



The Impact of Cultural, Economic, Institutional, Interpersonal and Technological Factors on the Globalization of Malaysian Service SMEs: A Literature Review

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ABSTRACT

Cultural, economic, institutional, interpersonal, and technological factors influence the Globalization process of Malaysian Service SMEs. These SMEs tend to chase growth by venturing into the global markets; for that, they need to clearly understand these factors to develop and implement effective strategies regarding globalization. Cultural factors here serve as a core pillar when it comes to globalization, mainly because of Malaysia's ethnic diversity, which helps strengthen the creativity and adaptability of services being offered. Furthermore, culturally capable management facilitates the successful networking of SMEs with global collaborators and customers. The country's economic conditions are crucial; the steady Malaysian economy and monetary and financial incentives offered by the government boost SME's bid for successful globalization. In recent years, increased International market demands for services and digitalization trends has also stimulated Service SMEs to go abroad globally. Institutional factors are also necessary, as government programs offering international networking facilitation and platforms to acquire skills and tools facilitate minimizing dependence and lessen the barriers of globalization. Trade agreements with local and global industry partners helps SMEs to access global markets with ease. Interpersonal factors are another foundation for steering the global business market by effectively networking and communicating with global business partners and customers. Lastly, recent technological developments, especially in digital tools, are facilitating SMEs to compete globally, even though accessibility and cybersecurity remain challenges

Keywords: Globalization, Malaysian SMEs, Service sector, Cultural competence, Digitalization

1. Introduction

The globalization of small and medium-sized enterprises (SMEs), especially service sector SMEs, has been a critical element of global economic trends in recent times. In this regard, Malaysian service SMEs are gradually seeking globalization in pursuit of growth. Globalization is a multi-dimensional process, and when related to SMEs, cultural, economic, technological, institutional, and interpersonal factors play a decisive role in shaping the strategies. The Malaysian service SMEs can successfully enter and explore the International market landscape by carefully comprehending these factors. Hence, This literature review scrutinizes how these factors shape the process of globalization, highlighting their linkage and contributions to enabling SMEs to go beyond national borders.

Impact of Cultural Factors on Globalization of Malaysian Service SMEs

Culture plays a vital role in shaping any society (Yu, 2024), as is the case for Malaysian society. In Malaysia, Cultural factors directly influence Malaysian service SMEs' strategies in globalization, mainly due to the enormous cultural diversity in this society. In Malaysia, various ethnic groups are part of the society. The majority in terms of the population consists of Malays (70% app.), followed by Chinese (23 %) and then Indians (6%), indigenous people, and lastly, a large group of non-Malaysian residents working in every sector of the economy (Department of Statistics Malaysia, 2023). All these groups create an entrepreneurial ecology by coming up and working together. Such ecological diversities instigate creativity and prompt the adaptability of entrepreneurs, particularly in the service industries (Lee, 2018). From the viewpoint of globalization, awareness, and flexibility have enabled SMEs to line up their services in a way that fits the liking and expectations of consumers with diverse cultural backgrounds.

Senik et al. (2020) recapitulate that cultural competence establishes that Malaysian SMEs adequately connect with foreign clients, customers, and partners. Hence, culturally conscious management leads one through the differences in doing business, like dealing with diverse etiquette, different communication, and negotiations. Inter-cultural awareness and appropriate management knowledge lead to trust building and successful entry and retention into the global market.

Another pivot component that needs to be discussed here is the potentiality of services to adjust to local cultural preferences. For example, hospitality and tourism-related Malaysian service SMEs can adjust their services to better fit their international clients' needs, becoming more competitive in the international market. It is also important to discuss here the cultural values concerning collectivism and respect for hierarchy, as inherent in most Asian cultures, impact the managerial decisions and organizational structures and, therefore, the approach towards globalization by SMEs. (Hofstede, 2001)

To put it briefly, cultural dimensions, such as cultural awareness, adaptability, and customizing services, are vital in the globalization process for Malaysian service SMEs.

Impact of Economic Factors on the Globalization of Malaysian Service SMEs

Economic factors are among the most critical drivers of globalization for Malaysian service SMEs. The wide-ranging economic environment—domestically and internationally—creates the conditions under which Service SMEs can operate and expand globally. The Malaysian economy, distinguished by stability, competitive industries, and open market orientation, provides an appreciative backdrop for SME growth and globalization (EY, 2024). International Economic factors such as global market demand, external economic pressures, and governmental policies primarily influence the globalization strategies of Service SMEs. Local economic factors such as financial incentives in the form of assistance offered by the government, ease in export, and other monetary and non-monetary incentives, including subsidies, play a vital role in facilitating Global expansion. Bank Negara Malaysia (2021) emphasizes several initiatives supporting Service SME's attempt to expand globally by offering various funding opportunities for SMEs regarding market entry and innovation. These programs facilitate the reduction of financial barricades to globalization, creating a favorable economic environment that facilitates the easier expansion of Service SMEs into global markets. Moreover, with the increase in global demand for services- especially in information technology, healthcare, and education sectors- in recent years, Malaysian Services SMEs have a new reason to look beyond the national borders. Other factors, such as fierce market competition or overall market saturation, also serve as determinants for SMEs when deciding to enter the global markets (Senik et al., 2020). Digitalization has brought a whole new perspective to the economic environment in a society. As technology evolves, it alters conventional business methods; economic factors also evolve. Over the years, the rapid increase in usage and acceptance of digital platforms and tools has led to the introduction of a new economic environment that facilitates global networking and conducting business for Malaysian service SMEs. E-commerce and digital marketing are the prime examples of ventures that are the product of this new economic environment. These technologies have enabled the Service SMEs to conduct their operations globally efficiently (Khurram et al., 2023).

Impact of Institutional Factors on the Globalization of Malaysian Service SMEs

Regulatory structure, Government plans, and trade agreements are necessary institutional determinants that either ease or obstruct the globalization process of Malaysian services SMEs. In Malaysia, the government serves as a key body in enabling the globalization process, and for that purpose, it has introduced several programs to develop and facilitate the globalization process for Service SMEs. The initiatives include specialized funding programs, creating and facilitating programs to enhance international networking opportunities, and capacity-building training programs for SMEs to enable them to enter global markets and work efficiently. (Bank Negara Malaysia, 2021). The Malaysian government has already implemented various policies to enhance globalization among SMEs. For example, the Global Supplier Programme facilitates SMEs with the essential tools, know-how, and capabilities related to their success in global markets. Hence, with institutional support like that, Service SMEs can overcome hurdles and barriers such as -handling foreign legislation and gaining access to international supply chains - that come on their way to the globalization process. International trade agreements, such as those of the ASEAN Economic Community, further alleviate the market entry of Malaysian Service SMEs. These agreements result in lower trade barriers, simplified customs, and encourage regional economic integration, leading to much easier expansion of Malaysian Service SMEs into neighbouring countries and beyond (Lee, 2018). Additionally, connections with industry associations and trade organizations also facilitate SMEs in building the required networks for success in global markets because such institutional networks provide market intelligence, advocacy, and access to potential partners in international markets.

Impact of Interpersonal Factors on the Globalization of Malaysian Service SMEs Interpersonal factors reference the management team's networking, relationship building, and communication skills, further leading the Malaysian service SMEs in globalization. If used properly, these factors facilitate the development and retention of good interpersonal relationships with global business partners, International customers, and International human resources involved in conducting business for the Service SMEs. Relationships with Government agencies and departments at home and abroad are also directly linked to interpersonal factors. If handled properly, these agencies and departments can provide service SMEs with the required resources and essential tools to excel in global markets (Senik et al., 2020).

Networking is a primary factor when SMEs decide to go global, as it facilitates the identification of international business opportunities and assists in acquiring information about the target market. Once the Service SMEs have entered the global markets, it aids in retaining their reputation. Lee (2018) mentions that well-built interpersonal relationships lead to stronger partnerships and credible collaborations, which help Service SMEs overcome market entry, regulatory, legal, and, most importantly, cultural barriers associated with the service being offered. Other notable interpersonal skills, such as intercultural communication, negotiation, and collaboration, also play a vital role in the success of conducting an international venture. The effectual development of communication and relationship-building skills thus allows Malaysian service SMEs to create and retain trust with foreign clients and partners, which is highly notable in successful globalization.

Impact of Technological Factors on the Globalization of Malaysian Service SMEs

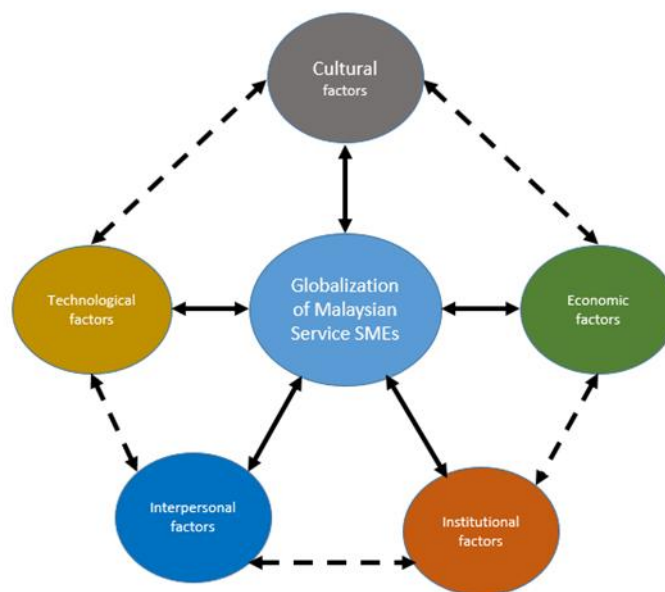
In the 21st century, Technological advances are crucial in enabling globalization for Malaysian service SMEs. The advanced level of digital technologies, primarily e-commerce, AI, and cloud computing, has empowered firms to globalize service offerings without immense investments in

physical infrastructure (Jamal et al., 2022). The government of Malaysia itself has been very agile and flexible, with initiatives such as the MyDIGITAL and Digital Free Trade Zone, aiding the integration of digital technologies to support SMEs for globalization (MDEC, 2021). Nonetheless, despite the advantages associated with digital technology, a problem occurs, especially regarding accessibility and how much-related competence enterprises with limited resources possess in leveraging them. Digital divides, particularly across most rural SMEs, decrease their potential for competitive products of global standards (Kamarulzaman et al., 2022). The latest studies state that digital security is a significant threat, especially to international businesses since Service SMEs are very much at risk of cybersecurity threats (Ng et al., 2020). Data and intellectual property protection has become a crucial factor supporting the global expansion of Malaysian service SMEs.

2. Conceptual Framework of Factors Affecting Globalization Of Malaysian Service SMEs

Previous literature supports that cultural, economic, technological, institutional, and interpersonal factors are all interlinked, shaping and impacting the globalization decision for Malaysian Service SMEs. Figure I represents the conceptual framework for this study

Figure 1: Conceptual Framework of Factors Affecting Globalization Of Malaysian Service SMEs



3. Conclusion

Hence, the globalization process for Malaysian service SMEs has a multi-faceted impact originating from many extensive factors such as cultural, economic, technological, institutional, and interpersonal dimensions, and each of these factors has contributed a significant role in forming globalization strategies for SMEs. Cultural competence facilitates businesses in adapting to diverse global markets, while economic incentives equip SMEs with the pivot resources required to expand abroad. Also, technological developments generate avenues for new market access, and institutional support facilitates the overcoming of some regulatory and logistical barriers. Interpersonal relationships will affix the networks, establish partnerships, and develop credibility in foreign markets. Through awareness and use of the different drivers of globalization, Malaysian service SMEs will be more prepared to face global challenges.

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