

**Evaluating the Internationalisation strategy:  
The case study of a SME in the UK Chemical distribution industry**

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**Track 3 – CCM**

or

**Track 8.- International entrepreneurship: Challenges in the 21st century**

## Type: Abstract

### Abstract

**Scope and Importance:** The UK Chemical Distribution Industry is an integral part of the UK Chemical Industry. According to the American Chemistry Council's Global Business of Chemistry (available at: [www.americanchemistry.com/Jobs/EconomicStatistics/Industry-Profile/Global-Business-of-Chemistry](http://www.americanchemistry.com/Jobs/EconomicStatistics/Industry-Profile/Global-Business-of-Chemistry), accessed April 2014), in 2012, the UK chemical industry was ranked tenth regarding its worldwide influence and reference. Small Medium Enterprises (SMEs) operating in the Chemical Industry are extremely important as they are an effective mechanism to generate employment and promote economic growth (Chawla et al., 2010; Dobbs and Hamilton, 2007; Mortelmans and Reniers, 2012; Lussier, 2010). Business literature recognises that internationalisation has a positive impact on firm performance and has been long established as an important characteristic of firms experiencing high growth (Bianchi and Ostale, 2006; Javalgi and Todd, 2011; Hessels and Parker, 2013; Lu and Beamish 2001; Mudambi and Zahra 2007; Pangarkar, 2008; Zhou et al., 2007). Currently, there is very limited business research investigating the internationalisation process of SMEs in the UK Chemical Distribution Industry. Therefore, the scope of this study is to offer an insight in this area by initially focusing on the internationalisation activities of a typical SME operating in this industry.

**Theoretical background and importance:** Key studies conducted in the area, explore internationalisation of the firm either as a determinant that adds value through resources that it possesses and masters (e.g. the "resource-based view" as analysed by Hessels and Parker, 2013; Javalgi and Todd, 2010; Zhou et al. 2007) or it is associated with the business strategy of the organisation and is greatly influenced by the environment in which the firm operates, the structure of the industry and how the firm promotes itself over the market (Lu and Beamish, 2006; Bianchi and Ostale, 2006; Dobbs and Hamilton, 2007; Carter and Jones-Evans, 2000; Turnbull, 1987).

Overall, there are three models that explain how firms gradually intensify their activities in foreign markets (internationalisation process): the gradual internationalization (Uppsala model), the radical internationalization (or born global firms and international new venture) and the radical but late internationalization (born-again global firms) (Olejnik and Swoboda, 2012; Calof and Beamish, 1995).

In general, SMEs in the UK Chemical Distribution tend to gradually intensify their activities in foreign markets by first gaining experience from the domestic market before moving to foreign markets and tend to start their foreign operations from culturally and/or geographically close countries (Chemagility, 2008; Flavell-While, 2012; Hornke, 2012; Mortelmans and Reniers, 2012). This is in line with the Uppsala model and therefore this study will be based on the same model. An understanding of why they succeed or fail is crucial to the main stakeholders operating within the Chemical Industry.

The current research study is focusing on The White Sea and Baltic Company Ltd (WSB); one of the leading distributors of speciality chemicals in the UK. The company has been selected as a case study for two main reasons. Firstly, is considered a typical SME in this industry as defined by Chemagility in 2008. Secondly, one of the researchers is employed by this company and as a result, there is a personal interest in the evaluation of the current internationalization process, as this could directly affect the performance of the company.

**Research Questions:** Reflecting on the theoretical framework of the project, the scope of the study is dual; first to evaluate the current internationalisation strategy of one of the leading distributors of speciality chemicals in the UK and secondly to identify the skills and capabilities of its international managers that could be associated / have an impact on its success.

**Methodology:** This is a pilot study of a larger research project, focusing on SMEs operating in the UK Chemical distribution that sell directly or through sales agents to clients in international markets. A small scale research project was conducted to examine the internationalization strategy of the WBS. The research strategy adopted is a case study approach. Face-to-face in-depth interviews with 5 senior managers with exporting responsibilities and one of the Managing Directors of the company have been conducted. The interview questions have been divided into three main themes:

1. Defining internationalisation in the context of Chemical Distribution Industry
2. Develop managers' skills and cultural awareness
3. Qualities of international managers working in different geographical regions.

Thus, the focus of the interviews was to assess the internationalization strategy of the company, identify the challenges, needs and skills required for the target groups to explore internationalization, and how the current international strategy of the firm can be implemented in certain ways in different geographical and intercultural environments. In this context, the research philosophy of this project falls largely within the interpretivist inductive perspective and its nature is qualitative with an exploratory and explanatory aim (Bryman, 2012). The analysis of the data

**Key Findings:** Preliminary findings reveal that WSB is more reactive to internationalization and that there is no clearly defined strategy or skills development plan. The empirical evidence is in line with existing literature that argues that even though internationalization can be a source of growth and profitability for the chemical SMEs, it can also generate huge losses since it is very risky for the firm to survive in the internationalised environment. Additionally, success in the home country does not guarantee success internationally (Bianchi and Ostale, 2006). International managers working in the Chemical Distribution Industry support the view that when their firm venturing into the foreign markets, they have to face uncertainty and risks which entail a process of learning and adaptation (Zhou et. al, 2007).

**Practical Implications:** This is the first study conducted in the UK Chemical Distribution Industry that aims to assess the existing internationalization strategy; identify the challenges, needs and skills required for the target groups to explore internationalization; help Chemical SMEs overcome any barriers identified by proposing an appropriate a business strategy; and the development of "soft skills" which are needed to build the employees cross cultural capability within the SMEs operating in the Chemical Distribution Industry.

**Keywords:** SMEs, Internationalisation, Chemical Distribution Industry, UK Soft skills, Cross Cultural Capability.

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