Book Review: The Internationalisation Strategies of Small-Country Firms

Domingo Ribeiro Soriano, University of Valencia, Spain

Management Decision 2008, 46(1) pp168-170

The Internationalisation Strategies of Small-Country Firms, Edited by Howard Dick and David Merrett

The Internationalisation Strategies of Small-Country Firms analyzes the experience of Australia, a country that mainly contains large firms, as an atypical case of a medium-to small-sized open economy. In comparison with other world economies, Australia is usually associated with developed countries or those belonging to the group described as transitional economies. From among the conditioning factors that have notably influenced the country's economic situation and that of its firms at the start of the twenty-first century are changes that occurred in the 1980s, such as the deregulation of the banking system, the abolition of foreign exchange restrictions, the floating of the Australian dollar in 1983, reductions in tariff protection and the selling off of the governments business enterprises (i.e. bank, insurance, water, electricity, railway or airport sectors). Logically, the importance of technological transfers from the developed world via inward foreign direct investment (FDI) was vital for all these factors. In short, the pressure of the market through the liberalisation of trade and investment were introduced to the Australian economy as a key factor in raising productivity and living standards worldwide. They thus began to look solely at the domestic market in order to locate opportunities in the world economy.

The book is edited by Howard Dick and David Merrett, professors in the Department of Management and Marketing at the University of Melbourne in Australia. Almost all chapters contain contributions from the authors' colleagues at the University of Melbourne. Howard Dick is an Asia specialist and his particular research areas include the fields of applied economics and economic history. He has written books such as Cities, Transport and Communications: The Integration of Southeast Asia since 1850 (with P. Rimmer, published by Palgrave) or The Rise and Fall of Revenue Farming: Business Elites and the Emergence of the Modern State in Southeast Asia (with J. Butcher, published by Macmillan). David Merrett's works include the books The Big End of Town: Big Business and Corporate Leadership in Twentieth-Century Australia (with G. Fleming and S. Ville, published by Cambridge University Press). Dick and Merrett have also published works in refereed journals and have developed professional activities such as consulting for the World Bank, the Harvard Institute for International Development or UNCTAD.

It is necessary for all those interested in economy to gain an in-depth knowledge of corporate internationalisation strategies. This was one of the main reasons that led to my interest in reading and reviewing this book. However, it is important to point out that The Internationalisation Strategies of Small-Country Firms is not only aimed at scholars, researchers and students, but is also very useful for businesspeople, practitioners, international government policy makers, managers and investors.

The book is divided into three parts. Part I deals with the experience of Australian firms from a historical and comparative perspective. Part II consists of a series of industry studies that examine the relationship between home markets and policy environment from which investing firms
The word “internationalisation” is not solely linked to large economies, markets or firms, but also to small and medium-sized firms, although it is also related to many other areas of economy, as stated by Manigart et al. (2007). There is a general consensus among academics that it is multinational companies (MNCs) that have been the standard bearers of competitiveness. In this respect, Kogut and Zander (1993) state that the multinational firm has superior efficiency as an organizational vehicle for transferring knowledge across borders. In my opinion, this represents an important handicap, as small countries tend to have the least number of MNCs, with the exception of a few cases such as those of Belgium, Japan, Sweden, Switzerland or The Netherlands. There are other aspects such as geographic isolation or institutions and policy regime that notably affect the success of firms located in particular countries. As the authors point out “… there is a huge gap in our knowledge of globalisation and the multinational firm” (p. 6).

Recent years have borne witness to a growing interest in literature in the international business activities and strategies of countries that do not belong to the world's most industrialized nations. A result of this has been the creation of special issues in top international journals ranked in the business, economics and management subjects of the ISI. With regard to this interest, “multinationals from such economies have emerged by exploiting law-wage, labour-intensive technologies through foreign investment into other developing economies” (p. 6).

Part I of the book contains six chapters dealing with the historical and comparative perspective of the experience of Australian firms. It analyzes interaction with other areas such as New Zealand and the USA. Chapter I provides a historical and current review of the economic, social and cultural aspects that have conditioned the environment and the firms themselves. Chapter 2 examines the country-specific advantages and firm-specific advantages of the impact of the changing policy regime. Chapter 3 focuses on the administrative heritage of firms from a management and strategy perspective. Chapter 4 analyses the different experiences of industries and firms against various criteria for success or failure in international ventures. The experience of foreign firms investing in Australia, New Zealand and the USA is studied in Chapters 5 and 6.

Part II covers five industry studies analyzing why firms in retail, wine and professional services were more successful than in financial services and shipping.

Part III identifies nine detailed case studies of firms and the factors that have led them to success or failure. Undoubtedly, some of these examples are applicable to other firms that have not made the same mistakes and have managed to produce successful results in the same way that many Australian firms have. But it is also difficult for all the elements and conditioning factors to coincide in order to learn everything we need to know about the success or failure of these firms. I therefore believe that this book should enrich the experience of the reader, bearing in mind the fact that, as with all books of such characteristics, the final decision lies with the reader when taking the decision or not to invest venture capital (in the case of investors) and providing stimulating ideas for action (for all those interested in the topic) which in no way should be considered as dogmas or consequences that can be strictly applied. The book ends with conclusions and implications for future research.

From among the strengths of this book, I would like to underline the fact that researchers from around the world have studied the experience of internationalisation from the perspective of large countries but that this does not occur as frequently with small-country firms. If we also bear in mind that knowledge of the Australian experience is scarce, both aspects should provide sufficient motivation for reading and learning from this book. Its limitations are based on
confining the experience to the firms analyzed. Why choose this particular country and not another, particularly bearing in mind its distance from other areas or continents? From this point-of-view, considering the scant attention given to analyzing the experiences of other countries such as Austria, Ireland, Poland, South Africa or Spain, this might provide an interesting line of research for future books in The New Horizons in International Business series published by Edward Elgar.

Although it is difficult to generalize in small-country cases due to the fact that they are numerous, diverse and have different characteristics according to location, level of economic development, industrial structure, political regime or policy framework, knowledge of the Australian experience is important for other small-to medium-size economies in Africa, South America, Southeast Asia or the Middle East. As Dick and Merrett state in their book “Small countries have a great deal to learn from each other” (p. 7).