowdhury et al, 2019); providing employment (Malchow-Møller et al., 2011), technological development (Acs & Audretsch, 2003) and economic growth (Galindo & Méndez, 2014).

### 2.1.1. Main features of entrepreneurship

The literature provides the main features of entrepreneurship which will be characterized.

***Innovation***

Entrepreneurship involves undertaking a transformational path to create value while business is formed purely to generate profit. It takes on the innovation concept of "Creative Destruction" introduced by Schumpeter (1942) that creating new products, services, or business model to replace and improve what currently available offerings in the market. Young's change theory (1971) discovers the inclination of a problem to be solved, understanding a practical solution is needed; some individuals have the ability, confidence, and passion to examine the situation then transforms into an entrepreneur. Leibenstein (1966, 1979) suggest the idea on X-efficiency, clarifying some chasm in the market are innate, refers to the evolution of the economic ecosystem produce chances for capable talent to be innovative, thus filling the market gap.

***High achievement driver***

Since implementing a new practice means to challenge the status quo, and it would be difficult for a human being because of our brain's resistance to change, due to a response system that has been built in us over the course of many years as a survival instinct (Nicholson, 1998). "Change is a disrupt process, it triggers our cognitive brain turn into protective mode, instantly generating the possible threat carries and need to re-work to match into the existing framework", says Dr Sanam Hafeez, a licensed clinical neuropsychologist. Hence, entrepreneurship required a substantial amount of positive driver for implementation, like passion (Cardon et al., 2013). It is the core of entrepreneurship, consider the unpredictable outcome of initiating novel products and services, the obstacles establishing new ventures with a limited asset. Passion is the important source of self-motivation to keep oneself going to solves thousands of hurdles, traits to attract and recruit key employees and essential to raise fund from angel investors (Mitteness et al., 2012). Furthermore, it can stimulate innovation and capitalize on the future market opportunity in daily life routine (Baron, 2008).

***Risk and return***

The attitude toward risk is one of the determinant factors of entrepreneurship (Caliendo et al., 2010). Risking bearing is a key element because being a pioneer will face some unavoidable risk, no matter how well prepared and how many groundworks been laid because of unforeseen factors like market response such as rising competition and demand preferences, shortage of raw sources, or new restriction and regulation introduced, and all of these might crush all the wonderful vision. Hisrich et al, (2005) recognized risk from financial, psychic, and social angle; with the possibility of enduring reward once it overcomes, for instance being financial independence and accumulating wealth; gain more self-confidence and building better self-esteem at the psychic level, significantly improve recognition and social status.

Before proceeding to the entrepreneurial process, it is important to have the definition of each terminology clearly explained by the Oxford dictionary as shown below table:

**Table 2. The definitions of terms**

| | |
|---|---|
| **Entrepreneurship** | The activity of making money by starting or running businesses, especially when this involves taking financial risks; the ability to do this |
| **Entrepreneurial process** | The process connected with making money by starting or running businesses, especially when this involves taking financial risks |
| **Entrepreneur** | A person who makes money by starting or running businesses, especially when this involves taking financial risks |

Source: Oxford Learner's Dictionary, https://www.oxfordlearnersdictionaries.com/definition/english/entrepreneurship

### 2.1.2. The role of the entrepreneur

The word entrepreneur is originated from the French word 'Entrepredre', which means "to undertake something" which the Oxford English dictionary adopted the word in 1897 (Shivganesh, 2007; Behera, 2016). Schumpeter (1942) described entrepreneurs as risk-bearers, coordinators and organizers, gap-fillers, leaders, innovators, creative imitators. With the modernization of the integration of business, managerial, and personal terminology, the word entrepreneur has evolved to include novelty, creating, organizing, risk-taking, and wealth (Ronstadt, 1984). In other words, one combine multiple roles like challenge taker, imaginative pioneer, organizer, and reward receiver.

Entrepreneurs bear the risk of the creating of a new venture, significant to the growth of the venture, and committed tremendous efforts to adapt the venture to a changing environment. Hence, an entrepreneur is differentiated from the business executives who execute routine operations, and it closer to the dynamic activities of businessmen. The term is far beyond innovator; is an undertaker to disrupt the industry (Evans, 1942). Entrepreneurs occupy a central role in a market economy, these are responsible for the bull market, activating and stimulating all economic activity, by generating jobs, wealth, opportunities, and prosperity in the country (Shivganesh, 2007; Tracy, 2015).

Opportunistic and inventor are also some common labels for being proactive, idea generator, intuitive and passionate problem solver, able to tolerate ambiguity, prioritizing novel strategy and production, enterprise establish for manufacturing the idea invented (Miner et al., 1992; Muller & Gappisch, 2005). Entrepreneurs seek for disequilibrium - a gap between the unsatisfied needs and the products and services that are presently available, subsequently exploit the opportunities and make them happen. They invest and risk, with their own and other's resources on building the venture to produce a unique value of product or service that is attractive and can be sold at a profit (Tracy, 2015). Entrepreneurs do not recognize or develop opportunities by themselves; they rely on a complex and interconnected network of resource providers, customers, social and cultural environment and infrastructure (Roundy, 2017a).

Some others portray an entrepreneur as a craftsman – seek for independence and autonomy, leaning toward "doing" activity and focus on performance (Miner et al., 1992), they can bring together the money, raw materials, manufacturing facilities, skilled labour and land or buildings required to produce a product or service, then able to arrange the marketing, sales, and distribution for it. Scholars also named them achievement motivator - those who have a high need for achievement, strong personal initiative, and internal locus of control (Langan-Fox & Roth, 1995; Muller & Gappisch, 2005). That means they are optimistic and future-oriented; they believe that success is possible and are willing to risk their resources in the pursuit of profit; they are fast-moving, willing to try many different strategies to achieve their goals; and they are flexible, willing to adapt quickly with the new information. "Entrepreneurship is that form of social decision making performed by economic innovators." (Robert, 1952). He also points out the social orientation of entrepreneurship as it is involved with social good and welfare.

**Table 3. Summary of features describing the entrepreneur and entrepreneurship.**

| **Entrepreneur** | **Entrepreneurship** |
|---|---|
| Person | Activity |
| Undertaker | Undertaking |
| Gap filler | Gap filling |
| Risk-taker | Risk-taking |
| Innovator | Innovation |
| Coordinators | Coordination |

| | |
|---|---|
| Leader | Leadership |
| Disruptor | Disruption |
| Craftsman | Craftsmanship |
| Motivator | Motivation |

Source: Own work based on literature review

Ultimately, entrepreneurs create job opportunity for the people, improve the community's quality of life, contribute and boost economic growth, accumulate wealth for reinvestment and improve their position in the global economic competition (Kuratko, 2003).

### 2.1.3. Entrepreneurial process

It is commonly acknowledged by literature that entrepreneurship is a never-ending process with entrepreneurial objective, repeatedly sensing market opportunity, validation, and exploitation (Eckhardt & Shane, 2003; Shook et al, 2003). Drucker (2014) says it is a managerial process that is the role to create and apply innovation. Baron (2008) studied the role of affects such as an individual's feelings and moods influence cognition and behaviour that play an important role in the entrepreneurial process.

The entrepreneurial process is emphasized in two directions, the demand side by economist factor by the market demand for products and services and its cost of inputs which involve technology level and the economic situation, encourage for entrepreneurial activity by manipulating the number of potential opportunities (Shaver, 1995, Eckhardt & Shane, 2003;). The supply side was highlighted by psychologists emphasizing psychological characteristics such as attitudes and motivation are crucial determinants (Hisrich et al, 2007).

Hisrich et al (2005) explained it is the process of building something new with value by committing resources such as time, effort, and finance, estimating the association with some risks and rewards. The authors also indicate its four distinct stages surrounding opportunity, planning, resources, and the venture which many scholars shared similar views (Stevenson & Gumpert, 1985; Shane, 2003; Baron & Shane, 2007).

***Stage I. Identification and evaluation of the opportunity***

Assessing the opportunity, draft the length of opportunity and proceed with creation. Outline the real and perceived value of it, include risks and returns; evaluate the required skills and goals in the competitive market. It includes personal observation of the current market gap, contemplating the fundamental social condition, accesses the market research data, draws out the competitor, considering regulation and restriction might be imposed and how the profit can be made.

***Stage II. Development of the business plan***

Start the business plan and develop it further to the financial, organizational, and operational plan. It is crucial for fundraising activity at a later stage and serves as a clear overview for an individual for implementation. Business model canvas, environment analyses framework in macro and micro level like PESTEL, SWOT and Porter's 5 forces. The non-dollar returns of innovation investment which is from a book called *Payback* wrote by James Andrew from Boston Consulting Group, explains the means of assessing the value of innovation investment is another good framework to be included.

***Stage III. Determination of the required resources***

Resources is vital for implementing the innovation and idea, hence, consolidate current resources, spot the gaps, and locate the available resource are the steps to embark. Develop a strategic plan to obtain those resources via fundraising, recruiting, partnership, or collaboration.

***Stage IV. Management of the formed venture***

At this stage, after gathering all the ideas, plan, and resources, it is time to materialize and run the enterprise. Aware the key part for winning, figure out potential issue might arise, establish the management style, organization culture and value, keep testing and implementing practices and develop future growth and expand strategy.

Lastly, he suggested the outcome of the entrepreneurship process should also looking at economic and non-economic outcome besides measured in financial performance, as venture creation is usually a satisfactory outcome. Korpysa (2019) describes it as the process that led to the creation of new ventures with high chances of survival involves the decision-making process and is determined by principles of an organized activity with five stages below:

1. Recognition of a business opportunity
2. Development of a business concept
3. Accumulation of resources
4. Formalization of the project
5. Implementation of the project

## 2.2. The phenomenon of social entrepreneurship

"All entrepreneurship is social unless you are trading illegal or harmful substances; otherwise, you are producing positive social outcome by creating jobs, building the economy, and advancing human capacity" (Mair & Marti 2006; Chahine, 2016). These authors perceive social entrepreneurship as a process of creating value by combining resources in novel ways, with the primary intention to explore and exploit opportunities to create effective, innovative, and sustainable solutions for the social and environmental challenges, by offering services and products or new venture. Chahine (2016) further explain this is a form of social service, a path toward positive social change to improve the conditions, livelihoods, and standard of living of the population and ecosystem. The process involves social entrepreneurs who design and implements an intervention that improves the well-being of human being and environmental wellness; with the creation of a social enterprise that can be non-profit or for-profit, that streamlines its operations and supply chain to maximize social impact and minimize the use of resources, subsequently uses a sustainable, replicable, and potentially scalable business model (Chahine, 2016). Hence, it started with the concept then follow by the undertaker who builds a new venture to deliver the social impact addressing mainly market failure.

Despite the government and the commercial player are offering social welfare and create employment opportunities, billions of people still lacking basic needs such as water, sanitation, healthcare, food, and education according to the United Nation. Therefore, the existing social entrepreneurs are working to solve problems resulting from government and market deficiencies. Janus (2018) wrote, "If bringing clean water to the 800 million people who don't have access to it or selling mosquito nets to the 200 million sufferings annually from the torment of malaria, were profitable ventures, private companies would be doing it." This clearly illustrates the comparison between commercial and social enterprise on their primary focus. The latter focus on the triple bottom line to serve something which is neglected sustainably while the conventional type is profit-driven (Chahine, 2016). The author also presumed the motives for social entrepreneurship can be personal satisfaction or fulfilment.

**Table 4. Comparison between commercial and social entrepreneurship**

| | Commercial entrepreneurship | Social entrepreneurship |
|---|---|---|
| **Respond to** | Market opportunity | Market failure |
| **Bottom line** | Financial profit | Social impact |
| **Targeting** | People who have purchasing power | Underserved population |
| **Outcome** | Increase the gaps in wealth distribution among the population. | Decreasing the gap between people who have social service and those who do not. |

Source: Adapted from Chahine, T., 2016. *Introduction to Social Entrepreneurship*, New York: CRC Press, p.5.

Aileen & Mottiar (2014) discovered an individual who is mutually concerned with their communities, the environments they are living in, lifestyle interests, acknowledgement and profit which may suggest that such community could be the encouragement factor, aside from the social interests that motivate social entrepreneurs. Seelos & Mair (2004) stated social entrepreneurship is a structure that allows individuals to reach their balance between the aspiration to make a social contribution and their own needs to capture an economic return from professional activity, over a broad range of possible ratios.

This "social entrepreneurship" momentum started around 1980 and become popular due to the mushrooming of organizations that have created models for efficiently serving basic human needs which existing institutions have failed to satisfy (Seelos & Mair, 2005; Zietlow, 2008). Entrepreneurial ventures are expanded beyond the commercial-oriented health care and education organizations, but non-profits, youth organizations, soup kitchens, and many more emerging concepts (Zietlow, 2008). Seelos & Mair (2005) said it combines the resourcefulness of traditional entrepreneurship with a mission to change society. Due to its direct contribution to worldwide recognized sustainable development goals, social entrepreneurship could encourage long-established corporations to embrace greater social responsibility.

Microfinance, the concept popularized by Muhammad Yunus together with the venture he founded - Grameen Bank, being awarded the 2006 Nobel Peace Prize by giving loans to entrepreneurs who are unqualified for traditional bank loans (NobelPrize, 2006), transforming the economic development of thousands of poor communities. Another social entrepreneur, Dr Ibrahim Abouleish, received the "The Right Livelihood Award" for his SEKEM initiative in 2003, intending to create sustainable, organic agriculture like cotton production and to assist social development in Egypt, effectively avoiding the usages of thousands of tons of pesticides and have shared its business model to India, Turkey, and South Africa. The e-Bay founder Jeff Skoll donated 4.4 million pounds to set up a Skoll network including the foundation for social entrepreneurship development and research centre.

Apart from the many initiatives (like Ashoka, Nesta, Schwab) in developed countries, some active region is in South Asia where social enterprises play a vital role in the nation, providing essential public infrastructures and services. For instance, Bangladesh Rural Advancement Committee (the world's largest NGO, established in Bangladesh in 1972) uses a holistic concept to diminish poverty and empower the poor that hired more than 4 times more employees than the largest commercial player in that region by engaging in diverse activities like poultry farming, land and housing, banking, and education to cater for very basic humanitarian needs (Nicholls, 2006).

Despite the achievement and effort contributed by mentioned social entrepreneurs, the challenges are still significantly more than commercial entrepreneurship (Salamon, 2001; Desa & Kotha, 2006; Austin et al., 2012). Whereas commercial entrepreneurs usually have access to both skilled human capital and abundant financial resources with the business ideas that rewarding promising returns, social entrepreneurs facing difficulties in acquiring resources and encounter burdensome efforts to overcome this. According to Salamon (2001), the four most highlighted and challenged issues of social entrepreneurship.

**Table 5. Challenges for social entrepreneurship**

| | |
|---|---|
| **Legitimacy** | does not fit to the classical socio-economic framework, therefore not being acknowledged as an "individual sector", and still lacks basic understanding by the policymakers and public. |

| | |
|---|---|
| **Effectiveness** | unable to display competency and measuring performance. |
| **Sustainability** | include survival, financial competence, growth, and related areas of the social enterprise. |
| **Collaboration** | comprises of the inability to merge or associate with other social enterprises, the inability to partner with the traditional commercial sector, and to connect with the government. |

Source: Salamon, L. M. (2001). The third sector and volunteering in a global perspective. Paper presented at the Presentation to the 17th Annual International Association of Volunteer Effort Conference, Amsterdam.

Desa & Kotha (2006) share a similar view on the legitimacy where social entrepreneurship required a new framework instead of fitting it to long-established innovation and entrepreneurship. They also argued the absence of attractive financial return discourage the mainstream investor namely angel investors, venture capitalists and corporate venture funds. Janus (2018) found 81% of over 200 social entrepreneurs at all levels identified access to capital as their most pressing problem. They struggle to get noticed by new funders, and it is one of the biggest obstacles to scale the business model. Austin et al., (2012, p 377) list several growth constraints, such as: "*limited access to the best talent*; *fewer financial institutions*, *and resources*; *and scarce unrestricted funding and inherent strategic rigidities*, *which hinder their ability to mobilize and deploy resources to achieve the organization's ambitious goals*". Therefore, social entrepreneurs need to build: "*a large network of strong supporters*, *and an ability to communicate the impact of the venture's work to leverage resources outside organizational boundaries*" (Austin et al., 2012, p 377).

This is considered to rely on trust, community, and reputation aspects, mainly because of fundamental differences in measuring the values between regular business and social enterprises, as social outcomes are more complicated or nearly impossible to measure (Austin et al., 2012). They co-determine who our human subjects are and what characterizes them since the actions and strategies to overcome barriers directly address the skills, competencies, and role fulfilment of social entrepreneurs.

### 2.2.1. The role of social entrepreneurs

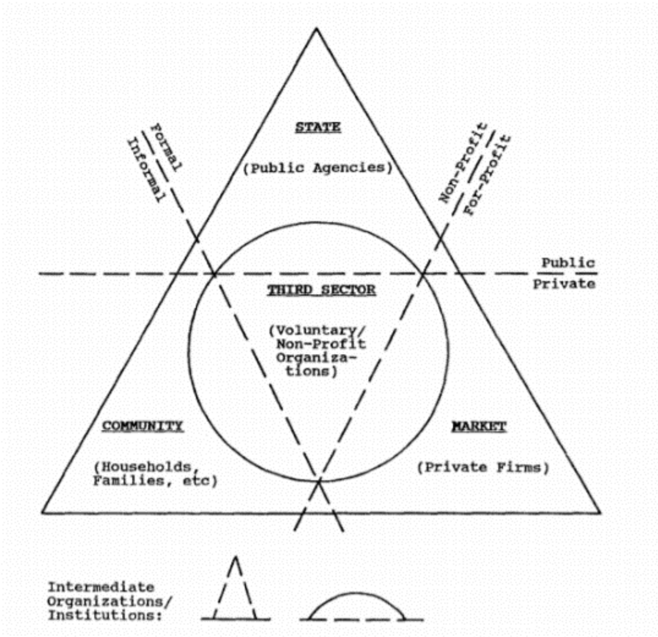
"What business entrepreneurs are to the economy; social entrepreneurs are to change." (Bornstein, 2003). He continues to describe they are driven for change, out-of-the-box thinker who question the status quo, exploit new opportunities, refuse to give up and remake the world for the better. Social entrepreneurs are individuals who identify a social problem and apply entrepreneurial spirit, business insight, leadership, and non-profit principles to solve it. They developed and applied effectively, and sustainable and potentially scalable solutions to social challenges. Shivganesh (2007) said this is the group of people with new ideas to address major community and ecological problems, who are relentless in the pursuit of their visions, people who will not take 'no' for an answer, who will not give up until they have developed their ideas as far as they possibly can.

Ghalwash et al (2017) find the traits of social entrepreneurs as compassionate risk-takers with entrepreneurial mindsets who seek to address social issues in innovative ways. They also have the persistence to face inefficient institutional frameworks, particularly in developing countries. Social entrepreneurs are motivated by social problems and challenges, inspiration, and previous personal experiences, as well as their social networks; this highlights the importance of personal inspiration and informal social networks as two sources of motivation for social entrepreneurs in emerging countries. Roundy (2017b) investigate social entrepreneurs frequently interact with other members of entrepreneurial ecosystems while founding and managing their ventures. Cacciolatti et al (2020) found how the effect of the partnership on new social enterprise performance and scalability, also the balance needed between performance and the chasing of a social purpose with almost four thousand innovative samples in the UK.

### 2.2.2. The social enterprise

It has been described as "blurring the boundaries between non-profit and profit" (Dart, 2004). Pearce (2003) explained social enterprise as a trading company behaving as businesses, nearer to the private system than the public, and within the third sector. Lamin (2020), the founder of Social Enterprise Alliance Malaysia said, "there are three aspects that distinguish a social enterprise, they directly address a social need, their commercial activity is a strong revenue driver, and the primary purpose is to ensure that there are positive outcomes; in short, for the common good." Brandsen & Karré (2011) use the term 'hybrid' to demonstrate actors mixing features of the state, market, and community society. Pestoff (1992) use different shapes to demonstrate this hybridity as the "Third sector" of the triangle of the welfare mix as presented in Figure 10 below:

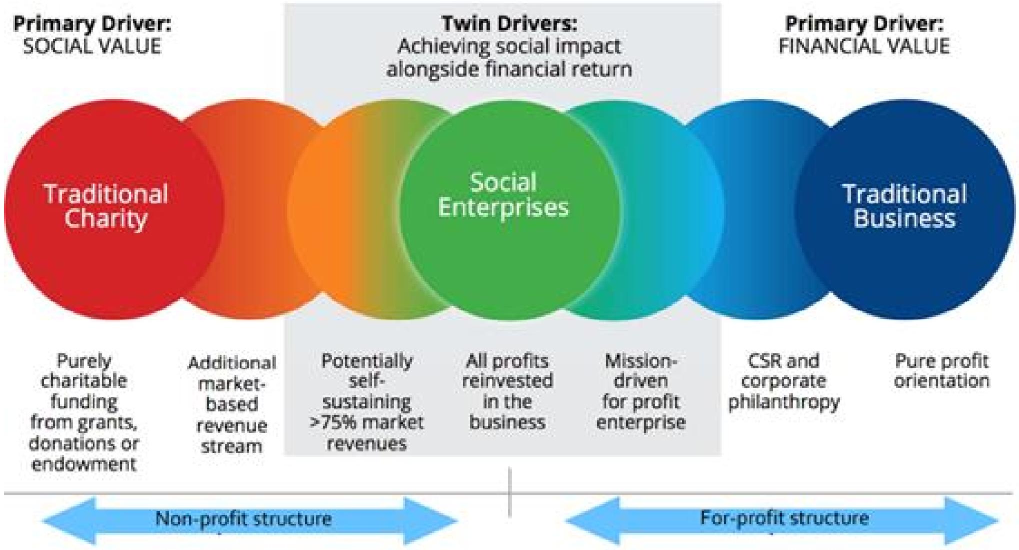
**Figure 10. The welfare mix**




Source: Pestoff V.A., 1992. *Third sector and co-operative services--an alternative to privatization*, p.25. Journal of Consumer Policy, 15 (1) pp. 25

According to a group of ventures, they evolve the business model of social enterprise from traditional charity and business with the combination of producing social impact together with the economic return as Figure 11 which aligns with the hybrid perspective from previous authors.

**Figure 11. Social enterprises: A hybrid spectrum**




Source: J. Kingston Venturesome, CAF Venturesome & European Venture Philanthropy Association, (2015) https://www.researchgate.net/figure/Social-enterprises-A-hybrid-spectrum-Source-adapted-from-J-Kingston-Venturesome-CAF_fig1_320469151

There is some argument that non-profit organizations are being urged to take toward a more "business-like approach" to their operations and increase earnings to offset the cash deficit due to lower donation or sponsor and commerce revenue (Zietlow, 2008). Janus (2018) comments expecting social entrepreneurs to resolve how to devise profit-making solutions to such problems when even the giants of modern-day capitalism cannot do so, is misguided wishful thinking..." Besides operational and funding, another complicated issue with the fact that the word "social" is very subjective which means different things to different people, depending on their individual and cultural backgrounds. For this reason, it is vital to set a boundary to the scope of social entrepreneurship so it could be potentially defining its unique characteristics that able to differentiate it from conventional business entrepreneurship.

We can conquer the ambiguity through the lens of a widely recognized "global goals" that integrates social needs to many institutions and organization have committed themselves: the goal of achieving sustainable development (Seelos & Mair, 2004). Hence, social enterprises need to create or adapt their business model that caters directly to the universal objective such as the United Nation's Sustainable Development Goals (SDGs) where the world leaders adopted during 2015. Ultimately, it might resolve the issue of legitimacy, effectiveness, sustainability, collaboration, and many challenges that might arise by humanity.

## 2.3. Social entrepreneurship and sustainability

A few decades back, sustainable development was described as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED, 1987, p. 41). Andreadaki et al., (2000) also said: “We did not inherit this planet from our parents - we borrowed it from our children”, highlighting the major ecological problems is happening on a global scale - the greenhouse effect, the depletion of the ozone layer, the climatic change - on the environmental dimension, and social issues like inequality, lacks basic right in health care and education on the other side, comprise crucial issues that concern humanity. They view sustainable development can be an alternative solution comparing the traditional way of development, which is the overconsumption of resources and abusing natural resources for a certain group’s interest.

Leaders and other scholars are emphasizing the crucial role of sustainability. During World Economic Forum on 31 January 1999, the United Nations Secretary-General Kofi Annan urges business leaders to support the common set of core values toward human rights, employee standards, and environmental practices (Annan, 1999). The President of the European Commission von der Leyen also committed to the 2030 Agenda with the President’s political guidelines, as well as the ambitious policy setting and holistic approach by the Commission to deliver on sustainability in the European Union (European Commission, 2019).

Academicians express the formation of a Global Compact network that consisting of a few hundred companies, multiple NGOs, major international labour federations, together with UN agencies to collaborate in creating a more stable, equitable, and inclusive global landscape by embracing the shared values and principles as a fundamental part of trading activity worldwide (Kell & Levin, 2002). Some researchers examined the latest sustainability reports issued by the top 50 business schools on the SDGs underlying the participation of education actors to prepare and equip the future leaders capable of creating a positive impact in social, economic, and environmental for humankind (Miotto et al., 2020).

Moreover, established organisations are facing pressure from the general public with increasing expectancy to be sustainable in aspects of ethical, social and environmental (Constantinescu & Kaptein, 2020). Beyond that, even stakeholders start to set the bar beyond the economic growth due to the awareness of the vital role of sustainability in the long term and the need for changes so they count on the management team to adapt the business model and shifting business activities toward multiple bottom lines (Brønn & Vidaver-Cohen, 2008; Bitektine & Haack, 2015). Hence, Corporate social responsibility events have been popular in modern time among organisations as a response to the demand from several parties that mentioned (Miotto, 2017; Hur et al., 2019).

### 2.3.1. United Nation's Sustainable Development goals

United Nation acknowledged the need for solving these issue with the global effort, hence ambitiously upgraded the previous Millennium Development Goals to 2030 agenda of sustainable development that consists of 17 goals and 169 targets as a blueprint for everyone to be more integrated and provide a comprehensive solution to tackle the social issue, protect the planet and ensure all humankind enjoy peace and prosperity (United Nations, 2015).

These universal goals represent the most important and valued roadmap for global sustainable development and serve as a "Call to action" for individual, companies and institutions to be a "Force for Good" for creating a better world (Laasch et al., 2020; Wigmore-Álvarez et al., 2020). SDGs are designed to deliver the incorporation of social, economic, and environmental outcomes (Folke et al., 2016), maximizing synergies between countries and reducing trade-offs (United Nations, 2019). The aim is to stop poverty, inequality, conflict and protect the ecosystem that is critical to human wellbeing and livelihoods. It is a common vision for the global citizen of various extent to visualize a sustainable and thriving future in the upcoming years (Yang et al., 2020).

Despite recognizing that SDGs are essential for humanity, their implementation in the different countries is progressing at different rates (UN, 2017). Besides, the 232 indicators were designed for a multi-stakeholder roadmap for global sustainable development (Laasch et al., 2020; Wigmore-Álvarez et al., 2020), which could potentially raise conflicts, resulting in incompatible and obstruct the implementation (Costanza et al., 2016). The recent works declared that there is a low possibility for SDGs to achieve concurrently (Kroll, 2015; Rosen, 2017).

These findings are aligned with the 2020 Social Progress Index published by a US-based non-profit, Social Progress Imperative that set up in 2012 to track the global progress on measuring social and environmental indicators in three main dimensions: basic human needs, foundations of wellbeing, and opportunity. The data demonstrates without critical measures implemented; the Covid-19 pandemic will delay the achievement of the goals to another decade (Socialprogress, 2020). Nonetheless, this might be a wake-up call for everyone from policymakers, business leaders, institution actors and individual to realize the importance of sustainability and work on the recovery or stimulus plan surrounding the SDGs, like Albert Einstein said, “in the midst of every crisis, lies great opportunity.”

In short, the traditional economic growth across the world had driven “negative capitalism” with few social rewards, and it has hindered social progress in many corners of the world because it “chooses to prioritize the short-term over the long-term,” such as depleting the natural resources of this planet or aggravating social and economic inequality (Michael Green, 2016). Therefore, it is a pressing time for any new or existing international social enterprise for being self-sustain which is crucial for its survival, continuing to create value to society and environment, be part of the backbone of the national ecosystem and eventually scale its business model, idea, or concept to the world for touching bigger crowd of beneficiaries.

**Table 6. The UN’s 17 sustainable development goals (SDGs):**

| | |
|---|---|
| GOAL 1: No Poverty | GOAL 10: Reduced Inequality |
| GOAL 2: Zero Hunger | GOAL 11: Sustainable Cities and Communities |
| GOAL 3: Good Health and Well-being | GOAL 12: Responsible Consumption and Production |
| GOAL 4: Quality Education | GOAL 13: Climate Action |
| GOAL 5: Gender Equality | GOAL 14: Life Below Water |
| GOAL 6: Clean Water and Sanitation | GOAL 15: Life on Land |
| GOAL 7: Affordable and Clean Energy | GOAL 16: Peace and Justice Strong Institutions |

| | |
|---|---|
| GOAL 8: Decent Work and Economic Growth | GOAL 17: Partnerships to achieve the Goal |
| GOAL 9: Industry, Innovation and Infrastructure | |

Source: Sdgs.un.org. 2015. THE 17 GOALS | Sustainable Development. [online] Available at: <https://sdgs.un.org/goals>

# Chapter III. Single case study research findings

## 3.1. Research design

This study explores the rationale for the internationalization of a social enterprise. It will help social enterprises develop their internalization strategy in terms of choosing target markets, entry method and resources required. Furthermore, it is also useful for lawmakers who wish to encourage new or existing social firms to go global. Therefore, three research questions are asked during the interview:

*1. Which factors and how have influenced the motive of the studied social enterprise to internationalize?*

*2. Which factors and how shaped strategic choices in the internationalization of the social enterprise (locations, modes of entry, adaptation)?*

*3. What challenges the studied social enterprise has faced in internationalization and how it has overcome them?*

The respondents in this study were the Deputy CEO and a strategic advisor. These two individuals were key informants (Myers, 2009), who are knowledgeable of Free The Seed (FTS) and the industry on a global scale. The Deputy CEO is a Malaysian forester, conservationist and academic. He was the first director-general of the Forest Institute of Malaysia and served as president of the Malaysian Nature Society for 30 years. The strategic advisor is a Dutch national who resides in Malaysia. He is a Green Tech Entrepreneur, a CEO, and a retail management consultant, with a career spanning 3 decades in 12 countries in Europe, South America, and Asia.

In addition, the firm's major milestones were covered by asking respondents to recall the timeline of the major events of the firm and indicate key decisions along the whole life cycle. Also, other topics were included like the effect of a social impact doing business abroad, the effect of country of origin, further expansion, with a special interest in the internationalization process and its challenges.

### 3.1.1. Research approaches and research methods

Trochim (2006) refers to two "broad methods of research as the *inductive* and *deductive* approaches. He added arguments based on experience or observation are best expressed inductively, while arguments based on laws, rules, or other widely accepted principles are best expressed deductively.

*Deduction* entails moving from the general to the specific: begin from a theory, deriving hypotheses from it, testing those hypotheses, and revising the theory (Locke, 2007). The deductive method can start from any theoretical base that often is not fully validated yet, from which any number of alternative hypotheses could be deduced. Authors are expected to start their papers with substantial introductions, justifying their theoretical starting points and the hypotheses they have deduced (Locke, 2007).

*Induction*, on the other hand, involves moving from the specific to the general, as when making empirical observations about some phenomenon of interest and forming concepts and theories based on them (Locke, 2007). Inductive research starts with unanswered questions about a particular phenomenon of interest with no foundational hypotheses formed, as the authors focus on how their research question and go beyond what is already known (Locke, 2007).

By adopting the **inductive approach**, this study hopes to advance theory on the understudied phenomenon of a social enterprise from Malaysia and its internationalization process.

*Research methods*

The qualitative method aims to achieve a complete, detailed description of the phenomenon under study (Eisenhardt et al., 2016). It is suitable for interpreting the situation and understanding the different context of similar events or the different perspectives of actors in the same circumstance (Nwankwo, 2010). Nwanunobi (2002) described the qualitative method as the range of research techniques "using unstructured forms of data collection, both interviewing and observation, and employing verbal description and explanations. Neill (2007) added it involves analysis and generates "rich" data through words from interviews, pictures from video or objects from an artefact and this will be achieved through a time-consuming research process.

On the other side, the quantitative research method primarily aims to classify features, count them, and build statistical models that attempt to explain what is observed. It can illuminate events in the social life of groups by generalizing, predicting, and offering causal explanations. (Nwankwo, 2010). Neill (2007) notes that quantitative research involves analysis of numerical data while Nwanunobi (2002) related it to quantitative measurement and statistical analysis.

The differences between these two methods are mainly in how they view the nature of reality. The qualitative supporters "believe in multiple constructed realities that generate different meanings for different individuals, and whose interpretations depend on the researcher's lens" while an advocate for quantitative stands "in a single reality that can be measured reliably and validly using scientific principles" (Onwuegbuzie & Leech, 2005).

Qualitative researchers are aware that the relationship between the researcher and the participant is important in the understanding of the observable event and understands that "the research is influenced to a great extent by the values of the researcher" while in quantitative research it is believed that "research should be value-free" and researchers should separate themselves from the participants (Onwuegbuzie & Leech, 2005).

In short, the qualitative approach allows for a deeper understanding of the phenomenon within its context. Whereas quantitative research emphasises the measurement and analysis of causal relationships between variables. Eriksson and Kovalainen (2016) point out in several areas of management studies, such as organizational behaviour, organization theory, and strategy, inductive research often requires qualitative research methods, such as case studies and ethnography, that allow answering "how" and "why" research questions and observing organizational events over time.

Since this study is related to organization theory and strategy (specifically internationalization) it involves moving from the specific to the general. It starts with specific research questions surrounding "how" and "why" to deduce and recognize generalized patterns and thus contributing to the body of knowledge that exists. Hence the **qualitative method** is chosen because it is better aligned with the purpose.

**Table 7. Comparison between qualitative and quantitative research method**

| | Qualitative method | Quantitative method |
|---|---|---|
| **Aim** | A detailed description of a phenomenon. | Explain observation with a statistical model. |
| **Usage** | Interpret the situation/ Understand the different context of an event. | Generalize, predict, and offer causal explanations to events. |
| **Data collection** | Unstructured form like interview and observation. | Structure form like a survey. |
| **Process** | Analysis word from the interview, object from the artefact. | Analysis of numerical data. |
| **Advocate** | Believe in multiple constructed realities that generate different meanings for different individuals via the researcher's lens. | Believe in a single reality that can be measured reliably and validly using scientific principles. |
| **Relationship** | Between the researcher and the participant is important | The researcher and participant should be separated. |
| **Summary** | Allows for a deeper understanding of the phenomenon within its context. | Emphasises the measurement and analysis of causal relationships between variables. |

Source: Own work

**Types of Qualitative Methods**

*Individual interviews and focus group discussions*

The individual interview is in-depth and detailed and administered to those individuals possessing extensive knowledge of the subject. For instance, leaders of a group under study could be interviewed in-depth using specific guidelines. A 'Clinical interview' used by a psychiatrist, social worker, or medical officer and 'investigative interview' used in crime investigation comes under the ambit of in-depth interviews.

Focus Group Discussions gather data about a study from a carefully selected group of eight to twelve people. The researcher facilitates discussions but avoids leading the group or imposing his or her views on them. The criteria for the selection of members ensures that there are no constraints to free discussion within the group.

*Direct and participant observation*

Direct observation is done by making a field visit to the case study "site". This can involve observations of meetings, sidewalk activities, factory work, and interviews with key stakeholders. Observational evidence is often useful in providing additional information about the topic being studied. The observations can be so valuable that taking photographs at the case study site could convey important case characteristics to outside observers (Dabbs et al., 1982).

Participant observation (ethnographic) is a special mode of observation where the investigator is not merely a passive observer but plays a variety of roles within a case study situation and participates in the events being studied. It is frequently used to study different cultural or social groups just like the ethnographic research method. It provides certain unusual opportunities for collecting case study data and gathering internal viewpoints, but bias and informal manipulation can occur. This is a qualitative method of investigation of a small group where the investigator becomes a member of the group that he or she is studying. The observer must also master the language of the host group and should preferably focus on groups that are of the same sex as him or her. Whether participant observation is employed for descriptive, structural, and contrastive assignments (Obikeze 1990), the investigator's position has not only physical proximity but also a strong psychological element to it (Nwanunobi, 2002).

*Case study method*

According to Stake (1994), a case study is a choice of object to be studied for complex social phenomena and creates value in refining theory and suggesting complexities for further investigation. Case study is defined as an empirical inquiry that scrutinizes a contemporary event (the 'case') in-depth and within its real-world context especially when the boundaries between phenomenon and context are not evident or relevant behaviours cannot be manipulated (Yin, 2014).

The case study's unique strength is its ability to deal with a full variety of evidence, documents, artefacts, interviews, and observations (Yin, 2003). Meanwhile, the case study research process is labelled as a 'linear but iterative process' and provides scientific discussions on each of the six components of case study research: the plan, design, preparation, data collection, analysis, and reporting (Yin, 2014). It is an integral and rigorous methodology. Ultimately, Yin unequivocally emphasises that the quality of the case study research method is directly linked to the researcher's ability.

Three major applications for case studies presented by Yin (2014) showing how they can apply to a variety of situations are: (a) as part of a larger evaluation with the case study portion viewed as complementary and providing explanatory information, (b) as the primary evaluation method where the initiative being evaluated becomes the main case, or (c) as part of a dual-level evaluation arrangement in which a single evaluation consists of one or more sub-evaluations with the potential of a case study playing various roles to inform the program evaluation.

In short, the literature suggests case studies are best when investigating real events while maintaining a holistic view of the phenomenon. Table 8 shows the differences between the case study and other research methods. There are three reasons why the **case study method** is preferred for this paper: 1) answering "How' and "Why" research questions; 2) this research focuses on contemporary phenomena – a social enterprise formed in 2009 and expanded abroad in 2017; 3) researcher has no control over actual behaviour (Yin, 2003).

**Table 8. Relevant situations for different research strategies**

| **Strategy** | **Type of Research Question** | **Requires Control of Behavioural Events?** | **Focuses on Contemporary Events?** |
|---|---|---|---|
| **Experiment** | How, why? | Yes | Yes |
| **Survey** | Who, what, where, how many, how much? | No | Yes |
| **Archival Analysis** | Who, what where, how many, how much? | No | No |
| **History** | How, why? | No | No |
| **Case Study** | How, why? | No | Yes |

Source: Adapted from Yin, R. K. (2003). Case study research: Design and Methods, 3rd edition, Applied Social Research Methods Series, London: Sage Publications), p. 5.

### 3.1.2. Case study method characteristics

Yin (2009) stated there are two design approaches for case study research: single and multiple cases. The former is comparable to a single experiment and it can be used when testing a well-formulated theory or a unique case (Yin, 2009). It is also used to represent a critical test of the existing theory or an extraordinary event, so it is crucial to select a case and unit of analysis properly. Besides that, the same author argues that the use of the single case is also relevant when it represents an extreme, unique, or revelatory situation. According to Perry (1998), the multiple case studies allow the cross-case analysis used for richer theory building. The theory emerges when identified patterns of relationships are replicated within and across cases (Eisenhardt and Graebner, 2007).

*Case selection justification*

A single case is considered for the following circumstances (Yin, 2003):

1) The critical case in testing a well-formulated theory

A single case represents the critical test of a significant theory, used to determine whether a theory's propositions are correct or whether some alternative set of explanations might be more relevant (Yin, 2003). It translates to a significant contribution to knowledge and theory building that helps to refocus future investigation in an entire field (Yin, 2003). While studying the internationalization of a social enterprise from a developing country, this study can verify whether the existing framework of analysis created in the developed world is applicable or maybe a new theory is required.

2) The representative of a typical case

The second rationale is the representative or typical case to capture the circumstances and conditions of an average or commonplace situation (Yin, 2003). The lesson learned from the case is assumed to be informative about the experience of the average institution. In this case, Free the Seed (FTS) is believed to be a good example of a company in the package manufacturing industry.

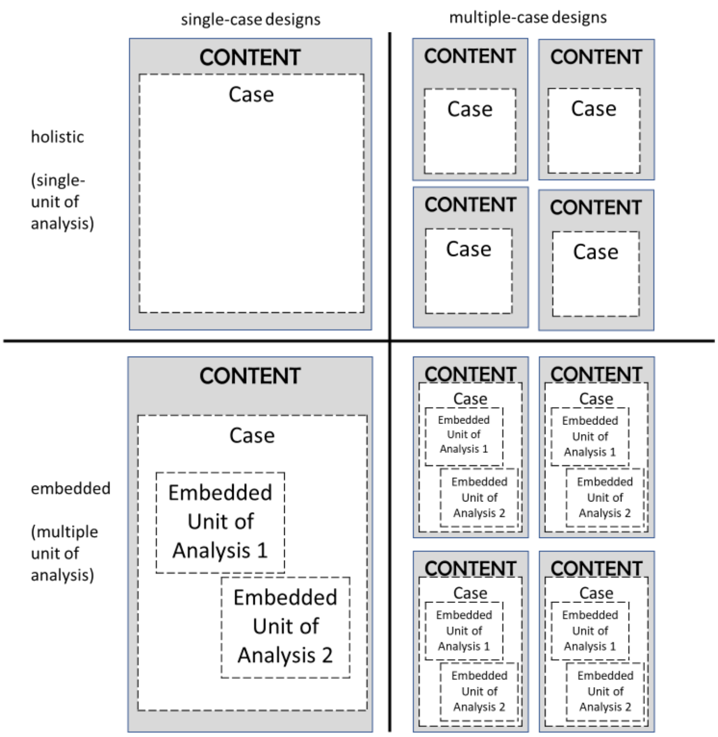
3) A revelatory case

Another reasoning for a single case is that the investigator has the opportunity to access, observe and analyse a phenomenon and the descriptive information will be revelatory (Yin, 2003). Fortunately, the author participated as a consultant to the company in preparing a pitch deck to raise funds that would enable the company to increase production capacity and expand internationally. Throughout this period, the author did have extensive factory visits and consultations with the operations manager and CEO. In addition, the author also visited an additional company engaged in producing the same end-product but using different raw materials and a different production process. These observations and comparative studies provided unique insights into both the company and the industry.

*Holistic vs Embedded*

Yin (2003) defines design essentially as "the logical sequence that connects the empirical data to a study's initial research questions and, ultimately, to its conclusions." He suggests four types of design that case study researchers can make use of - single holistic, single embedded, multiple holistic, and multiple embedded as illustrated in Figure 12. Holistic designs require one unit of analysis and aim to study the global nature of the phenomenon. This is appropriate when no logical sub-units can be pointed to which might cause the danger of abstractness (Yin, 1994). Whereas embedded designs contain multiple units of analysis, and may include main and smaller units on different levels and aim to look for consistent patterns of evidence across units, but within a case (Yin, 1994).

**Figure 12. Basic types of case study design**




Source: Yin, R. K. (2003). Case study research: Design and Methods, 3rd edition, Applied Social Research Methods Series, London: Sage Publications.

*Units of analysis vs unit of observation*

Sedgwick (2014) explained the distinct differences between the units of observation and the units of analysis. The former referred to as the unit of measurement and defined as the "who" or "what" for which data is collected. While the latter, the unit of analysis, is defined as the "who" or "what" for which information is analysed and where conclusions are made. Researchers base conclusions on information that is collected and analysed, so using defined units of observation in a survey or other study helps to clarify the reasonable conclusions that can be drawn from the information collected.

However, the units of analysis related to the fundamental problem of defining what the 'case' is. For instance, in the classic case study, a 'case' may be an individual or some event/entity that is less well defined than an individual such as decisions, programs, the implementation process, and organizational change.

A case study of a specific program may reveal (a) variations in program definition, depending on the perspective of different actors, and (b) program components that pre-existed the formal designation of the program. Any case study of such a program would therefore have to confront these conditions in delineating the unit of analysis. Unit of analysis is related to the way initial research questions are defined.

Hence, a **single embedded design** is applied for this study of the Malaysian social enterprise. **Two units of analysis** are employed to focus on both the social aspect of this enterprise, as well as the internationalization growth strategy. This provides a richer picture and deeper understanding. The main **units of observation** are the strategic decisions, key milestones, and management team of the enterprise.

### 3.1.3. Data collection and analysis

Given the qualitative, explorative, retrospective character of the research and the focus on a contemporary phenomenon, a single case study approach is applied (Yin, 2014). According to Ghauri, a "case study is a useful method when the area of research is relatively less known" (2004, p. 109). The key reason for the author to investigate this and "explore the theory with the empirical world" is because the author had access to a variety of data sources in the firm (Piekkari et. al., 2011, p. 569).

The finding was triangulated by analysing multiple sources of evidence with the combination of secondary and primary data for searching converging findings from different sources to increase construct validity (Yin, 1994). The data collection began with assembling publicly accessible sources of documentation such as archival and existing web news, media articles, internet websites, company financial reports and presentations. To supplement the secondary data, two semi-structured interviews were conducted with the deputy CEO and the strategic advisor via an online video platform. Due to the tight schedule of the CEO, he appointed both the deputy CEO and strategic advisor to provide me with sufficient knowledge about the company journey and internationalization process.

The author's role was observer-as-participant (Johnson & Turner 2003) and asked the informants to describe timelines for specific events, decisions, and developments to limit potential subject bias. The interview was following the interview guide approach and the standardized open-ended interview which allows investigating the subject's perspective regarding a pre-defined set of topics in some form of an open-ended interview. All interviews were recorded and transcribed verbatim. Different techniques were applied to reduce retrospective bias stemming from memory loss (Hewerdine & Welch, 2013). In addition, the previous factory visits, and meeting with the founder permitted a naturalistic observation that allowed the observation of specific events and/or behaviours of one or more subjects in real-world situations (Gelo et. al., 2009).

## 3.2. Background information about the case company – Free the Seed

Free the Seed's (FTS) business model is to produce and sell world-class biodegradable packaging made from paddy straws at competitive pricing. The company sources the raw materials from the paddy farmer then manufacture it with 6 key production lines in the factory into the finished product. These products are boxed into containers and transported to nearby ports for shipping to international customers. The current main customer is Bio4pack in Germany and Curas from the United Kingdom. They are well-known companies for food packaging and medical products, respectively. Presently, the only revenue stream is coming from selling a physical product, but the company is planning to provide product research and development as a second revenue stream.

**Table 9. Basic company information.**

| | Free the seed (Malaysia) |
|---|---|
| Size: No. staff | 40-50 |
| Year of establishment | 2009 |
| Year of foreign expansion | 2017 |
| Industry | Packaging manufacturing |
| Addressing the social problem (UN SDG goal): | 1- No Poverty<br>12: Responsible Consumption and Production and<br>13 - Climate Action<br>14: Life Below Water are related to this plastics issue. |
| FSTS % | 90% - 100% |
| Number of foreign markets | 5 – The Netherlands, Belgium, United Kindom, Germany, Australia |

The company was founded by a passionate 'Greentrepreneur' (Ramaness) in the Northeast of Malaysia in 2009 and begin to be internationalized in 2017. The founder is a materials engineer with a specialization in cellulose fibre materials. He decided to leave his Carbon Emissions Validator job related to the United Nations CDM and Kyoto Protocol standards to turn his passion into reality (Freetheseed, 2021). As the strategic advisor mentions:

> *The firm was started 12 years ago when the founder Ramaness was involved in the process of using papaya enzyme to accelerate the composting rate of packaging products with lower CO2 emissions.*

Subsequently, the project gets sponsored by the investor, and the firm and factory were set up with the help of Co-founder Tan Sri Salleh, a well-connected and resourceful man.

The traditional practice in the rice farming industry creates huge clouds of smoke in Malaysia because the farmers burn rice straw after harvesting. Rice straw is a by-product of the harvest and traditionally has offered little to no economic value. This burning increases CO2 emissions and creates a haze that can last for weeks and endangers people's health (Eco-business, 2018). The founder's vision is to reduce the open burning of agricultural waste materials by converting them into sustainable packaging products with biotechnology expertise.

He founded a firm that would process winnowed paddy straws and turn them into fibre. This fibre would be used to construct boxes and other packing materials such as egg cartons and cup holders (Digital News Asia, 2014). In 2015, the firm secured a 10-year supply agreement for rice straw biomass with the Kedah state farmers' associations. The founder said to the media:

> *With this initiative, the incidence of open burning is reduced and there is no further addition of harmful waste material into the environment.* [CEO]
>
> Arthur, C., 2017. *Good business in Malaysia: Free the Seed | UNIDO*. [online] Unido.org. Available at: https://www.unido.org/news/good-business-malaysia-free-seed.

The factory to manufacture biodegradable packaging was set up at a strategic location near both its upstream and downstream value chain. It was close to the paddy fields where the raw materials could be easily sourced and also close to the seaport that would serve to ship to customers globally. The process uses a patented biotechnology process that utilizes protease serine enzymes, delignified cellulose fibres and enzymatic gratification methods, to produce products that organically compost within six months after being disposed of. The deputy CEO highlights this:

> *Our product is truly biodegradable, you can throw it away in your garden and it will decompose in 6 months as compost for gardening.*

Another key activity is research and development. The founder (Rameness) filed 2 intellectual property applications in WIPO Switzerland on novelties and industrial art design for the production process of Biodegradable Packaging products from cellulose fibrous pulp. Through this effort, it provided superior economic value as mentioned:

> *Our product is protected by two intellectual properties, one of which relates to the distinct competitive advantage in the low-cost novelty formulation in dignifying the cellulose fibres and the other to low-cost of papain-protease enzymatic impregnation to accelerate the composting rate with lower CO2 emissions*. [CEO]
>
> Eco-Business. 2018. *A good business: Free the seed*. [online] Available at: <https://www.eco-business.com/news/a-good-business-free-the-seed/>

His work has gained attention from both local and international organization attention such as the United Nation's Industry Development Organization, media, and local government. This innovative solution also accredited by numerous local and international quality organisations over the years, such as Bionexus (Malaysia), Centexbel (Belgium), Vinçotte (Belgium), Cradle to Cradle (Netherland), and ISO 9001(Worldwide).

Currently, there has already been a direct impact on the lives of more than 1,300 farmers who each receive an average additional income of €250 per year by selling previously burnt waste rice straw to the firm. The number of farmers taking part in the scheme is expected to grow to 30,000 as the project goes full stream, and around 32,000 hectares of rice fields are expected to achieve zero open burnings (Arthur, 2017).

According to SEE (Social Enterprise & Entrepreneurship), the criteria to be categorized as a Social Enterprise as shown in Figure 13 are:

1) The entity generates revenues from selling goods or services.
2) The entity's owners do not benefit from profits beyond salary.
3) The profits help solve an environmental or social problem.
4) The entity is sustainable without grants or donations.

**Figure 13: Social Enterprise checklist:**


Source: Social Enterprise and Entrepreneurship — SEE (2021). Available at: https://seethechange.ca/social-enterprise-and-entrepreneurship/

FTS meets these criteria. It is getting revenue by selling goods to packaging companies without grants or donations and is sustainable. The owners and management team are taking salary and the profit is reinvested into new production lines to further solve environmental and social problems such as open burning of agriculture waste. This improves the livelihood of farmers.

## 3.3. Research findings

One key milestone for the company was to be recognized as a national winner in the 2014 Cleantech Innovation Programme (GCIP) for SMEs in Malaysia. This programme was jointly organized by the United Nations Industrial Development Organization (UNIDO) and the Malaysian Industry-Government Group for High Technology (MIGHT) with the fund of the Global Environment Facility (GEF). It leverages the power of entrepreneurship to address challenging energy, environmental and economic problems and aims to develop a platform to nurture and accelerate the next generation of Malaysian cleantech entrepreneurs.

As the winner from over 60 applicants, FTS's deriving wealth out of waste solution won them the cash prize and a trip to San Francisco to attend the Cleantech Open Global Forum in Silicon Valley. Here they received the award and made connections with potential partners, customers, and investors from around the world. It was a game-changer for the company:

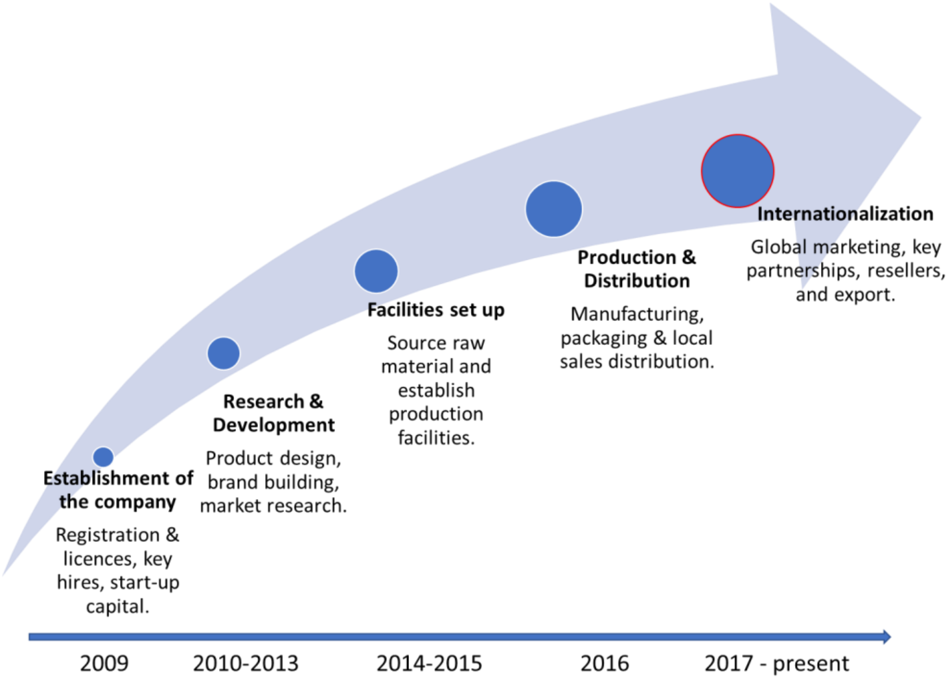
*The GCIP platform provides a unique, result-oriented platform for start-ups and green tech entrepreneurs for funding access and market access. We also benefitted from participating in international conferences organized by UNIDO, MIGHT and GEF.* [CEO]

Arthur, C., 2017. *Good business in Malaysia: Free the Seed | UNIDO*. [online] Unido.org. Available at: https://www.unido.org/news/good-business-malaysia-free-seed.

Today, FTS is delivering products to corporate clients in Europe and Oceania, including Albert Heijn in the Netherlands, Philips in Germany, the Coop in the UK and Bunzl in Australia." The founder's vision is to become one of the top 10 green packaging companies in the world. With obtaining the industry recognised certification such as Vinçotte for Belgium, Cradle to Cradle from Netherland, the firm is optimised to access foreign markets, especially targeting those European firms who are looking to comply with EU regulations on banning single-use plastic items (Baptiste, 2019):

*We are confident that these non-toxic, soluble, biodegradable products will continue to grow as their usage will replace polystyrene and plastic containers*. [Deputy CEO]

**Figure 14. Key events in the Free the Seed international growth.**




Source: Own work

### 3.3.1. Motives of internationalization

The company was initially selling its product to the local market, but at one point Malaysian companies started buying similar products (but of inferior quality) from China, FTS was losing market share because it was not able to compete in pricing. Therefore, the founder started to look for other potential markets to enter. He eventually found The Netherlands, where the industry landscape is completely different to Malaysia in terms of price/quality matrix and environmental awareness/regulations. The Deputy CEO mentions:

> *Malaysia enterprises are unwilling to buy because the alternative from China is cheaper. This made the CEO start to search around and found a niche market in The Netherlands - the willingness to pay is higher, lawmaker and end-consumer are showing more concerns on green products and the market size are huge in Europe.*

In addition, companies in that region are showing interest in suppliers able to produce biodegradable packaging with the EU certificates to ensure product quality. The pressure from both policymaker and consumer toward recyclable items is increasing and intends to fulfil the UN SDGs. The strategic advisor recalls that:

*Initially, the product manufactured sells to the local company but started to go international in the last 3 years. This was because of our EU certification and pressure from European regulators on companies to switch to non-plastic.*

### 3.3.2. Strategic choices of internationalization

The weakening of local market demand forced the founder to source a new opportunity. Therefore, he embarked on scouting for new clients, understanding the new markets and transactional costs, negotiated on pricing and logistics. Finally, he completed his first international contract with Bio4pack in Germany, a supplier that handles fruits packing and logistics to several European supermarkets. This was explained:

*Europe is the first market, it is because Rotterdam is the main port of entry, high demand for biodegradable product due to the transition of banning plastics. The first target firm is Bio4pack a German company but also have deep Dutch influence, it sells the biodegradable product to retails such as Albert Heijn.* [Strategic Advisor]

Currently, the key market is mainly in European countries such as The Netherlands, Belgium, and Germany. Exporting to those countries was started in 2017. The product being offered is mainly manufacturing food, medical, and industrial packaging. The first category is focusing on fruits such as apple, avocado, and berry and the second group of products is mainly kidney tray, bedpans, and bowls for single usage. Previously, FTS also joined product development with the customer to work on a solution to meet market demand. Once this solution is developed, the mould will be ordered, and full operations will begin manufacturing the product and delivering it. This situation was explained:

*FTS serves as an Original Design Manufacturer to design the product according to under customer specification and requirement of their product and end-user then manufacturing it.* [Deputy CEO]

The company possesses the biotechnology know-how and manufacturing expertise, so they add value by being the Original Design Manufacturer (ODM) for its customer (Bio4pack & Curas). Once the customer indicates which type of product they want, FTS will accommodate it by starting the design of the packaging according to the product specification given by the customer. A small sample size will be sent to the customer and once the customer has approved then they will order a moulding machine specifically for the production. As a manufacturer, they produce based on customer requirements and adapt their products, for instance, the size and shape of tomatoes trays. It includes beefsteak tomatoes and cherry tomatoes (refer to the appendix); each product type also has a medium size and a large size. This applies to other product ranges such as mushroom, apple, avocado, berry mango and many more. This is because the fruits sold in each country supermarket are different, so FTS needs to accommodate by starting the design according to the specification given by the customer. Then they need to order a mould specifically for that product to start producing it.

One of the key milestones in internationalization is when Deputy CEO shared with the media that from the start of 2017, they will be exporting 40 containers of biodegradable fruit tray products over a span of three years with a total contract value of €5 million to The Netherlands. While for the strategic advisor, the key achievement was the increase of 50% production capacity so they can supply larger quantities to their customer in Europe.

While talking about the future plans and next steps, both are on the same page and agree that this social enterprise needs investment to drive production expansion. The Deputy CEO answered briefly on looking for an investor and re-enter the domestic market while the strategic advisor describes more in details depending on the background of the investor and mode of collaboration:

> *Could either setting up the sales subsidiaries or joint venture. Joint Venture if the investor from the same background. If the investor is the middleman or a green investor with a deep pocket, then will follow the current path. Either way, the firm needs someone who has a bigger impact on decision influence.* [Strategic Advisor]
> *At the moment, we are looking for some investor from overseas to increase production, set up 1 to 2 factories to capture the potential market.* [Deputy CEO]

### 3.3.3. Benefits and challenges of internationalization

Internationalization brings some advantage to the firm such as true independence from local market demand. The enterprise’s foreign sale to total sales is currently at 90-100% as they secured two main large clients (Bio4pack and Curas) in Europe. The strategic advisor mentioned the social aspect side is the key-value offer to the corporate customer (B2B):

> *Companies like Bio4pack and Curas in Western Europe are sustainably branding those products that helping the developing community and environment to attracts buyers and comply with the law-makers policy.* [Strategic Advisor]

Besides, interviewees mentioned several problems that the enterprise is currently facing. Both are looking at the issue from a divergent view, the strategic advisor is looking mainly at the external and organizational structure while the deputy CEO is concerned with operations and technology:

> *We need access to capital, otherwise, it is hard to contract with a big company due to the existing company size. For example, we need 30-60 production line to supply Dyson LED light or Unilever ice-cream stick. This market has high demand versus supply* [Strategic Advisor]

> *The potential is there but we are limited by capacity, every country is going green and looking to replacement for polystyrene and plastics, so that regards the potential for Free the Seed is big, but we are limit by our factory capacity and investment, we do not have a high CAPEX (Capital Expenditures).* [Deputy CEO]

Besides getting more finance, the firm has not yet faced any challenges in market choice, the process of internationalization, entry modes, adaptation due to the homogenous demand and the characteristics of the product. Since they are offering customized biodegradable packaging, they produce it according to customer specifications then export it to the country where the customer is based. As this is a low margin product, the benefit to set up a local production facility will not outweigh the risks at this moment so prefer to export.

Since the interview was conducted in early 2021, the pandemic became part of the discussion and questions were asked about how it affects the firm. The strategic advisor and deputy CEO provide different answers:

*Disruption on global trade, container shortage, surging in shipping cost, port shutdown and stuck, imbalance makes it expensive. The cost of making a container is $2k but now just the shipping cost is ranging from $1.5k to $9K. Also, it is affecting the cash flow and the disruption of logistics due to low margin high volume items. The item that carries a high margin such as microchips is less cost affected due to high demand versus shortage of supply.* [Strategic Advisor]

*Things are slower but it does not affect the business model, people fear going out to eat, local demand should increase locally.* [Deputy CEO]

Finally, when asked whether the country of origin affects the company's expansion, the deputy CEO replied:

*This is a politically neutral product so it not a concern. The key parts for our client are competitive pricing, quality standard, smooth and consistent supply.*

While the strategic advisor has a different perspective due to his European background and international experience:

*Funding is hard to get because the firm origin is Malaysia while the greenest fund is giving to a European company. The cost of logistics is high too.*

# Chapter IV. Discussion of research findings

## 4.1. Motives of internationalization

As the biodegradable product is produced from agricultural waste, this means that as the company produces more then there will be less open burning of such waste and less polystyrene packaging in the market. This aligns with Lamin's (2020) (the founder of Social Enterprise Alliance Malaysia) view on the three aspects of social enterprise: a) addressing a social need b) commercial activity as a revenue driver, and c) the primary purpose being for a common good. Based on this rationale, market-seeking is one of the drivers for the firm to decide on international expansion to aggressively exploit new and bigger markets (Dunning, 2001). This could also sustain the firm's growth and enlarge the networks and profits thus contributing to a bigger impact.

Presently, FTS is yet to maximize their business efficiency by leveraging cost arbitrage differentials across geographic markets (Dunning, 2001). They also wish to diversify risk by setting up a research centre in a foreign market and/or establishing production facilities in a country that provides a lower cost of manufacturing than Malaysia. Nevertheless, FTS continues to seek strategic assets through partnerships in foreign markets that would give it access to capital, knowledge, managerial expertise, and brand equity (Dunning, 2001).

In addition, they need to scale their production in their home country to utilize the raw materials available before sourcing from neighbouring countries. In the past, manufacturing companies in Malaysia recruit low-cost foreign labour from Bangladesh, India, and Myanmar to work locally, so the incentives to build production facilities abroad is low. This might change if the local government restricts the hiring of foreign workers. The firm's current focus is manufacturing enough to meet the demand, so searching for additional technological knowledge or capabilities to upgrade the company's resource base is not a priority.

The forces driving FTS to internationalize are low domestic market demand, increasing global demand, a growing middle class, increasing efficiency and lower costs of international shipping, and advanced communication technologies. These are exactly the same motives that drive firms that are typically born global (Knight & Cavusgil, 2015). FTS immediately expanded abroad to distant markets that do not link to the establishment chain of Uppsala where a firm first expanded to neighbouring countries in a much smaller geographical footprint (Johanson & Vahlne, 1977).

Moreover, push and pull factors introduced by Onkelix & Sleuwagen (2008) are also relevant in this case. Attractive conditions of the European markets (especially the high demand for biodegradable products and high purchasing power) are the push factors for FTS to develop their footprint in that region. On the other hand, pull factors like availability of raw material like rice straw and lower labour cost in the domestic country are some of the competitive advantages for the company to compete on the global scale.

Lastly, the incentive that influences FTS to make an internationalization decision is a combination of proactive and reactive (Hollensen, 2008). The proactive motives include managerial initiatives, technical know-how, and the uniqueness of the product. In addition to the competitive advantage of manufacturing in Malaysia, the company has proactively secured patents, articulated a social agenda, won international recognition through awards, and cleverly located its facilities, all securing themselves for an optimized and aggressive internationalization strategy. At the same time, the company has reacted to competitive pricing (especially from China), and the lack of demand from the small domestic market which is extremely priced sensitive.

## 4.2. Strategic choices in internationalization

***Location***

As mentioned previously, the first exporting country for FTS was not neighbouring countries such as Thailand or Singapore but the Netherlands. It is because neighbouring countries either have their supply within the nation or they source it from China to meet the domestic demand. Furthermore, key factors like consumer preference switching to greener product and regulation imposed to reduce single-use plastic, make Europe a favourable location for high-quality biodegradable packaging. In addition, accreditation from Vinçotte (Belgium) and Cradle to Cradle (Netherland) provide FTS additional advantage to supply their product to European packaging companies. All the above factors shaped the firm strategic location choice during the internationalization process.

***Entry modes and control***

When a firm's core competence is proprietary know-how, it will go through a wholly-owned subsidiary to minimize the risk of losing control over that technology and maximize profit (Hill, 1992). In terms of increasing production, FTS may expand into new markets (such as Vietnam) where they may be able to further improve margins and profits but would only do so when they have the resources to establish a subsidiary where they can control both the IP of the company, as well as oversee production quality.

Hollensen (2014) proposed that firms that produce high-value tangible products (such as luxury watches) would prefer to export from their domestic market and can accommodate the shipping costs in their margins, while low-value items (like beverages) which have low margins and high shipping costs, would require a locally produced arrangement such as a license, franchise, or subsidiary partnership.

In this case, FTS produces items locally for export because the cost of production in their market (such as labour, raw materials, land etc.) is significantly lower than in foreign markets. This factor is critical as this is a low margin and high-volume enterprise, and such savings by producing in the domestic market enable it to cover the international shipping costs. For this reason, FTS enters all its key markets only by export. As Hollensen (2014) mentions, SMEs are more likely to enter foreign markets using export mode because they do not have the necessary resources to create such local partnerships in foreign markets. It would not remain viable or competitive in terms of costs if it used a different method to enter these markets, such as local franchising or local production. As such, the firm is currently seeking financing to expand its domestic production for these export markets. FTS' entry into these markets is through a low-control strategy over their foreign operations. This implies a lower commitment of resources, lower risk, and a high degree of flexibility (Driscoll, 1995).

The resource-based theory explains well the entry mode choice on FTS's portfolio of resources and capabilities (Brown & Zhou, 2003). The unique combination of tangible resources like manufacturing capability and intangible resources as biotechnology knowledge, which allow FTS to operate in a cost-efficient manner and contribute to the firm's competitive advantage (Sharma & Erramilli, 2004). According to the theory, FTS chooses the export entry mode that can best exploit its existing resources (Sharma & Erramilli, 2004). A low control entry mode is useful for enhancing FTS's competitive advantage in the European market by relying on its partner's resources such as capital, physical facilities, and network (Lu et al., 2011).

***Adaptation***

Both standardization and adaptation are adopted by FTS which scholars called the contingency perspective (Cavusgil & Zou, 1994; Vrontis et al., 2009). Globalization trends indeed lead to greater market similarity, higher convergence of consumer needs and preferences (Yip, 1996; Backhaus & van Doorn, 2007). This applies to the fruits tray, medical and industry packing product which are standardized globally in terms of specification such as the material used, resistance to water, performance with heat and moisture. Ultimately, global consumers are increasingly looking for high-quality products at a low price (Dimitrova & Rosenbloom, 2010). Having a consistent standard of quality across products and countries can improve the global image and value of the company brand (Chung et al., 2012). In addition, identifying one or two key international suppliers (such as Bio4pack) to international retail brands can also contribute to maintaining standards and consistency and further improve product development. In addition, it generates significant economies of scale and scope in all value-adding activities, particularly in research and development, production, and marketing (Griffith et al., 2014).

Nonetheless, variations between countries in the area like purchasing power, culture and traditions, laws and regulations are still significant, thus it is necessary to adjust to fit individual conditions of each foreign market (Terpstra & Sarathy, 2000). The modification part would be the size of the product, the shape, weight, and possibly the dimensions. Brouthers et al. (2005) showed that adjustments in competitive strategy to certain geographic areas result in higher satisfaction with export performance. For FTS, as the firm is acting in an ODM role, so the end products will be manufactured and printed with customer logo and name, hence there will not be any risk of foreignness (Maruyama & Wu, 2015; Wu & Salomon, 2016) and provides FTS with a deep local market understanding (Peterson & Pederson, 2002).

FTS cannot be categorised as a "born global" firm although it is serving sizeable overseas markets with its unique knowledge-based resources (Knight & Cavusgil, 2004). The firm's current Foreign Sales to Total Sales is about 90-100% but it was founded in 2009 and the initial foreign market entry is in 2017 so this does not match with the definition of the Born Global which would require overseas expansion within 3 years of inception (Autio et al., 2000, McDougall & Oviatt, 2000). However, FTS seems to gain benefits from being flexible enough to adapt to foreign market demand which has resulted in showing an extraordinary portion of overseas revenue to total income.

## 4.3. Benefits and challenges of internationalization

Due to the increasing market demand across the globe, the benefit of the internationalization of FTS is enormous. The deputy CEO mentioned that every country is going green and looking for an alternative for polystyrene and plastics. Based on market research, the biodegradable items market in 2019 was approximately USD 3.4 billion and the market is expected to grow at a CAGR of 13% and is anticipated to reach around USD 8 billion by 2026 (Globenewswire, 2021). Previous studies also indicated there has been a substantial shift in consumer awareness that has resulted in a change from mainstream traditional products to green biodegradable products over the last few decades (Mehta & Chahal, 2021).

In addition, the whole business model contributes a positive impact directly to society and the environment which align with UN SDGs. More than 700 million people (or 10 per cent of the world population) still live in extreme poverty today (Elizabeth, 2018) and 79% of them live in the countryside. This is directly linked to the SDG's Goal 1 of "No Poverty" (UN.org, 2019). By sourcing agricultural waste FTS enables these rural communities to earn additional income, especially during the non-harvest period.

The by-product of rice production (risk straw and husks) has little to no nutritional value and is often burned by farmers as agricultural waste. This creates greenhouse gases and contributes to global warming (Taylor, 2009). This problem occurs every year in the region because of failure to control open burning that is the cause of transboundary haze (Abidin, 2020). Every summer and autumn air pollution reaches a hazardous level causing health problems. On that account, SDG 13: Climate Action, urging us to take urgent action to combat climate change and its impacts. Apart from supporting farmer income, buying the agricultural waste also helps to reduce the open burning that contributes to climate change.

Humans produce over 300 million tons of plastic waste each year, and over 8 million tons ends up in our oceans (Marine plastics, 2018). The plastic debris causing harm to marine species and plastic pollution threatens food safety and quality, so SDG 12: Responsible Consumption and Production and SDG 14: Life Below Water is aimed to solve these issues.

SDG target 14.1 is often referred to when combatting international plastic pollution. It reads: “By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution (Westerbos, 2019). She added all countries agreed to “implement long-term and robust strategies to reduce the use of plastics and microplastics, in particular plastic bags and single-use plastics, including by partnering with stakeholders at relevant levels to address their production, marketing and use.”

The products offered by FTS are aimed to help solve these fundamental environmental and global issues. According to the CEO, the superior compostability of their products has ranked them at the top of the Green Disposable Packaging Hierarchy. The product was also awarded accreditation from one of the renowned accredited inspection and certification organisations, Vinçotte from Belgium after an arduous and lengthy application process. Currently, it is guaranteed that a consumer can simply dispose of it in their garden, and it will decompose in 180 days.

Despite all the benefits mentioned above, one of the biggest challenge FTS faces is access to capital. A previous study by Janus (2018) also found 81% of over 200 social entrepreneurs at all levels identified access to capital as their most pressing problem. They struggle to get noticed by new funders, and it is one of the biggest obstacles to scale the business. One of the reasons is because the capital market in Malaysia is far from mature compared to the US or other Western European countries. The main concern for investors is the return so they often invest in disruptive industries (like IT, biotech, new technology) that can give them a much higher multiple, despite the associated risk. Many social impact investors do not come from the private venture capital industry and tend to lack the experience that allows them to best support an investee. They may overcompensate by seeking more granular control over a business or setting complex and obscure metrics for impact evaluation. Investors generally recognize the higher risk associated with.

Developing markets that have fewer options for exit scenarios that are more common in developed markets. There are often fewer merger & acquisition opportunities and public offerings are not always appropriate. Consequently, FTS is presently discussing with foreign angel investors and venture capitals about the opportunity available. The company is confident to raise funds with the current track record, the potential of market size and sustainability of the business model.

Although the biodegradable product's market is a multibillion industry with a high growth rate (Globenewswire, 2021), a European firm operating in this industry may easily get funding from the European market. However, FTS is from Malaysia, so access to those EU green funds is not possible. Presently, they are in the expansion phase looking for series B funding and in discussion with several potential investors with various funding options. One specific scenario being proposed is where their key customer invests in the production equipment, and FTS pays back the investment over time while supplying the product to them.

Reporting on key metrics for social enterprises is another challenge. The impact may be hard to measure, and access to beneficiaries can be expensive and limited. Such requirements can also add to the typical day-to-day operations and costs of a company. With FTS, it is easier to assess their environmental impact because there is a direct correlation between the quantity of paddy straw acquired and the carbon reduction.  In most cases, a purely for-profit business may not have to develop these metrics for measuring and would thus avoid the associated costs. Most social enterprises understand that basic profitability is the first fundamental that must enable them to achieve a social impact. In this sense, a social enterprise can perform just like a typical business. It just has an additional objective of social impact and change that is part of its mandate. Without profitability, there will be no impact at all, unless the company shifts to a non-profit or charity model.

Fundamentally, the social enterprise operates as a commercial enterprise. They started with a mission of making beneficial change for social and environmental (like non-profit), but also have profit as the main goal. In fact, the profit is the “oxygen” of the entity as it is the main source of keeping the entity operating.  Hence, they need to “listen” then respond to the market demand quickly and effectively. Therefore, there is no significant difference between social and commercial enterprise in their internationalization process. The challenges like looking for resources (financial & human capital), the difference in market preference, communication issues, cross-cultural, entry modes remain the same.

**Table 10. Summary table for research findings**

| Chapter | Research question | Answers |
|---|---|---|
| **4.1** | Which factors and how have influenced the motive of the studied social enterprise to internationalize? | - **Market-seeking:** The new and bigger market.<br>- **Push factors:** Attractive conditions in the European market. **Pull factors:** Competitiveness (access to raw material and lower labour cost in the domestic country)<br>- **Proactive:** Foreign market opportunities. **Reactive:** Competitive pressure and lack of domestic demand. |
| **4.2** | Which factors and how shaped strategic choices in the internationalization of the social enterprise (locations, modes of entry, adaptation)? | - **Location**: Europe which has higher market demand and a bigger market size.<br>- **Entry Mode**: Exporting due to the low production cost in the home country, manufacturing capability and biotechnology knowledge.<br>- **Adaptation**: Product modification of the size of the product, the shape, weight, and dimensions. **Standardization**: Product specification such as the material used, resistance to water, performance with heat and moisture. |
| **4.3** | What challenges the studied social enterprise has faced in internationalization and how it has overcome them? | - Difficulty access to domestic capital (Target foreign angel investors and venture capitals)<br>- Not possible to get EU funding. (Get funding from its European customer.)<br>- Complex key metrics reporting (Direct correlation between the quantity of raw material acquired and the carbon reduction) |

## Conclusions

Michael Green (2016) points out that traditional capitalist economic growth across the world has driven negative outcomes with few social rewards. It has hindered social progress in many corners of the world because it “chooses to prioritize the short-term over the long-term,” such as depleting the natural resources of this planet or aggravating social and economic inequality. More socially conscious sustainable business models like FTS are urgently needed that create value for both society and the environment, and can be considered part of the backbone of the national ecosystem. Such a business can scale its model to the world and reach a larger number of beneficiaries.

The term “social enterprise” often confuses the general public as to whether it is a business or a charity. At the core, all enterprise operate with profit as a fundamental objective (besides charities), but social enterprises go beyond profit to include a well-defined and measurable impact on society and the environment. The biggest challenge that social enterprises face in raising funding is to have a clear focus, compelling business plan, and strong corporate governance. In the case of FTS, the founder and management team managed to secure patents and accreditation, two key international customers and set up six domestic production lines. This clearly demonstrates both a proactive aspect of their business strategy as well as significant international momentum. However, challenges remain. The company still needs to develop a clear understanding of the market risks and opportunities. It needs to better articulate its competitive advantages and strategic vision and needs to strengthen its core executive team. This would complete the profile of the company and position it well for investment. The future is encouraging: the market for biodegradable packaging is growing at a CAGR of 13% annually, consumers are increasingly demanding alternatives to traditional packaging, and regulators are imposing new legislation that bans single-use plastics.

Finally, with this paper being limited to a single-case study, with only a few key executive interviews, there is an opportunity for further research. A cross-market comparison of such entities in multiple markets would be beneficial, as well as a more detailed analysis of the growing demand and changing regulations in the marketplace. All of this could help understand the opportunity that exists, the associated costs of production and the competitive advantages for certain geographies. Another limitation is interviewing on an online platform as it does not allows participants to share more information compared to in person. It presented certain challenges and hindered the richness of data that was discovered from the company. In-person research is always recommended and results in a stronger data set.

Given these limitations, some suggestions can be considered for future research. The research is specific to an enterprise in Malaysia. Thus, the research could be extended to another social enterprise in other countries. Focusing on cases in other countries and regions would broaden the scope of the research, involving cultural issues. Future research may also focus on larger companies with greater expansion potential. Finally, the application of a quantitative methodology is suggested to relate the variables discussed in this research, testing and validating the conclusions of this study.

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# Appendix

**Interview questions:**

1. Could you please share the story of why, how, and when it established?

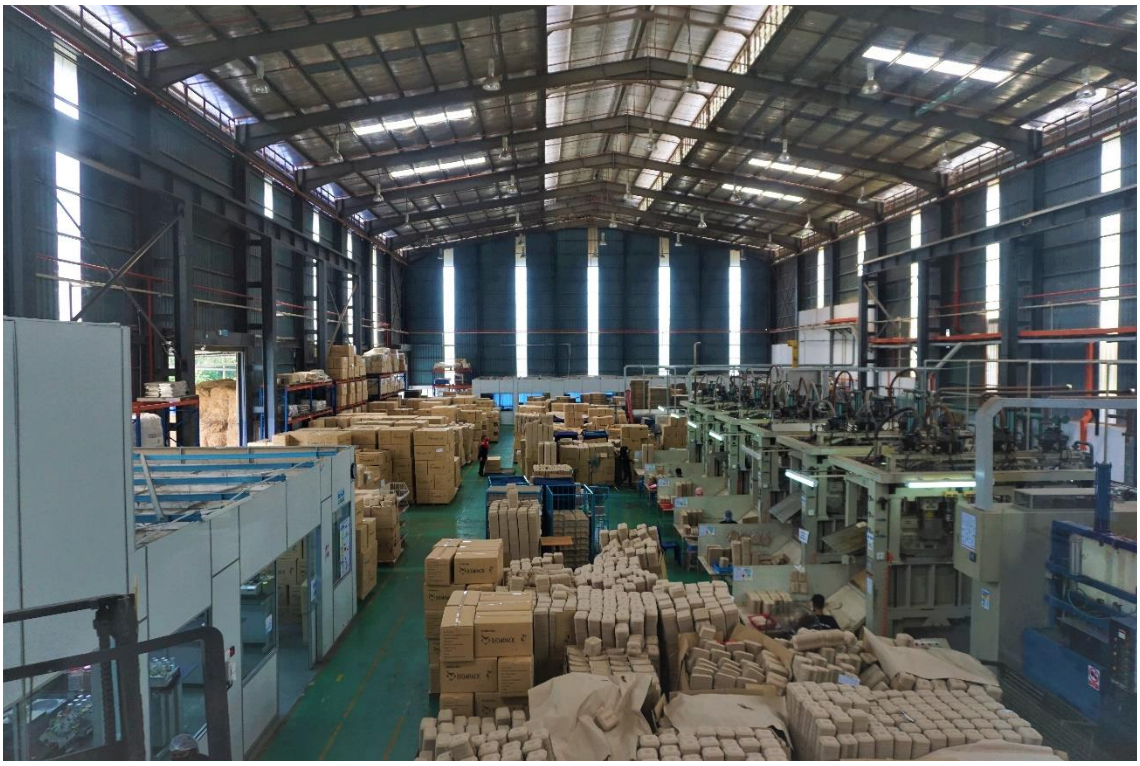
    - What is your position in this company?
    - When and why have you started to work for (joined) the company?
    - What were the key milestones in the company's development?
    - What were the main challenges and why?

2. What is the business model? Which social/environmental issue (SDG goal) addresses? Why?
3. I would like now to focus on the internationalization of the company and know better the peculiarities of foreign expansion.

- Why did the managers/owners decide to expand abroad?
- What was the first target market and why?
- What were the key milestones in the internationalization?
    - ➔ Key markets (when, how/entry mode)? Name at least 3.
    - ➔ Key products/services
    - ➔ To what extend the company standardised/adapted its offerings (products/services) to local markets? Could you give an example?
    - ➔ Whether and how the country of origin affects a company's foreign expansion?
    - ➔ How the FSTS (%) changed over time? (approximate numbers in %)
    - ➔ What do you think were the main challenges in internationalization? Do you think that the social aspect of your business offer has been helpful/obstacle? Why? Please provide some examples.
    - ➔ How the pandemic affected your business model and foreign expansion?
    - ➔ What are your plans for future foreign expansion? (markets, products/services, modes of market entry, time)

**Factory visit**

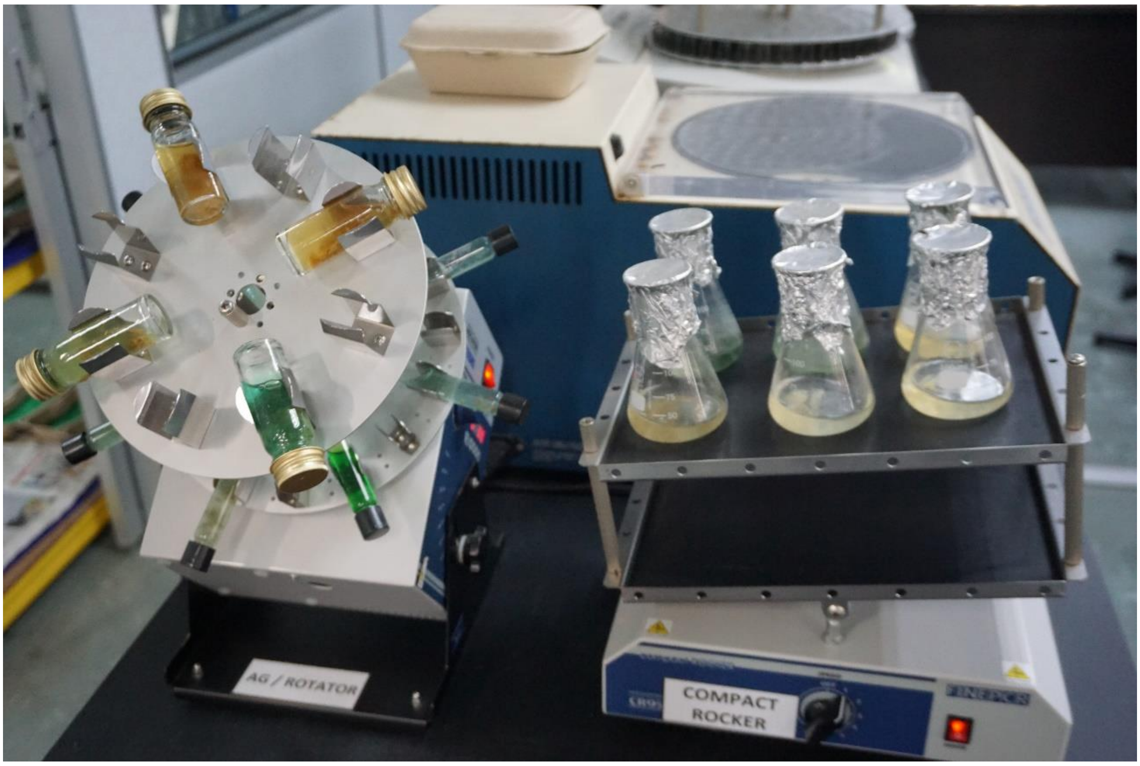
Overview of the factory



Six productions lines

Raw materials

Product development centre



Production and inspection process

**Sample of product**

Product 1: Beefsteak tomatoes tray


Product 2: Cherry tomatoes tray


Product 3: Medical kidney tray

Product 4 – Avocado tray