Diversity management, personal networking, firm performance and the DNP triangle: the connect to internationalization strategies of small firms

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Extended Abstract

In the field of *International Entrepreneurship*, it is often that related areas such as *diversity management*, *personal networking*, and *firm performance* are treated as separate spheres. We believe that more aggregate treatment of these branches of knowledge is needed to advance the discipline. Culturally diverse work environments have become the norm in today's organizations (Broome et al., 2002). A competitive value is added when organizations adjust their human resource mix to reflect the target market they are attempting to reach (Richard, 2000). Factors such as immigration and changing gender roles have led to greater diversity in domestic organizations in terms of sex and gender, ethnicity, nationality, and other social factors (Broome, 2002). The classical diversity management policies emphasize the "fairness" prospective. A more promising approach would be to investigate the contribution and economic benefits, that immigrants can facilitate to the enterprise through there personal networking capabilities. As businesses became increasingly globalized, the distinction between home country and international environment has vanished. Researchers are presenting alternative models of the topology of such new markets structures (see Abouzeedan and Busler (2002a, 2006).

Dansky and Brannon (1996) studied the relationship between strategic orientation and the use of total quality management in home health agencies. Porter (1985) argued that a firm obtains competitive advantage through its resources. Barney (1991) extends Porter's view by broadening the definition of resources to include all organizational assets, including its workforce. According to Lillhannus and Widell (2002), in organization and management literature, the concept of diversity has developed from US experiences of their "melting pot" (see Prashad et al., 1997). Contrary to the American experience, the Scandinavian region had few immigrants, and when they have come, they have found work rather easily. Thus they have melted in, if not easily, at least without too obvious hostility (Lillhannus and Widell, 2002). Abouzeedan and Leijon (2004) have argued that during the past eighteen years or so, the situation in the

Nordic countries changed with larger flux of immigrants and higher degree of religious, cultural and ethnic diversity.

The comparatively recent emergence of an interest in culture in organizations can be understood in terms of an acknowledgement of the limitations of structure in providing the ‘glue’, which hold organizations together (Dawson, 1995, p. 142). In the ‘formal’ organization usually one focus on how to determine the most appropriate form of structure for organizations. Referring to Dawson (1995, p. 142) besides these more formal manifestations, there has also been a commentary on the importance of the ‘informal’ organization, which reflects the emergent procedures and relationships, which are actually found rather than those which are formally specified (see, e.g. Dirsmith and Covaleski, 1985). Gouldner (1954) and Fox (1974) has pointed out, some time ago, that the “informal” organization may or may not be coterminous with the specified.

According to Leijon and Widell (2002), diversity opens up for the construction of the multicultural organization. An alternative perspective is the construction of multicultural networks or organization in a multitude of alliances. The *Multiculturalism* is defined representation, in one organization, of people with different group affiliations of cultural significance (Cox, 1994). In this paper we have investigated the theoretical interdependency between them of *diversity management, personal networking* and *firm performance*. In the process we have introduced the DNP triangle. The DNP triangle is a conceptual presentation to the interdependency of these three fields within the context of the e-globalization phenomenon. Each of the three corners of the triangle represents one of the areas mentioned above.

We are trying to relate our DNP Triangle concept to the realities of Melship AB activities. Melship AB is a Swedish firm working with logistics. Melship AB was established in 1973 by two persons, Gert Berndtsson and Staffan Wennerby. The firm is currently is owned by Mr. Berndtsson and Staffan Baaz as of 2004. The firm object, Melship AB, is an enterprise working with logistics. The firm functions as an international broker. Melship AB is not the biggest company in its area of activity, but rather they are very strong is the markets they are operating in. The core technology of Melship AB is their ability to construct individual transport solutions suiting each of their customers. The main region where the company has its activities is in the area around the Mediterranean Sea region including southern European, the Eastern Mediterranean, Western Mediterranean, and Northern Africa. The company has also specialized it self in countries of the Middle East such as Iraq, Iran, the GCC countries, and Egypt. Melship AB is a shipping broker. As a shipping broker, the firm tries to find transportation solutions which suit the customer specific needs.

When we applied the DNP triangle analysis on the firm, we find that all the components of the DNP triangle, *diversity management*, *personal networking*, and *firm performance* to be interacting and producing cyclic processes. The new DNP triangle concept is aiming at presenting a graphical image indicating that each of the three fields is not functioning in an empty space. Rather each of these three spheres of knowledge is in real interaction with each others, if the globalization/e-globalization processes are considered. We found the DNP triangle to be a useful tool of analysis to understand the role of each of the three components within the total organizational platform. We have also demonstrated the significance of the DNP triangle to the issue of small firm internationalization. International processes have to be considered in different angle due the realities of the new economy. The new environments in which the firms are internationalizing emphasize the significance of major issues such as of the personal networking and diversity management. The traditional internationalization theoretical framework usually looks at dynamics and processes occurring within the firm in relation to a more static environment. In such an environment, transformation of knowledge is restricted and information flow is blocked by technical barriers. In the new age of information technology the issue of knowledge transfer is of central importance in understanding the dynamism of internationalization processes. That makes issues of personal networking of great importance. This is also intensifying issues of the diversity management. In the traditional diversity management, the emphasis is on the fairness aspects. In the new e-globalization age, the basic emphasis of the diversity management should be focused on the entrepreneurial contribution that immigrants or local ethnic groups can contribute with to the local economies through internationalization inductions. Based on that reasoning the NPD triangle can be used to understand the processes and theoretical frameworks within the field of the international entrepreneurship.

There are a number of categories people who can benefit from the NPD triangle concept. The first group is the researchers and academicians who are studying the way personal networking is related to issues of firm performance as well as diversity management. By understanding the general frame and the environment within which these topics can be placed, the scholars of diversity management and human resource placing will able to come with better answers to the questions raised. In particular, that will benefit in understanding why some firms are more successful in their internationalization strategies. Another category of beneficiaries of the NPD triangle concept are firm managers. The new concept helps the manager to relate issues of human resource planning and strategies toward utilization of the personal networking of the diverse workforce. The last of the beneficiaries is the policy-maker who needs to study the impact of the diversity management policies on the economic growth of a region, a city or a country.

E-globalization and Firm Market Power: A Reflection Using the British Telecom as an Illustrative Example

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Executive Abstract

E-globalization is having a clear impact on various aspects of the economy, not least at the micro-level. One area which needs revision and consideration in relation to this phenomenon is the old monopoly concept. In this paper, we are looking at how the nature of market power, and in specific terms the *monopoly*, has been altered due the impact of the *e-globalization*. As economies of the world are becoming integrated, the monopolistic way of providing vital services to society are more questioned and de-regulation becomes in the spot. Deregulation calls for allowing market entry for competitors. The complexity of doing so, without deterioration of the performance of the monopolistic enterprise, is significant. Since this is a major problem which is currently unsolved, economists suggest different and often contradictory paths to solve the issue. Due to external market power pressure on local environment as a result of the IT-revolution, the concepts of regulation and society control on vital sector has gone into major shifts in the late 1990s and beginning of the 21 century. The UK regulatory environment changed materially in 2003. On July 2003, Communications Act 2003 (“the Communications Act”) came into force, bringing in anew regulatory framework for electronic communications networks and services BT Annual Report, 2004).

Going back in history, we find that the attempt to use access pricing and to control and structure network industries started twenty years ago in connection with the diversification of the AT&T industries (Crew and Kleindorfer, 2002). We learned from the California electricity crisis deregulation schemes that returning to the old ways of monopoly controls may be difficult. New property rights have been created, which will be defended vigorously by the new owners (Crew and Kleindorfer, 2002). Alternative approaches including vigorous application of the antitrust laws and the addition of new capacity, perhaps under public ownership or even by the utilities after their solvency, has been restored. That is in turn had an impact on the monopoly situation as the major telecommunications corporation as their market power were arranged around a monopolistic structure (Warf, 2003). To describe the new situation regarding the

influence of few players at the international arena, we need to device new concept other than monopoly and duopoly. The new terminology *multipoly* aims to stress the fact that tradition market power control on a local level, such as a single country, is transferred in the new economy to a dominant global market power, shared by few players. We have looked at how the nature of market power, including monopoly, has been altered due the impact of the *e-globalization*. We used the British telecommunication company as a good example to grasp the relationship between the power of market and the *multipoly* stage of film development.

We looked at the developmental history of the firm. Although the British telecommunications is not a small firm nor it is entrepreneurial, in the traditional meaning of the word, in its current structure, we need stress certain points. Even, when the firm is a large corporation today, the seeds of the firm back in 1878 were based on the imitative of the private sector, such as National Telephone Company (NTC), and General Post Office (GPO). As these companies amalgamated and were taken over or collapsed, the survivors were eventually transferred to state control under the *Post Office*. The *Post Office* later became privatised company, and became British telecommunications plc – the forerunner of today's global communication company, the BT group plc, which serve customers in 170 countries (The BT Official Website (a), 2006).

The entrepreneurial nature of the early stages of the build-up of the eventual BT Corporation is apparent The BT is a good illustration as how a dominant firm within a specific country could transfer its dominance to the world arena through strategic alliances and/or mergers and acquisitions, as when happened in the airline sectors in the nineties and early years of the 21 Century. We do believe that studying the transformation of such dominant firm from a local player into global player, keeping in mind the difference in structure; can give us good feedback in relation to globalization and internationalization mechanisms. The shift in dominance from local level to global level is against traditional stage-wise theories of internationalization. However, there is no contradiction of this choice when new thinking in terms of new internationalization mechanism are considered such as the born-global concept.

In our deeper at the *British telecommunication*, we have seen a correlation between the developmental history of the firm and the concept of multipoly taking in consideration the theory of the firm internationalization. We found that market power of BT has shifted from the local level to the globalized, where internationalization itself has lead to worldwide multipolistic power of firm. The new terminology "multipoly" aims to stress the fact that tradition market power control on a local level, such as a singl country, is transferred in the new economy to a dominant global market power, shared with few players. We believe that the new concept of multipoly would bring a new line of research within the international entrepreneurship area. Researcher on understanding how firms, regardless of size, would gain market power as they become global players can benefit from the new approach exposed in this paper. This work would help bridging two disciplines which have been treated, up till now, separately, *International Entrepreneurship* and internationalization of nationally dominant firms. In a more clear language, the concept of the multipoly and the analysis we ran above could help scholars see the commonly intersectioned knowledge areas between the disciplines of *International Entrepreneurship* and classical *International Business* theorem.

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Extended Abstract

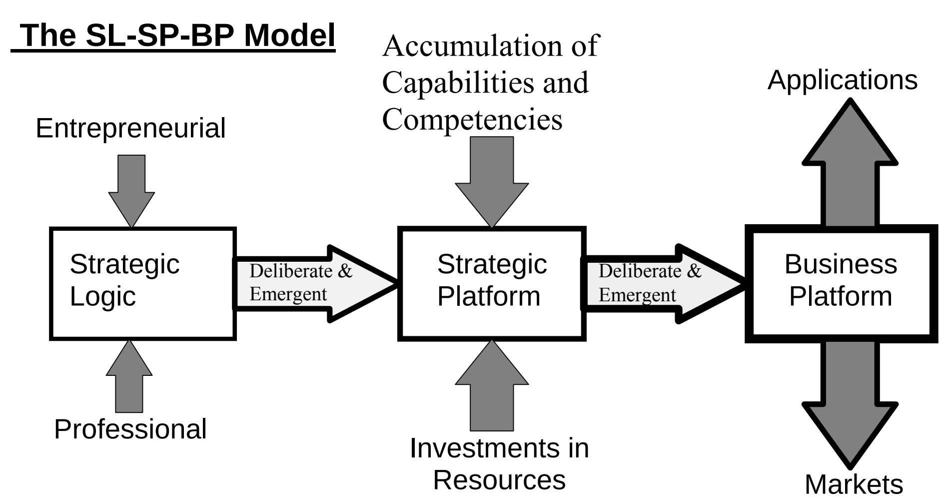
This paper's primary aim is to explore the pattern of growth in rapidly-growing and internationalizing enterprises (RGEs and RIEs). The extensive theoretical review of this paper indicates that, the research for resolving the phenomenon of rapid growth and internationalization will have to reflect the complexity and interactions of operating within a collaborative space with joint resource, learning and dynamic strategy as opposed to independent operations. This suggests a multiple factor and multiple layer complex adaptive system (Etemad 2004b), which can be only approximated heuristically. It will involve the simultaneous combination of at least four sets of factors -- *resources and capabilitie*s (based on Resource-Based View of the firm), *cooperation and collaboration* (based on Network-Based View), *learning* (based on Learning-Based View) and a set of *potent dynamic strategies* (based on Dynamic Strategy and Behavioural Views of the firm) -- at two level of analysis (i.e., at the firm and at the network levels) at the same time.

The literature provide no theoretical support for the theoretical, if not actual, difficulties facing RGEs and RIEs (e.g., involving sharing resource, coordinating joint learning and operations, determining each firms responsibilities and the corresponding part of the joint outcomes in a give network configuration). The corresponding complexities and difficulties, for which the literature is at best fragmented, are much beyond the younger and inexperienced smaller firms. Stated differently, the literature suggest that younger SMEs are not prepared to handle the suggested levels of complexity and thus cannot grow and internationalize rapidly. Consequently, such theories will neither be capable of assisting them at the execution level nor explaining their rapid growth at the theoretical levels. Therefore, it is illogical to attribute the rapid growth of smaller firms to the particular influence of a particular theory. Even the confluence of influential factors from the above-mentioned traditions is unrealistic as these firms are incapable of simultaneously deploying to support their rapid growth (as it could be in the case of larger and well-endowed firms), leave alone using and optimally executing them. Furthermore, once in the interdependent mode (as opposed to interdependent) is adopted, the inherent interdependencies of network membership -- i.e., multiple dependencies on others' resources, capabilities and experience – may be both difficult and demanding and yet crucial to their growth (based on our research findings). This appears to be an uncharted theoretical and research area; yet some smaller younger firms (e.g., the five cases in this paper)

have achieved impressive business growth (e.g., average of 3000% in 5 years) with rapid pace of internationalization from the outset. This observation in the face of theoretical impotency, calls for a theoretically-powerful, but relatively simple operationally, framework with its corresponding implementation plan to explain parallel the rapid growth. Such a framework can also serve as a guide studies such as this one. Thus, this paper proposes a theoretically-grounded framework. Conceptually and strategically, the proposed framework is designed to capture the dynamics of *Entrepreneurial Initiatives→ **S**trategic **L**ogic→ **S**trategic **P**latform→ **B**usiness **P**latform→ Revenue Streams: SL-SP-BP, as depicted below.*

In favour of space, however, the paper concentrates on the three *inner blocks* for the actual utilization of the potential resources and strategies, which enable rapid growth and internationalization. The framework includes deliberate and emergent elements from strategy logic (SL) of the key individuals influencing the strategic platform (SP) and to business platform (BP).

i) The Strategic Logic. The *strategic logic* (or logic of action) regards viewpoints as a *mindset* that underlies the business model and the action pattern that follows (Ala-Mutka 2005). The mindset is considered at group (industry, company or team) or individual level (see e.g. Hellgren and Melin 1993, Spender 1998, Huff et al. 2000) and also at core and peripheral-set levels (Bartunek 1984, Lyles & Schwenk 1992, Kirjavainen 1997). Then the strategic logic represents the thinking of key persons in the firm (Näsi et al. 1996) and the business model is a manifestation (or the result) of the strategy formulation that relates the mindset to action through a strategic platform, as depicted in the figure above. The business model may be flexible allowing for emergent variant of the strategy to be incorporated or formal favoring a more deliberate strategy.



ii) The Strategic Platform. We place all the thinking and strategy formulation enabling decisions, which lead to action and understood at individual or collective patterns, in the conceptual block of *Strategic Platform*, from which the constituent strategies emanate (e.g., related to a given business or product, among many others).

iii) Business Platform. Similarly, we suggest that numerous business models may depart from, and be based on the, Business Platforms. Therefore, the *Business Platform* is the high level, or aggregated representation, of numerous related business models that share certain assets, IPs, etc, but each is designed to cover a part of a related business.

There is empirical support to suggest that continuous rapid growth is achievable and is based on scalability of the strategic platform, various interrelated synergies and it continues beyond the individual product life cycle of one product, region, application and time period. Similarly, our findings suggest that indeed theses firm exploit multiple commonalities and multitude of synergies across the above-mentioned cycles. Thus, the source of the scalability of the business model can be, for example, infrastructure, customer, business concept, resources and knowledge of a firm or those of its partners. Thus, SL-SP-BP framework captures these commonalities and enlightens the differential impact of rapid and continuous growth, which is enabled through combination of strategic elements combining to act as a system, but not as isolated resource, skill, knowledge, competence or other competitive advantages.

The detailed examination of five in depth and longitudinal studies of rapidly-growing firms, highlighted in the paper in terms of their strategies and product-market expansion over time, provide very strong support for the framework and its operational counterpart. The findings and discussion review each case firm within the context of the grounded framework and their operational counterparts. The implications explore the dramatic differential impact of rapid (minimum of 3000% in five years) versus the normal growth rates (200 to 300% in same time period).

The conclusion of the paper points to lessons of this research and suggests that the substantial differential impact of RGEs and RIEs should not be lost by the investment and policy communities for their impressive contribution to all affected parties. The RGEs and RIEs accomplish more at a shorter time period and thus should be supported and emulated to further broaden their contributions as well as that of the family of such firms.

Key words: Entrepreneurship, International Entrepreneurship, Growth, Strategy for Success in Start-ups, Behavioural Growth Theory of the Firm (1050 words).

Internationalization of SMEs:
a vision-based approach

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Extended Abstract

Most internationalization theories and approaches developed within the framework of large companies have fallen short of explaining how and under what circumstances SMEs become internationalized. Consequently, research has been directed in recent years towards studying SMEs' internationalization in relation to managers' profiles. Thus, we have witnessed the emergence of a new field of study known as international entrepreneurship (Wright, 1999) located at the intersection of the fields of entrepreneurship, small business management and international management.

This paper takes the new field of international entrepreneurship as its backdrop and studies the relationship between managers' visions and the internationalization process in SMEs. Thus, after presenting the theoretical foundations underlying the research question, a model is suggested to explain the nature, scope and implications of this relationship. Research assumptions are defined in relation to this model.

The nature of the issue studied as well as the grounding in two different countries: Morocco and Canada, justifies the use of a qualitative approach based on multiple cases studies (Eisenhardt, 1989). In addition, building on the initial conceptual model, an analytical induction-based approach is used but its findings are not presented in this paper. Ten (10) SMEs – five in each country - along with five other SMEs studied as test cases – were selected and analyzed using Atlas.ti. All SMEs were chosen from the agri-business sectors in both countries to ensure data comparison.

Results show that clear vision is associated with *proactiveness* in internationalization decision-making, whereas fuzzy vision seems to be related to *reactiveness* in such a process. It is also shown that managers with clear vision operating in stable environments tend to plan their internationalization actions. On the other hand, visionary managers whose environment is rather turbulent tend to improvise their actions but always within the limit of a comprehensive planned frame that ensures the cohesiveness of their actions. In contrast, managers with fuzzy visions seem to improvise their actions in a chaotic way. It also appears that while all managers, whatever the nature of their visions, tend to increase their international involvement when they positively perceive the international performance of their companies, their attitudes differ,

depending on their country of location, when performance proves unsatisfactory. Most Canadian managers interviewed in this study said they would withdraw from foreign markets and focus on their Canadian customers should international performance prove unsatisfactory. On the other hand, their Moroccan counterparts made it clear that, whatever the level of performance, they simply cannot withdraw from international markets. Since their products are specially designed for foreign markets, it would be almost impossible to sell them in the local market either because they are too expensive or due to their specific design. Our results also confirm the limited relevance of existing internationalization theories to explain the internationalization of SMEs. Approaches tested in the current study proved at most incomplete to explain such internationalization.

Key words: SME, vision, internationalization, manager, agri-business, Morocco, Canada, network, case study.

What do managers in small international firms really do?

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Extended Abstract

The interest for small firms operating on an international market has been increasing during the last decades. A review of the research, however, reveals that our knowledge about the behavior of managers in this kind of small firms is limited. This paper seeks to advance our basic understanding of if there are any differences in the behavior of managers in small international firms and the behavior of managers in other small firms. The questions that seek answers are if there are any differences in the work activities of managers in small firms mainly operating on an international market and those managing firms doing business on a domestic market, and, if so, what are these differences, and what do they tell us about the internationalization of small firms?

Many methods have been used in the study of what managers do. Three main types of methods can be used to study managers' behavior. The first is to ask the manager to estimate how he/she divides his/her time between different activities (using interviews and questionnaires). A second approach is to have the manager to keep record of his/her time and activities (using diaries). The third method is to have a researcher to observe and record the manager's activities (critical incident observation, activity sampling, unstructured and structured observation) in real time.

This project draws on the method of structured observation as designed by Henry Mintzberg (for a thorough description of the use of this methodology, see Mintzberg, 1973, Appendix C). The main reason for using direct is the explorative ambitions of this research. The questions posed in this thesis are basic in character, and seeks to provide fundamental knowledge about managerial behavior in small international firms in comparison to other small firms. Given the nature of the questions, the choice of methodology is directed towards methods that allows closeness to the phenomena at hand. Another argument for choosing direct observation as the main method is that previous research has indicated a large discrepancy between what managers say they do and what they actually do (Stewart, 1976, in Fondas, 1997, p, 276).

This research is realized by the exploration of behavioral repertoires of top-managers in five top-managers in international firms, and comparison of their work activities with the work of top-managers in other small firms primarily serving a domestic market. The method used is direct observation of top-managers in five

Swedish small international firms and in all the comparison is based in observation of 140 hours of work and an analysis of in about 2400 activities.

This study supports part of the literature in international entrepreneurship that has pointed out the importance of the managers for the international behavior of firms. This study also shows that managers in small international firms have a different activity pattern than managers in small domestic firms (Florén & Tell, 2004). The international entrepreneurship literature has also pointed out the importance of personal networks (Andersson & Wictor, 2003). This study could not distinguish any differences regarding network activities between small international firms and other firms. This does not mean that networks are unimportant, but that networks are important for all firms and not just for international firms. future research should more in depth explore who managers interacts with and which activities that are part of the interaction to get a better picture of how networking influence the behavior of small firms

The behavior which is different of managers in international small firms from other managers in small firms is that they devote more time on strategic activities and scheduled meetings. To be able to internationalize these managers have to delegate operational activities and focus their time on planned activities connected with their international expansion. This is in line with Andersson's (2000) discussion that different types of managers allocate resources in different strategic direction. A manager with a strong interest in internationalization will spend more resources (e. g. their own time) on activities that promote international expansion and consequently also have a better opportunity to be successful on foreign markets.

Theory and Practice in the Internationalization of the eBusiness Firm:

In Search for a Methodology

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Extended Abstract

The classical theories of the firm and the internationalization process models of the small entrepreneurial firm are, increasingly, being questioned in terms of relevance for eBusinesses. There are few more familiar aphorisms in the entrepreneurial community than ‘grow or die.’ Venerated by many and dreaded by more, the growth phenomenon is the main issue for most entrepreneurs, and not the least for the venture capital backed eBusiness firms. For these new forms of organizations, the breed of ‘Born Globals’, growth has become synonymous with internationalization. This inquiry elicits research questions from prevailing theory of the firm and empirical studies on internationalization. It centers on research methods being used, from the practical perspective of managing an eBusiness. Relevance and validity are critically discussed. Important fallacies are identified and recommendations are made for future research, in search for an eBusiness methodology.

Key Words: eBusiness, firm, internationalization, methodology

1 Introduction

Theories of the firm are contextually and paradigmatically constrained. The lineage of the concept of ‘the firm’ is historic and continuous, and so are its theories. Economic theory has, traditionally, underestimated the importance of entrepreneurship and new ventures (Schumpeter, 1942; Galbraith, 1967; Baumol, 1968). Modern business practice has clearly refuted these conjectures from the past. Today, the importance of entrepreneurship for the global economy has never been greater (Reynolds et al., 2002; Autio et al., 2005). The perhaps greatest platform for new entrepreneurial opportunities in recent times has been and still is the Internet. Not only has the enabling technologies connected with the Internet radically changed the environmental conditions for the firm, the whole predominant *sui generis* view of the firm by strategic management and organization theory is currently shaken and major theoretical frameworks are trembling. Merging information technology and the web standards have formed series of new eBusiness firms all over the world; successful in practice but inconsistent with prevailing theory. These new firms conduct the majority of their business activities boundlessly over the web with suppliers, customers and other partners online, regardless of physical location. At the same time, ordinary businesses have conversed into a great variety of eBusiness hybrids, with completely new international business developments and redesigned organizations.

It is today, therefore, safe to conclude that the internationalization process is radically different for an eBusiness than the traditional small business firm. This inquiry originates from exploratory research on internationalization theory and the internationalization processes of eBusiness based entrepreneurial firms, conducted during the period 2004-2006. Within this context, the main objectives of this paper are to:

- Evaluate existing internationalization theory and to address some key fallacies in the approach and methodologies used
- Suggest a methodological framework for future empiric and theoretical research with some fundamental conjectures on the internationalization of eBusiness firms.

The basic method used has been to explore existing theory and empirical research. More than 100 published research papers since the mid 1970'ies on the subject have been studied. This knowledge development is combined with own practical experiences and direct observations of 20 European eBusiness firms international developments. The theoretical approach, synthesizing observations and interpretations, is truly interdisciplinary, although the main frame of reference comes from recent theories and research on International Entrepreneurship.

The methodological ambition is to generalize within the new and unique context of eBusiness, to acknowledge all initial empiric efforts, but at the same time not to forget the fact that understanding is a pre-condition to sound prediction. No monist and reductionist research treatment will ever savior the reality of a dynamic web-connected world, and no method can provide more relevant answers than questions asked. There is an important difference between having prediction as a corollary to good descriptions and making it the raison d'etre of all investigate efforts (Mark de Rond, 2002). The dangers of emphasizing what is most easily measured and seeking predictability where there is none, all at the expense of what is most important to understand and to include in modeling the eBusiness firm, can easily undermine major research programs. Parsimony must never be embraced at the neglect of accuracy and what is a pluralistic phenomenon cannot be homogenized (Glynn et al., 2000).

In this inquiry, arguments refuting existing theory, models and methods, as well as underlining new conjectures, are enhanced by examples and stories from developments of eBusinesses, linking theory with practice. The focus is on the eBusiness firms in their own right, confirming or refuting the ideal-type; a set of unique and holistic systems with common contextual denominators. Hence, the socio-psychological perspective of the firm founder(s), being inventor(s), business angel(s) and/or entrepreneur(s), have been excluded, and so has all exogenous environmental factors, both societal influences, public and trade policy and other product-market specific conditions.

2 Theoretical Underpinnings

Russian TECHNOSTARTs: the "START" program – support and development of new knowledge-based hi-tech companies for a competition in the international market

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Extended Abstract

In 2004 The Foundation for Assistance to Small Innovative Enterprises (FASIE) launches several new programs, including START. START is intense stimulation of researchers to create new companies – TECHNOSTARTS - on the basis of their research developments.

The Program has covered all of the seven Federal regions of the Russian Federation. It was created and is now developing on the basis of FASIE experience and the network of ITCs created by FASIE. The active support of the international community, first of all the U.S. Civilian Research and Development Foundation (CRDF) and the British Council, has allowed to analyze and take into account the experience of realization of state-supported European and American programs on development of small companies (such as US programs SBIR/STTR and SSTI) and to adapt this experience for today's Russian economic, cultural and political realities.

The purpose of the analysis was: first, the assessment of the efficiency of the START program as a tool for commercialization of the scientific and technical developments through small enterprises; second, estimating real and reasonable needs of TECHNOSTARTS for planning a complex of actions for their support.

The research work described in the present paper, was carried out by the TVN Fund with support of FASIE and CRDF in January 2006.
The development of newly created companies has been assessed both quantitatively and qualitatively. The quantitative assessment was used for degree of success of the team work during the first year of the project. The following parameters have been estimated: the volume and the structure of the received finances and the number of created partnerships. At this research stage the particular questions were used with possible answers "yes", "no" or a number. The qualitative assessment was used in the study of problems that TECHNOSTARTS are facing and the necessary support. In this part of research the method of non-formalized interview was used in order to be able to generate a typological picture which would be a basic point for the further work.

The methods applied represent the complex approach combining statistical analysis across the whole totality of the projects participated in the competitions of 2004, 2005 and 2006, and the study of results of the first year of operation of the TECHNOSTARTS by means of interviewing.
The TECHNOSTARTS – the winners of the competition "START - 04" in the Northwest Federal district have been used as respondents in this research. 27 companies have participated in this poll. The average TECHNOSTARTS operation time by the moment of the research was 1.3 years.

The transition to the new level – from research to business – requires fast increment of the intellectual capital needed for the success. These should be not just specific knowledge and experience in commercial activities, but also in creation and management of infrastructure, human and material resources.
All the respondents (or overwhelming majority) had initial human capital in the form of technical knowledge, experience of research work, intellectual property, as a rule, suitable for fast commercialization (this was one of the conditions of the START program), and the structural capital in the form of external and, in some cases, international, connections. This initial capital should serve as a basis for rapid acquisition of additional knowledge and skills.

The achievements of the companies in this very direction have been assessed in the present paper.
The efficiency of the START program has been assessed on the basis of the following parameters: level of capitalization of the intellectual capital, defined as the relation of the volume of additionally attracted and/or earned means to the means given under the grant of the Program, and development of the structural capital defined as the number of the partnerships established after foundation of the company.
The complex assessment of initial intellectual capital as a potential readiness to conduct the high-tech business – «commercial activity» - was done by the respondents themselves using the three-point scale: «high», «average» and «low».

The research has shown that within one year of operation the companies have managed to attract into the projects in the form of grants and investment 2.5 times more means than the total amount of the budget support (the FASIE grants): $ 1.7 mln. vs. $ 0.7 mln., and taking into account the sales – more than three times: $ 2.2 mln. vs. $ 0.7 mln.

The companies with «high» commercial activity self-assessment are quite active in dealing with grants and less active when working with investors while the companies with «low» commercial activity self-assessment are most active working with investors.

The research has shown that the growth of partnerships is especially active inside Russia (53 new partnerships), yet the number of partnerships abroad is also growing. The latter is typical for TECHNOSTARTS with «high» commercial activity assessment - all 9 partnerships abroad are established by them.

The problems that appear in the beginning of commercial activities have been studied using the non-formalized interview method. Simultaneously the support needed from the TECHNOSTARTS' point of view has been found out. All answers are distributed into five typological axes: finance, staff, information, market penetration.

The biggest problem for the companies is market penetration. Though nobody expects or asks for help in this direction. The insufficient information as a problem has not been mentioned by respondents at all, however, in the sense of support it has been pointed out as the most real and necessary. It is likely that the support in solving two other indicated problems – finance and staff - the respondents see primarily as obtaining information. In fact, evaluating the need of support «for others» - deviating from their own momentary problems the respondents indicate informational support with the highest rating.

The novelty of the work is in the assessment of the hidden innovative potential of the researchers viewed as the totality of factors determining the intellectual capital and the opportunity of promoting its development with relatively small EXTERNAL impact.

A Leg Up?
The Use of International Alliances to Leverage Global Competitiveness of Small and Medium Enterprises

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Extended Abstract

The international marketplace has been inundated in the past decade with new entrants from long-established global trade powerhouses as well as emerging markets. The resources needed to compete on an international, much less global, scale are above the means of many SMEs, defined as enterprises with 5 to 500 employees. As a result, many of these entrants have been forming alliances with well-established international partners to leverage their ability to compete far past that which they could have achieved on their own. These partnerships have taken the form of co-branding, research and development, and distribution alliances, and have involved equity and nonequity cooperation.

It is proposed in this paper that the use of international alliances to expand resources and capabilities is ultimately beneficial for a number of reasons, including resource acquisition and capability expansion. However, it cannot be ignored that a vast number of hazards exist that may be compounded due to the international context of these alliances, including opportunistic behavior, increased cost levels from doing business internationally, and substitution of secondary partner knowledge of a foreign market for primary market research.

This paper reviews the knowledge on the use of international alliances to leverage firm competitiveness in global markets. The focus of this study is on SMEs in high technology industries, due to their rapid pace of global growth and to the high levels of international cooperation displayed in those industries. In addition to the information gathered from the review of the literature, data from structured interviews of ten U.S. and Canadian biotechnology firms involved in international alliances are provided that illustrate and augment the assertions of benefits and hazards proposed within the literature.

Alliances are a well-documented means of gathering rare resources relatively inexpensively and within a short time frame. Several studies have recently examined the use of alliances either within an international context or between SMEs and larger enterprises. These studies have found that the

dependence of the SME on resources outside of the firm's boundaries make partnership a high-risk, high return strategy. SMEs tend to gain the benefits of resources not possessed prior to the partnership and greater reputation within a larger community, but at the price of precarious asset specialization, reduced negotiating position with higher powered partners, and limited potential for individually furthering the development of a penetrated market.

The data from the structured interviews conducted during this research underscore the findings from current and past studies, and provides further insight into practical and social implications of international alliance partnerships. Biotechnology companies from the United States and Canada were selected from a 2000 pool of operational biotechs at random and filtered for their participation in international alliances and for their size of 5 to 500 employees. Top managers of these companies, holding titles in line with top management or business development positions, were questioned regarding a recent alliance they had participated in personally. Interviews were structured using a recent event means end framework, wherein respondents are asked to select a partner and describe what was critical about the partner and the interrelationship that either added or detracted from the value gained from the relationship.

Major themes that emerged from these interviews can be presented in terms of benefits and hazards that were most salient to the SMEs involved in alliances with larger international partners. The benefits that were proposed included resources and capabilities that were not available to SMEs prior to their identification of the international partners, as expected. For these respondents within the biotechnology industry, the most cited benefits were manufacturing and commercialization capabilities, research and development capabilities, capital for funding clinical product trials, experience in conducting international trials, and experience in regulatory differences in markets unfamiliar to the SMEs partnered to the larger firms. Most of the SMEs approached the international partners either because they indicated their willingness to prioritize the alliance strategically, or because the partner was one of only a few internationally who possessed certain necessary capabilities.

Several hazards of allying with larger international firms also emerged from the interviews. First was the presence of two sets of goals: stated and unstated. Frequently, the respondents indicated that they and their partners had unstated goals that weakened the alliances' abilities to be productive as they entered into value creating stages. Furthermore, the SMEs reported that they were treated as options, even when early agreements focused upon their status as priority programs within the larger partners' organizations. Both of these examples of moral hazard deteriorated these relationships. Secondly, the sheer costs of doing business internationally, including flights to and accommodations in international markets, videoconferencing technology, and long distance communication were considered to be undesirable additions to overhead in the SME partners, while less expensive modes of communication were considered insufficient and less desirable. Finally, the cultural barriers of collaborating internationally were seen as delaying the time to market through slow product development and lack of communication. These cultural barriers were considered to be very important, and even caused some respondents to set informal policies to never form international alliances again.

As the extant literature proposes, the use of international alliances for expansion into new markets is a risky strategy. The size and resource constraint issues that are inherent to SMEs only compound this level of risk. Current examples from the marketplace of SMEs from established and emerging markets forming alliances with foreign partners underscore the importance of further research into this area as it develops into a major component of international trade.

Managers of UK Based SMEs’ Perceptions of Their Overseas Performance and Competitiveness: A Study of Regular and Sporadic Internationalising Firms

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Extended Abstract

The objective of this paper is to investigate whether differences exist between the perceived performance and competitiveness of firms employing the two types of commitment (sporadic versus regular activities) when serving international markets in order to contribute to knowledge at the international marketing strategy/ entrepreneurship interface. Firms engaged in regular in comparison to sporadic international involvement are likely to perceive less uncertainty in their operations, have developed a better knowledge of market conditions, and be more competent in identifying and exploiting overseas market opportunities. It is therefore useful to investigate managers’ perceptions of their sources of competitiveness in addition to perceptions in respect of measures of performance. This consideration forms the basis for the development of two hypotheses in the course of this investigation and these are placed in the conventional null hypothesis format.

H1: There are no significant differences between the measures of performance between regular and sporadic internationalising firms.

H2: There are no significant differences between the sources of competitiveness between regular and sporadic internationalising firms.

In total, 448 usable questionnaires were received, representing an overall response rate of 22.4 percent. Of these, 78 firms were found to adopt a sporadic strategy in comparison to 370 that adopted a regular strategy towards engaging in overseas markets. Respondents within each group were self-selecting by indicating one of two responses to the questionnaire. First, ‘your firm sells internationally on an on and off basis. Overseas sales may be erratic and account for a small percentage of total sales (sporadic approach)’. Second, ‘your firm sells internationally on a regular basis. Overseas sales are less volatile, and account for a significant percentage of total company sales (regular approach)’. In order that the study was not restricted to a statistical analysis of a postal survey, twenty interviews (ten in each of the two groups of firms) were subsequently undertaken to supplement the quantitative data.

The testing of the first hypotheses was deemed inconclusive. Studies need to ensure that questions are posed correctly in order to capture managerial perceptions of what is a wide ranging strategic marketing issue depending on particular circumstances. Despite the questionnaire capturing perceptions of four measures of success against objectives over a three year period, the interviews highlighted that managers from both groups had different objectives in particular markets and these were found to change over time. For example, this ranged from entering new markets through to consolidating the firm's position in an existing market or even withdrawing. As such, a whole set of permutations associated with measuring success became evident in the context of managers' objectives. This varied between strategies such as reducing profits to get a foot-hold in a market through to short-term gains of high profits for one-off orders where there was no intention to seek repeat orders in the market. This was a function of a variety of issues such as the nature of the product, industry characteristics such as demand and competition, plus managerial strategies (and to some extent whether sales overseas were sporadic or regular to a given market and specific customer there). This is in no way to suggest the quantitative results were invalidated since managers responded in an overall sense, but rather that they masked a variety of strategies in markets over time in an operational sense. The implication arising from this is that academics and policy makers investigating and supporting the issue of firms' performance need to ensure the matter is considered in enough depth to avoid skewed findings. By aggregating data in an overall sense, this potentially masks the true operational performance of products in particular markets over time.

The testing of the second hypothesis i.e. in respect of differences between the sources of competitiveness between the two groups of firms appeared more conclusive with all but six of the twenty eight variables under investigation exhibiting a statistical difference. Mostly, there was an inconsistency in the rank ordering of variables between the two groups which reflected the number of statistical differences found to exist. Nevertheless, the interviews established that different sources of competitiveness were found to exist and these varied among particular markets depending on the strategies employed; therefore care must be taken in generalising due to the variety of circumstances in which decisions are made.

It can therefore be concluded with respect to the second hypothesis that managers may be in a position to answer broad survey questions about their sources of competitiveness, but the responses may mask the operational competitiveness of the firms. For example, some firms may operate subsidiaries in key markets, be able to respond quickly and inexpensively to customers needs, be viewed as part of the local (being based overseas) supply network etc. Other markets may be served via intermediaries such as agents, more on an ad hoc basis and potentially receive far less management attention as well as supply side considerations; not least of which is potentially currency movements and shipping costs. Firms will therefore have different levels of competitiveness in particular markets making generalisations difficult.

A similar implication arising from the second conclusion to that of the first is that academics and policy makers need to ensure the matter is investigated thoroughly to avoid skewed findings. Indeed, by aggregating data the real operational competitiveness of firms' products in particular markets over time may in fact be masked. It is therefore important that policy makers offer tailored rather than generic assistance to firms, that is, working in partnership so that efforts in particular markets can be more effectively supported. This could range from those firms engaged in sporadic activities obtaining data on new markets like sources of distribution, right through to those involved in regular activities overseas in their attempts to become more competitive in existing markets such as more effective communication strategies.

Does Foreign Mode Matter? A Pyramid of Effective International Partner Management Mechanisms in Small Entrepreneurial Firms

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Extended Abstract

In this article, we examine how successful small entrepreneurial firms manage their international partners abroad, *irrespective of the market servicing mode they employ to expand in foreign markets* (exporting, joint ventures and subsidiaries). The international entrepreneurship and business literature has placed emphasis on soft issues of international partner management, such as trust and cultural sensitivity in each mode category independently. We contribute to this literature by providing evidence on the *mechanics* of international partner management across market modes. An in-depth study was undertaken based on ten Greek small firms that have achieved superior performance abroad. Four closely interrelated mechanisms, which can be viewed to form constituents of a pyramid of effective international partner management in small firms, emerge as management features: (a) attainment of consensus on long-term objectives and strategy, which is a *sine qua non* of the pyramid; (b) allocation of rights to make decisions to either the focal firm or its partners abroad, depending on who possesses the best and specialised knowledge on a particular issue; (c) provision of appropriate incentives to those that make decisions; and, (d) suitable measurement of performance in order to ensure that those who implement decisions are properly rewarded. Managers are advised that the four mechanisms of the pyramid are present in management practices across small entrepreneurial firms that expand abroad through exporting modes, joint ventures or subsidiaries. In

essence, all three foreign market servicing mode categories involve network formations whose management is distinguished by similar characteristics. This finding challenges the common practice in international entrepreneurship and business studies that tends to examine the three mode categories separately.

Factors influencing the internationalisation of export ventures: Cases of Irish aquaculture firms

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Extended Abstract

This paper explores the factors influencing the early internationalisation of export start-ups operating in a low technology sector: the aquacultural industry. The study is based on three case studies of Irish shellfish exporting firms that began exporting in their first year. The aim of the paper is to understand why new firms are internationally oriented and internationalise at inception with little to none domestic focus. The paper proceeds with a synthesis of the literature identifying the factors influencing internationalisation of new ventures, from which a conceptual framework is developed. The case methodology approach and design is described and case findings are presented. This is followed by a discussion from which conclusions are drawn.

Literature review

To understand why small firms have become increasingly international in nature at or near inception, this paper firstly presents a synthesis of the literature identifying the factors influencing the internationalisation of new ventures (INVs). Although there is much consensus, across INV studies, on the factors influencing a firm's decision to internationalise early, the INV literature has failed to present any framework underpinning this body of knowledge. This paper proposes theoretical constructs for classifying the current findings in this growing area of literature on the small firm. The theoretical constructs of 'Push', 'Pull' and 'intermediating forces' (Etemed, 2004) are appropriate for theoretically underpinning the factors explaining why new ventures internationalise. For example, Pull factors are internal and external incentives which relate to international market opportunities for wealth creation; they pull the firm to engage in international business. Push factors are a set of forces (or drivers) that can also be internal to the firm and exert pressure on the firm (from the inside) to internationalise. A third construct in the framework is what Bell et al. (2003) refer to as mental model or the mindset of the entrepreneur which acts as an intermediating force between push and pull factors (Etemad, 2004). The mental model of the firm founder can be characterised by his/her propensity to take risks and his/her international outlook and orientation in exploiting foreign opportunity. In this paper, the author draws together the evidence using these theoretical constructs to classify the findings as a first step towards establishing a framework.

Research propositions

Research propositions, based on the literature, are developed with a view to outlining the factors contributing to the internationalisation of new ventures. This research proposes that early firm internationalisation can be explained by the interplay between a number of push and pull factors (Etemed, 2004) related to the *market conditions* (external environment of the firm) and related to *the entrepreneur* of the international new venture (internal environment of the firm). The propositions are as follows:

P1: The exposure of a product to adverse home market conditions may drive a new venture to export abroad.
P2: The emergence of global homogenous niche markets creates opportunities for new ventures to export abroad
P3: Advancements in communications, production and transport technologies are important facilitators of early and rapid internationalisation of new ventures
P4: The entrepreneur's prior international work experience brings about international orientation and alertness to foreign opportunities abroad.
P5: The entrepreneur's prior industry experience is an important factor in providing experiential knowledge of the sector and market conditions
P6: The entrepreneur draws on his/her former social ties to acquire knowledge on foreign opportunities at start-up.

Methodology

The study used data collected from three case studies on Irish indigenous shellfish farming and processing firms that internationalised within their first year of start-up. The case sample consists of Irish INV exporters that are in the business of producing and marketing shellfish products. The export sales of the three case firms ranged form 30% to 99% of total company sales. They had had a strong international focus from birth, with little or no dependence on domestic markets within the first year of start-up.

Findings

Findings suggest that the principal factors influencing the early internationalization of the case firms were the external market conditions, the founder's possession of international social ties, local industry knowledge and trade fair visits prior to and at time of start-up. Prior international work experience and prior international business networks were absent amongst the founders of the case firms. Based on founding entrepreneurs' perception of local and international market conditions, internationalisation emerged out of necessity rather than the need to exploit proprietary knowledge and gain first mover advantage as established in INV literature (Oviatt & McDougall, 1994). Knowledge and identification of specific international opportunities stemmed from the founders' prior social ties, local industry experience and prior trade fair visits. Internationalisation of the case firms was very much survival but also the attributes and attitudes of the entrepreneurial founder(s) were important for initiating immediate internationalisation. The findings indicate that the case firms chased the market and sought out opportunities and contacts in a manner typical of international entrepreneurial behaviour.

Limitations

A key limitation of the study is its limited geographical and industry focus. The case companies in this study are all Irish indigenous shellfish exporting firms. This population has several characteristics that make it particularly suitable for the study of the internationalisation of export start-ups.

Conclusions

This paper offers a view to advancing our knowledge of understanding those factors influencing the decision to internationalise in the context of INVs operating in a low knowledge intensive sector. The paper makes a contribution to the literature by firstly capturing the extant findings across published INV studies - identifying factors that influence early firm internationalisation- and uses appropriate framework constructs for theoretically underpinning this body of knowledge.

Much of the INV literature has suggested that the founder's possession of a unique product offering and prior international work experience are the most common factors leading to the decision to go international early (McDougall, Oviatt & Schrader, 2003). Findings from this research suggest that early firm internationalisation is very much about firm survival. External market conditions can necessitate early internationalisation of a new venture.

This research further challenges the notion, widely accepted in the INV literature, that the founder's prior *international work experience* is a necessary condition for the firm's international orientation and vision at inception, and hence early internationalisation (McDougall & Oviatt, 1994). Rather, findings show that the INV's founders' international orientation and alertness to foreign opportunities at start-up stemmed from three sources: the entrepreneur's prior contacts of a social and informal business nature, prior local industry experience and trade fair visits.

There is clear evidence to suggest that push factors such as internal, firm-specific factors, such as entrepreneurial attributes combined with favourable pull factors such as external environmental conditions for internationalisation, such as supply and conditions at home and a global niche market opportunity, lead to early and dedicated internationalisation. In an attempt to build a framework explaining the early internationalisation of small firms, this paper concludes that push and pull constructs (Etemed, 2004) theoretically underpins the factors influencing a new venture's decision to internationalise early, with a key intermediary force being the mental model of the founder determining the manifestation of both push and pull factors. The INV's response to these forces will not materialise if the founder does not embody entrepreneurial behaviour. By using this proposed framework, this research suggests that a more holistic understanding of new venture internationalisation is required.

The role of social and business ties in the internationalisation of new ventures

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Extended Abstract

This paper examines the role of social and business ties in the internationalisation of new ventures operating in a low technology sector: the aquacultural industry. The objective of the paper is to explore how international social and business ties influence the initiation and subsequent internationalisation of new ventures. We present in-depth case studies, using the critical incident technique (Flanagan, 1954), of three Irish shellfish export ventures that internationalised within their first year of start-up. Findings suggest that the international ties of the entrepreneur are critical in explaining how new ventures identify foreign opportunities and foreign exchange partners, and how they acquire the foreign market knowledge necessary to internationalise. This paper extends research on INVs by focusing on the internationalisation of low technology ventures; second, it extends the INV literature by investigating one of the necessary conditions of INV firms, namely, the international networks of the founder; thirdly, it challenges prior international work experience as prerequisite to early internationalisation; and fourthly, social network theory is extended to the international business context.

Theoretical background

International New Ventures (INVs) are defined as 'business organisations that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries" (McDougall, Shane & Oviatt, 1994: 470). The existence of INVs has prompted calls for the revision of received SME internationalisation theories (Oviatt & McDougall 1997; Knight & Cavusgil, 1996). INVs are an emerging area of research in entrepreneurship and international business literature, and consequently there exists only a limited amount of theory building and a relatively small number of empirical studies on early internationalisation in new entrepreneurial firms.

Theoretical frameworks for the analysis of international entrepreneurship do not emphasise the social and business networks (Holmlund & Kock, 1998), despite the argument that 'entrepreneurship is inherently a networking activity' (Dubini & Aldrich, 1991:306). For instance, McDougall et al. (1994) argue that traditional firm internationalisation theories focus too much on the firm level and ignore the individual and small group level of analysis (i.e., the entrepreneur and his/her network of business alliances and contacts). Personal and extended networks of entrepreneurs are described as 'patterned relationships between individuals, groups and organisations (Aldrich,1991:306). Entrepreneurs operate in both social and organisational networks, rather than working on an individual basis, in order to become successful (Burt, 1992; Hansen, 1995). Consequently, a strong international business network, comprising the founder's personal business ties, has been put forward as one of the attributes that INVs must possess (Oviatt & McDougall, 1995). It has been shown that founders of INVs establish international relationships while working abroad previously (Bloodgood et al., 1996; Reuber & Fischer, 1997; Preece et al., 1999; Crick & Jones, 2000; Coviello and Munro, 1997). The use of networks can facilitate INVs using more alternative transaction governance structures than larger companies do (Oviatt & McDougall, 1994).

Furthermore, extant research on INVs has ignored the social dimension embedded in the network, focusing instead on formal business networks. Coviello and Munro (1997) have referred to both formal and informal networks, but have not detailed the precise nature of the informality. Studies on the role of networks in small firm internationalisation (Bell, 1995; Coviello & Munro, 1997) have not included the role of social networks in any specific way.

Finally, there has been little research on initiation in terms of identifying first exchange partners and acquiring the necessary foreign-market knowledge (Komulainen, Mainela & Tähtinen, 2004). Oviatt and McDougall (1994) have touched on the potential of the entrepreneur's informal networks to supply foreign market knowledge at start-up. For new firms in particular, it can be quite difficult to enter a foreign market without established contacts. Large-scale enterprises benefit from being part of an industry- and firm-level network to exploit opportunities, whereas small-scale start-ups do not have the same access (Komulainen et al, 2004). The initiation of internationalisation relies on the notion that 'interpersonal (social) contacts lie at the heart of the interaction between companies' (Cunningham & Turnbull, 1982:105). Social ties have been identified as facilitators in initializing the foreign-market entry of established SMEs (Axelsson & Angdahl, 2000; Ellis, 2000), and more recently in hi-tech international start-ups (Arenius, 2002; Komulainen et al, 2004). However, how initial markets are selected and entered still remains relatively unexplored in the INV context (Crick & Jones, 2000).

Research question

Using the network perspective (Aldrich & Zimmer, 1986; Johanson & Mattsson, 1988) this paper attempts to fill the research gap briefly outlined above by examining the role of the founders' business and social ties in the initial and subsequent phases of their internationalisation. In this paper we explore the role of social and business ties in facilitating internationalisation of new ventures. Prior research has suggested that INVs compensate for the lack of established business relationships by relying on the entrepreneurs prior international work experiences in the early stages of internationalisation (Harveston et al., 2000;

Moen, 2002; McDougall et al., 1994; Pulkkininen & Larimo, 2002; McDougall et al., 2003; Larimo, 2001). We explore the role of social and business networks in the initial subsequent internationalisation choices of entrepreneurs, exploring if such ties can act as both sources of information about internationalisation opportunities and as mediators of international relationships. Specifically we seek to answer the following research questions:

Research question 1: What role do social and business ties play in the identification of specific international market opportunities and in the choice of foreign exchange partners during the initial stages of new venture creation?

Research question 2: What role do social and business ties play in the identification of specific international market opportunities and the choice of foreign exchange partners in the subsequent stages of new venture internationalisation?

Methodology

The study uses data collected from three in-depth case studies on Irish indigenous shellfish farming and processing firms that internationalised within their first year of start-up. We use critical incident technique (CIT), within a case-study research design. The selected case firms have foreign sales accounting for least 90 per cent of total sales. They have had a strong international focus from birth, with little or no dependence on domestic markets within the first year of start-up. CIT has been used, to a limited extent, as a research methodology to study SME internationalisation. The only published work using the CIT methodology in INV research is that of Scharf, Bell, Loane and Fletcher (2004), which examined the export problems experienced by small international firms.

For each case we describe the incidents associated with how internationalisation was initiated, how it evolved in terms of the selection of initial and subsequent foreign markets, how foreign exchange partners were identified, and how knowledge was acquired for their internationalisation process.

Findings

We find that international social ties of the founder are critical for initiating the internationalisation of new ventures, in terms of identification of foreign exchange partners and as a source of knowledge on foreign market opportunities. Former social ties of the founder that are internationally connected were found to act as *de facto* third-party intermediaries, connecting the INVs with foreign exchange partners and thereby facilitating rapid foreign-market entry. None of case firm founders possessed substantial prior international work experience and relied on their network ties to compensate for foreign market knowledge. For subsequent internationalisation, the international social (friends and informal business contacts) and business ties (mainly existing clients and The Irish seafood association

(BIM)) were important in terms of influencing the identification of foreign market opportunities, the selection of foreign exchange partners and for the acquisition of foreign market knowledge.

Our findings suggest that the benefits of being located in an international production net of industry players with access to such network ties materialise as soon as the firm begins to establish itself abroad via its social ties. The high degree of internationalisation of the aquacultural sector enabled the new ventures to enter the international production net quickly and gain quick access to business and social networks. We also find that international trade shows represented an important network infrastructure for the case firms. Using BIM as a financial and support mechanism for trade show participation, the case firms used trade shows to acquire, develop and maintain international business and social ties in the industry. International trade shows allowed the entrepreneurs to develop and exchange knowledge of opportunities and to identify prospective exchange partners.

Limitations

A key limitation of the study is its limited geographical and industry focus. The case companies in this study are all Irish indigenous shellfish exporting firms. This population has several characteristics that make it particularly suitable for the study of the internationalisation of export start-ups. For instance, the Irish market is not a viable market in terms of size and demand for shellfish products. The consumption of seafood, particularly shellfish, is relatively very low compared to other foreign markets. Therefore, the act of going international does not represent a choice of whether or not to do it, but rather, when. Shellfish product firms are forced to go international relatively early in their lives, and internationalisation is an ongoing concern. It may be that these characteristics of the Irish seafood sector do not apply equally well to other business sectors or to countries with a large home market, where seafood firms prosper without internationalising (e.g., China, USA, France).

Conclusions and implications

This study makes a number of contributions to the INV literature: we combine established industrial network theory of internationalisation with social network theory to examine the processes of initial and subsequent internationalisation of new ventures; we present evidence of INVs from a low technology sector; we show that that international trade shows are an important forum for establishing and building international network ties. We conclude with implications for practitioners and researchers.

Learning processes and the development of absorptive capacity of internationalising SMEs

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Extended Abstract

This paper investigates the learning processes of internationalising entrepreneurial small and medium sized enterprises (SMEs). Although there has been a growing recognition of the role of organisational learning in the internationalisation of firms, there have been limited empirical studies of SMEs. This research investigates the learning processes of both international new ventures and mature established SMEs as they internationalise. A review of the international business literature found that firms acquire and accumulate market, general internationalization and product/technological knowledge as they internationalize. The accumulation of knowledge and learning are important drivers in foreign market expansion for firms that follow traditional incremental approaches to international expansion, suggested by internationalization process theory, and INVs that internationalise early and rapidly. International process theory emphasises the role of experiential market knowledge and international new venture theory highlights knowledge-intensity. Recent research identifies internal and external sources of knowledge. For example, internal sources have been found to include operating in the market or past experience of CEOs and external sources include networks, investors, trade missions, government sources, acquisitions, joint ventures and inward activities such as licensing. However there are limited empirical studies of different types of knowledge used by internationalising firms and they are not clearly distinguished in the literature.

This research develops a conceptual framework based on *absorptive capacity* where organisational learning is a result of a firm's ability to acquire, assimilate and exploit new knowledge. A firm's internationalisation learning and absorptive capacity is dependent on its prior knowledge, which includes market, general and product/technological knowledge. Critical events, triggers, problem and new opportunities expose the firm to and prompt the firm's search for new knowledge. Absorptive capacity highlights the importance of firms acquiring and assimilating external knowledge. The firms ability to learn will be constrained by inertia and is influenced by the extent knowledge is explicit or tacit. Learning is exploited by firms as they develop new skills and capabilities, for example making decisions about products, markets, entry modes, resources commitment and general management functions and structures. Learning influences a firm's strategic decisions, performance and competitive advantage.

The research to explores and examines; 1. the new knowledge that firms acquire and where they sourced it; 2. the assimilation of new knowledge within the firm, the internal transfer process of new knowledge and

new capabilities gained; and 3. the outcomes of the new knowledge and learning in terms of performance, competitive advantage and strategic decisions made by the firms.

An inductive, in-depth, qualitative approach was adopted to unravel the complexities of the knowledge aqcuisition and learning process in the firms. The research was based on 12 longitudinal case studies of internationalising firms which were participating in Global Companies Development Programme (GCDP), run by Scottish Enterprise, the regional economic development agency. It is part of a wider research study. The GCDP is a follow-on from Scottish Enterprise's *Global Companies Enquiry* which analysed the importance of globalisation for the economy, but highlighted the limited extent of globalisation among Scottish businesses. Multiple, semi-structured interviews with the Chief Executive Officers (CEOs) of the firms were carried out over a three year period. Data collected from the interviews with CEOs in earlier settings provided the context for the interpretation of later events and data collected later provided confirmation about the new insights into the interpretation of data collected on earlier occasions. The research used multiple sources of data allowing triangulation. The researcher had access other key informants in several firms and to Scottish Enterprise records, consultancy reports on the firms and expertise within Scottish Enterprise. This enhanced the validity of the research through cross-checking and provided a more complete and holistic portrait of the phenomena. To assist with the collection of reliable data, background reports were consulted on each firm before the interview and a semi-structured interview schedule was prepared in advance of the interviews which helped the researcher control the situation, ask the right questions, adapt to new or unexpected situations and develop thrust. The interviews were taped and transcribed. The longitudinal nature of the study has enabled the study of the change and development of the firms over time thus reflecting the complexity and dynamic nature of firms' internationalisation behaviour. The case studies were analysed using both within-case and cross-case methods as recommended by Miles and Huberman (1994). Matrix and text tables are used to undertake and present the analysis of globalisation among Scottish businesses.

This empirical paper provides insights into the learning processes and problems faced by internationalising SMEs, and considers how policy-makers can assist firms overcome these barriers to absorptive capacity. The research found that firms acquired and combine market, general internationalisation and product/technological knowledge. They were often inter-related. Learning is a result of acquiring the different types of knowledge from internal and external sources. Firms engaged in developing processes to change knowledge from tacit to explicit by sharing it within the firm. Firms' internationalisation was constrained by financial and managerial capacity, for example firms were able to "fight on one front at a time". New product development often took longer than expected and learning was constrained where firms had problems recruiting external, technical staff. The external knowledge and support gained by participating it the GCDP helped firms increase their absorptive capacity., however the programme was not about learning processes with in firms. This should be included, explicitly recognising the importance for firms to increase their absorptive capacity to support their growth. Building relationships with both the private and public sector was important for firms to increase their absorptive capacity. The public sector has a role to play helping firms to identify their ongoing learning needs and to provide timely and appropriate firm specific (rather than generic) advice and support.

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Key words: SMEs, internationalisation, organisational learning, absorptive capacity

Export performance: Regional vs. Metropolitan SMEs

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Extended Abstract

This paper addresses the largely unresearched area of export performance of SMEs located in regional areas. In many countries like Australia exporting is fundamental to sustaining regional communities. In addition the contribution of SMEs is increasingly important in many economies as they play a critical role in economic development. However, in general the literature fails to take into account the environmental context where SMEs are located and much research combines regional and metropolitan SMEs, thus not allowing a clear distinction to be made.

Improving the export performance of SMEs in regional locations is an area of emerging importance to governments and researchers alike (Department of Transport and Regional Services 2003; MacGregor & Varazalic 2005). While the overall importance of exporting is acknowledged (Katsikea & Skarmeas 2003; Morgan, Kaleka & Katsikeas 2004), the differences between regional and metropolitan exporters has received little attention, as has the difference between large and SME firms in relation to exporting. Indeed the measurement of export performance itself is subject to debate. Hence the purpose of this paper is to develop a model to identify and explore these issues.

Export performance has been a construct of central interest in the international marketing literature for at least four decades (Aaby & Slater 1989; Bilkey 1978; Cavusgil & Zou 1994; Lages & Lages 2004; Leonidou 2004; Ogunmokun & Ng 2004; Styles 1998; Tookey 1964; Zou, Taylor & Osland 1998). Previous literature has paid particular attention towards understanding the variables both internal and external that impact on export performance but there is still no clear and consistent agreement of these variables (Dhanaraj & Beamish 2003; Matthyssens & Pauwels 1996; Walters & Samiee 1990). Internal variables are firm related factors such as firm size, managerial characteristics while external variables include environmental factors such as economic, political and cultural aspects within the international market destination (Ali 2004). Research studies specific to export performance are very fragmented and lack a clear integrated approach which in turn makes it difficult to adopt any rigorous theoretical

application (Diamantopoulos 1999; Knudsen & Madsen 2002; Lages & Lages 2004; Ogunmokun & Ng 2004; Styles 1998; Westhead 1995). More specifically, conflicting results have been reported due to both the choice of dependant variables and the differing conceptualization of the measurement of export performance applied (Ali 2004; Katsikeas, Leonidou & Morgan 2000; Nummela, Sarrenketo & Puumalainen 2004). A comprehensive review of the literature by Katsikeas, Leonidou and Morgan (2000) revealed that export performance was commonly measured by economic indicators (sales-related, profit related and market share related). In short, there is an absence of any agreed uniform definition either for model development or for hypothesis formulation in measuring export performance.

The unit of analysis for this research will be one product and one market. This overcomes the potential challenges and issues that may arise from attempting to measure the firm level of export performance (Cavusgil & Zou 1994). For example the measure of the firm level of export performance does not take into account the variability of performance in which some export ventures within the firm are more successful then others (Zou, Taylor & Osland 1998). Export Performance will be measured on three dimensions across the both regional and metropolitan exporters being financial export performance, strategic export performance and satisfaction with the export venture (Zou, Taylor & Osland 1998). By measuring satisfaction with performance Lages and Montgomery (2004) argue that the analysis will encapsulate the degree to which performance has matched the goals of the firm. To capture the complexity of measuring export success, including various performance measures helps overcome the difficulty of performance measurement (Lages & Lages 2004).

The theoretical framework is divided in two parts applying different theoretical arguments as to why firms in metropolitan areas have higher export performance than regional exporters. The key elements of the framework include locational advantages and entrepreneurial characteristics of the firm. Locational advantages include the firms' environment or locational advantages specific to accessing service providers and looking at the differing competitive environments of regional and metropolitan locations including procedural skills, information access, logistics and competitive environment. The entrepreneurial characteristics of the firm focus on the entrepreneurial skills within the firm. In theoretical terms this theory building model will contribute to integrating existing export research in relation to export performance in the context of regional SMEs. In practical terms this model may provide a tool for managers to reduce risk and uncertainty, strengthen their competitive edge and ultimately ensure firm survival in highly competitive environments. The model will also benefit policy makers in developing strategies to support and encourage regional exporters. Finally, the conceptual framework developed in this paper will form the basis for further theory building and testing.

The [overestimated] role of strategic orientations for international performance in smaller firms

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Extended Abstract

This study examines how market orientation (MO) and entrepreneurial orientation (EO) relate to international performance in a large sample of smaller manufacturing firms. Several previous studies look at MO *or* EO but do not combine them in a single research design. Previous research by Tzokas et al. (2001) also indicate that both MO and EO are important to the performance in SMEs, but knowledge on how they impact on international performance is limited. We therefore look specifically at smaller firms, where research on strategic orientations and international performance to a large extent is lacking. Previous research has also focused mainly on concepts such as *international entrepreneurial orientation* and *international marketing orientation* (e.g. Knight & Cavusgil, 2004). The fact that these orientations positively influence firms' international performance is not surprising since dependent and independent variables are to some extent similar and can be viewed as at least partly tautological. Therefore, in this study, our aim is to see if conceptualizations of market- and entrepreneurial orientation excluding international aspects are associated with international performance. Our paper also draws on data collected from firms in Sweden, where this kind of empirical research has not yet been conducted.

For testing our four hypothesis – that is, how market orientation and three components of an entrepreneurial orientation relates to international performance – we draw upon a sample of 188 smaller firms, where the average firm had 98 employees. For testing the actual hypotheses, we used regular multiple regression analysis, preceded by an exploratory factor analysis for scale purification purposes, and the regular/conventional tests of reliability for all scales. Our results from testing the hypotheses are best described as "non-results" and show that strategic orientations has a very limited influence on international performance, indicated by only a very small percent of the variance in international performance explained by strategic orientations. More specifically, proactiveness and, to some extent, a market orientation proved positively associated with international performance while no association was found for the links between innovativeness and risk taking and international performance.

The main conclusion presented is that strategic orientations are insufficient to explain variations in how firms perform internationally. Specifically, we conclude that the absence of correlations between MO and international performance could be due to the fact that firms use marketing in such a general and informal way that it does not impact on performance. Also, the MO construct focuses on systematic procedures at the expense of more "informal" ones. Consequently, smaller firms might be better off "learning-by-doing" through international activities than engaging in formal marketing research. In addition, the international markets of firms might also change at a pace too quick for formal marketing research to pay off. Firms thus need to know that markets can both mislead and misinform, as new information and knowledge about these markets can be outdated rapidly.

Furthermore, we did not find any significant association between innovativeness and international performance. The fact that our measure of innovativeness focus on product- rather than market innovation is a likely cause of this, and we conclude that it might be difficult for smaller firms to focus simultaneously on product- and market innovation. Similar results were found regarding the link between risk-taking and international performance. As smaller firms usually have a smaller resource-base, we conclude that they can benefit from choosing internationalization strategies with a lower amount of risk, such as direct export or agents. Proactiveness influenced international performance positively, however, a finding in line with much of the extant literature. Hence, proactiveness combined with a low-risk entry mode approach could be an efficient way to reach high international performance for smaller firms active on international markets.

International Entrepreneurship in New Zealand: The Kiwi Experience[1]

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Extended Abstract

According to the most recent Global Entrepreneurship Monitor (2005), New Zealand has a very high index in terms of entrepreneurship and new venture creation that compares very favourably with most other nations. As a small open economy, with a limited domestic market and a predominantly small firm base, it is also heavily reliant on the export contributions of the small business sector. It is therefore not surprising that a high proportion of New Zealand entrepreneurs recognise the importance of internationalisation as a key strategic imperative to both survival and growth, despite the fact that they face particular challenges in this regard due to New Zealand's peripheral location.

This contribution presents the findings of recent enquiries into successful entrepreneurship in New Zealand. Internet sources were used to develop case studies of around 30 high profile entrepreneurial firms that were very active internationally. Company offerings included engineering and allied services, food and drink, and information communication technology (ICT), computer software and b2b or b2c services. In terms of the entrepreneurs, native New Zealanders (both Maori and Pakeha), first or second-generation immigrants, female entrepreneurs, family co-preneurs and entrepreneurial teams are all represented in the case studies.

An in-depth thematic analysis was undertaken to identify entrepreneurial characteristics and other critical success factors in the internationalisation of the firm and to identify the nature of the barriers they had overcome. The patterns and pace of internationalization were also explored, as were the future growth strategies and strategic intentions of the entrepreneur/management team. Finally, the extent to which entrepreneurs had leveraged internal and external resources or expertise in pursuit of international growth was investigated.

There is compelling evidence to support the widely accepted view in the extant literature that product and/or service innovation is a significant success factor. However, this alone does not provide a complete

picture, as other important issues are the importance of skilful marketing strategies, the need to develop good international networks and to secure key 'reference' clients is also important. The use of Internet Based Technologies (IBT) was a significant factor both from the unique nature of some of the firms offerings and also them from a communications perspective. Indeed a number of firms argued that New Zealand' peripheral location – and consequent time zone differences – actually gave them a competitive advantage in that they could complete the task and respond to clients overnight.

From an entrepreneurial perspective a strong international orientation and global vision was evident, though surprisingly less than half of the respondents had worked or studied abroad and fewer than 20% had worked for a company in New Zealand with international activities. Relevant industry experience was also considered very important for international success. Although some entrepreneurs' used their contact networks to internationalise, others had to develop new networks in the absence of any, or because existing ones were not relevant due to the very advanced nature of the firms' offerings. Finally a modicum of good fortune at critical stages in the firm's evolution was often instrumental, in terms of an opportunistic encounter or event, as was a dogged determination to succeed against what often appeared to be overwhelming odds.

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Notes: 1. Kiwi Experience is one of New Zealand's best known entrepreneurial firms in the tourism sector (see http://www.kiwiexperience.com). New Zealander's are often referred to as 'Kiwi's'.

2. 'Pakeha' is the Maori term for the original European settlers in New Zealand

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Internationalization process of small firms: Difference between Old and new firms in International business and Entrepreneurship field.

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Extended Abstract

The ability to effectively internationalize and the internationalization processes of firms have been the topic of widespread research efforts during the past 30 years. Internationalization is understood to be the process of adapting firms' operations to international environments (Calof and Beamish, 1995: 116). Besides, recent focus on the internationalization of the small firm has resulted in a growing overlap of interest between both international business and entrepreneurship research (McDougall and Oviatt, 2000).
This conceptual paper seeks to discuss the general understanding of firms' internationalization which has been largely drawn from two dominants contradictory strands of the small firm internationalization fields: "international business field" and "entrepreneurship field". The dominant theories in the field of international business can be divided into: i) behavioral theories (firm related) and ii) economics-based theories (environment related); while the international new ventures and the international entrepreneurship theories belong to the entrepreneurship field.

This paper answers the two research questions:
1) what are the main theories' weaknesses and strengths, and which model/models best fit small enterprises (SEs)'internationalization processes in the international business field? 2) Are there really different internationalization processes between the old and the new SEs, otherwise, the internationalization process in the international business field does it vary in the entrepreneurship field? If yes, which model can explain the new one?

The small enterprises (SEs) are defined as independent business, managed by their owners or co-owners, have a small market share and their smallness is characterized in terms of smaller number of employees (ex < 50), limited turnover (ex ≤ € 10 million Euro) or limited balance sheet (ex ≤ € 10 million Euro) (according to the European enterprise and industry Recommendation 2003/361/EC adopted by the commission on 6 May 2003).

The new enterprises have been established in the nineties given that the world change politically, technologically, socially and economically has created an emergence of new enterprises.

The traditional enterprises can be differed from the entrepreneurial firms (born global enterprises and international entrepreneurship) in terms of rapidity of the internationalization process, strategic management, risk seeking, precocity, innovation and the degree of connection with its cluster and the important role of the entrepreneur.

The approaches and theories studied in this paper in order to explain the internationalization of small enterprises SEs are: Hymer theory, Vernon theory, the eclectic paradigm of Dunning, the Uppsala model as a stage model, the Network theory, and the knowledge based-view theory, the international new ventures theory and the international entrepreneurship stream.

On one hand, the international business scholars state that the classical theories defined as economics, were generalizing the motives of going abroad as being mainly economic, while other models have been inspired from the behavioral theory in taking learning and organizational commitment as core factors of explaining internationalization.

On the other hand, the authors of entrepreneurship field emphasize that entrepreneurship has two parts, (1) opportunities, and (2) individuals who strive to take advantage of them, and consider that the international entrepreneurship arena includes the study of entrepreneurial activities that cross national borders.

The research syntheses illustrate the different weaknesses and strengths between the two fields and reveal that the economics theories are not capable enough to describe and analyze the process of internationalization of the SEs. On the contrary, the behavioral models- and especially the “Uppsala model” of internationalization stated by Johanson and Vahlne, (1977) - focus on explaining the development of internationalization and international activities. This is the main reason for considering this theory along with the knowledge-based theory as the best models, from my point of view, that best fit SEs’ internationalization process in the international business field.

In addition to that, we believe that the best two models which integrated together best explain the process of new SEs are the “Uppsala” model and the “network” model stated by Johanson and Mattson, (1988) to which we add the knowledge based-theory; considering the following:

1) Uppsala model as a learning and innovation adoption model used to analyze small and medium firms,
2) The network model as useful in understanding the expansion and success of international entrepreneurial firms,
3) The great importance of knowledge as a productive resource.

In fact, despite the apparent differences between the old and the new SEs, both types of firms share many common concepts and face similar entities with some degrees of variations: opportunity, risk, markets and respective bilateral and multilateral interactions with others; therefore we can say that the theoretical integration between the international business and the international entrepreneurship can be the best solution to explain the internationalization process of the firms.

The paper concludes with plans for some future research:

Firstly, as the paper is a conceptual overview of theory of the firm's internationalization and does not present any empirical results or statistical data, a future empirical research might usefully try to corroborate the validity of our study.

Secondly, future researches on entrepreneurship and international business should reflect the context of networks rather than focusing solely on the firm and the individual entrepreneur.

Thirdly, as most of the authors were either international business scholars or entrepreneurship scholars, the formation of research teams composed of entrepreneurship and international business scholars is encouraged.

Small- and Medium-sized Enterprises in Emerging Markets

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In the face of rapid globalization**,** SMEs are a vital part of the economic system of both emerging and developed countries. The implementation of pro-market policies in emerging markets have had profound changes on the rules of the game, and "the structure, whether of individual markets or an entire political/economic system, is a human-made creation whose functioning is neither automatic nor 'natural'" (North, 1990, p. 162). The incentive and the legal structure within which firms must operate have been drastically altered. Pro-market reforms have changed the relative value of firm resources and capabilities. SMEs are no longer protected from foreign competition; buyers and suppliers are more becoming more sophisticated and are aware of alternative products and services world-wide. These alterations in the environment are especially important when a firm is defined as a bundle of resources and capabilities (Amit and Schoemaker, 1993). To compete effectively, SMEs must adapt and reshape themselves to facilitate adjustments, learning for their own growth and economic development.

The motivation behind this research project is a belief that SMEs are more flexible than other counterparts to adapt to the changes forced by globalization; and can become the potent vehicle for upgrading the capabilities of a country by enhancing its competitiveness, its openness to international markets and thus can be empowered to become major contributors to economic growth.[i] This paper provides a typology to explain the degree of internationalization of SMEs in emerging economies. At one extreme is the *opportunistic internationalization strategy,* which is a short term behavior based on macro-and-microeconomics factors exogenous to firms; and at the other is *the long-term internationalization strategy*, which implies a strong strategic commitment by firms to international activities. To present a comprehensive theoretical approach, this study draws on different theoretical traditions before turning to internationalization theories and approaches. First, it examines *the strategic processes* that firms may have to undertake to increase their competitiveness for facing the increasing market pressure from within their local, as well as the foreign, markets. Second, the Resource-Based View and dynamic capabilities approach is used. These theories provide the theoretical grounding for internal assessment of the firm and emphasize the need for rethinking how to do business domestically and internationally. Third, it briefly explores the learning perspective to examine how managers may be able to change their dominant logic, adapt to the new characteristics of the environment, and redeploy and secure new resources and capabilities. Network theory is the fourth theoretical approach. Given the constraints in the resources of SMEs, The network theory suggest that SMEs need to establish contacts with other local and foreign firms to create networks capable of competing in local and international markets. The internationalization models and approaches are examined next[ii].

This eclectic framework contributes to the development of the field in three important ways. First, it offers a tool to conduct research on SMEs and to understand how they can successfully face the challenges of competing in the international arena against world-class standards. SMEs have been neglected in the mainstream strategic literature even though they have unique characteristics that make them as interesting and relevant topics of research. A second key contribution of this framework is the consideration of SMEs in the context of emerging markets, which are playing an increasingly important role in the global economy. Moreover, a large part of the literature continues to focus mostly on developed countries. Third, this framework is expected to provide managers of these firms with comprehensive guidelines to be competitive given the international standards[iii]

To accomplish its objectives, the paper examines the characteristics of a small and medium-sized enterprise, as well as those of typical emerging markets to highlight the importance of international business to these firms and economies. After the review of the literature, multiple theories are integrated to produce a comprehensive approach suitable to cope with the complexity of the topic from SMEs' and emerging economies' perspectives.

Small- and Medium-sized Enterprises

SMEs account for 60-70% of the employment in the manufacturing sector and the large majority of employment in the services sectors (OECD, 2002). In the USA during the 1990s, small- and medium-sized firms provided 60 to 80% of the new jobs (SBA, 2004). In the Asia-Pacific economies, SMEs are over 98% of all enterprises, providing over 60% of the private sector jobs. They generate about 50% of sales and generate about 30% of direct exports and about 10% of FDI by value and over 50% by cases (APEC, 2002). The 2003 Inter-American Development Bank report on SMEs in Latin America and the Caribbean estimates that SMEs contribute to 20 to 40% of jobs, and more than 90% of firms in the manufacturing sector are small- and medium-sized enterprises.

Conventional wisdom seems to suggest that small firms and entrepreneurship play an essential role in long-run macroeconomic prosperity (OECD, 1997). SMes are seen as having the potential to quickly-respond to the needs of their customers in a more flexible and less bureaucratic manner than large firms, given their small scale and their particular ownership-managerial structure. Yasuf (2001), among others, suggests that growth and employment in developing countries depend on the fate of SMEs in such economies.

Emerging Markets

Emerging markets are a group of countries that play an increasingly important role in the global economy. Countries like Brazil, Mexico, India, China, Pakistan, and South Africa are considered as emerging markets. The term "emerging economies" is not clearly defined in the literature. It was originally coined by the IFC to describe a fairly narrow list of middle-to-higher income economies. According to Hoskisson et al. (2000), "emerging economies" are those newly industrializing countries that have gone through a liberalization process and have adopted market-based policies. Khanna and Palepu (1997. p. 42) suggest that in defining emerging economies, "the most important criterion is how well an economy helps buyers and sellers come together." They point out that the lack of proper institutions—relative to developed countries—make emerging markets more inefficient and incomplete, whereby information problems, misguided regulation, and inefficient judicial systems hamper a fluid communication between buyers and sellers. Mody (2004) emphasizes the degree of volatility and the transitional nature of their economic, political, social, and demographic dimensions. We consider economies that have the following characteristics as emerging markets: a) they have gone through a process of liberalization, opening domestic markets to members of a trading bloc or internationally, b) they have less developed and less sophisticated markets than developed economies, which amplify existing asymmetries to access inputs and output markets, and c) they lack reliable institutions and stable institutional commitments.

International Business

The international business environment has changed dramatically, and it is still changing considerably. Since the late 1980s, many, if not most, of the economies of the world have gone through a process of market liberalization (Sachs and Warner, 1995). During this process, nations with strong import-substitution policies opened their borders to international trade. In this context, international competition is not longer a phenomenon that takes place only in the foreign markets but also in domestic markets independently of industry characteristics.. Even if SMEs do not participate in international business, they may have to meet international competitive level in order to survive in their own domestic markets. In order to have a better understanding of the international activities of SMEs, it is crucial to take into account the interconnectedness of trade, technology, foreign direct investment, and financial flows that have reached record levels greater than other time in the past decades (Gereffi, 2004). Globalization has created incentives and opportunities for companies to access new markets, but it has also brought new competitors to local markets that implies the need for increased competitiveness whether the venture is located abroad or not. The knowledge of and experience with local markets may act as a short-term barrier to entry for foreign competitors and thus providing a short time period for local SMEs to enhance their competitiveness. Globalization may influence the consumers' behavior, and possibly change their behaviors, even related to non-tradable products.

The Integrative Conceptual Framework

The last part of the paper develops an integrative conceptual model in order to provide a basis to explain as to why SMEs populate the typology described above (e.g., some have a short term international expansion strategy on one extreme and others take a long term strategy). The model is an integration of the theories mentioned earlier adapted to the specific context of SMEs in emerging markets. As different SMEs have different level of international activities therefore they will occupy different places in the model. The paper will also provide guidelines to help firms develop an international strategy.

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Two sides of the coin – dualistic viewpoint to partnership formation and management in the context of international software business

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Extended Abstract

Internationalization can be seen as imperative for small entrepreneurial software firms. For new ventures with scarce resources, co-operation provides, in a form of partnering or making of an alliance, a good opportunity for reaching the global market and increasing sales, for example. For a partnering firm co-operation may be based on similar or different goals and objectives. However, it is clear that these should be compatible.

The purpose of this study is to examine partnership choice and formation, and venture planning and governance (i.e. the issue of how to structure and govern, and evaluate relationships) in the context of international distribution of software firms. Most of the existing literature emphasizes the importance of systematic approach to planning and implementation of partnership formation (cf. Cavusgil, 1998). Development of the partnership, which is one possible term to describe cooperative interorganizational relationships (IORs) or interfirm collaboration, can be seen of consisting of a repetitive sequences of negotiations, changes in commitment of both parties, and execution of various stages based on the commitments for future action (Ring and Van de Ven, 1994; Wu and Cavusgil, 2006). The special contribution of this paper is the dualistic viewpoint to a partnership, i.e. the empirical part of the study has data (interview material) from both participants in a dyadic relationship. As Deligonul et al. (2006) note in their study related to manufacturer and foreign distributor partnership: “An interesting and worthwhile avenue that should be pursued is the exploration of the dyadic perspective”.

The empirical part is a presentation of a case study of the partnership formed between a Finnish software firm and a German firm which acted as its value-added reseller. The interviews with the managers who had been responsible for the partnership from the beginning of the relationship lasted more than 15 hours. They were conducted in both firms and, thus the viewpoint comes from the both sides of the partnership.The topics covered in the interview included, in addition to the basic company information, the partner selection,

evaluation and management issues, as well as subjective data related to the network culture and performance of the partnership, for example.

The data from the interviews conducted in these two case firms are reflected to a number of partnership formation and management models (e.g. Cavusgil, 1998; Gulati, 1998; Blomqvist, 2002). The preliminary analysis of the partnership formation process presented in this paper reflects some important points that have been articulated in earlier research. First, it can be seen that two partners have had compatible goals regarding long-term perspective for their partnership. Both sides have also had distinguishable partner selection criteria, but also complementarities, which are important for the long-term success. However, due to the certain external and internal changes the relationship can deteriorate after a certain period of time as is the case with our focal partnership. For example, as the principal measured its partners especially with the financial criteria the loss of sales has naturally a huge effect on the relationship. In contrast, the value-added reseller suggested that there were problems with the product and there should be more trust and commitment in the partnership. What is good though regarding our case study is that both focal firms had analyzed their situation and were willing to discuss with each other regarding the situation.

Regarding further research, longitudinal studies should be encouraged if our aim is to identify how different kinds of management tactics really work and what kind of results they lead to in partnerships. Related to this the more profound analysis of the data utilized in this study is needed to be able to create more knowledge about the different factors in different phases of partnership life-cycle. For example, we believe that the richness of our data enables us to develop our case study much further in comparison to the current work-in-progress version of the manuscript. For practising managers, one of key lessons may be that the network culture is of importance. Even for a rather long-period of time the joint goals discussed in the early phases of partnership formation can make a network to operate nicely. However, at the certain stage the more open discussion should be encouraged as both firms and markets may have evolved and the partnership needs also to be developed further. Especially for a software firms or other firms operating within the domains of technological turbulence this is of importance. Following Cavusgil (1998) the learning outcomes may also have some importance and should be rewarded, especially if the product is systemic and tacit in nature and a partner has to make greater investments to take a new technology/product under control.

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Internationalization and Post-IPO Performance

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Extended Abstract

Extant literature suggests that firm performance benefits from internationalization. Traditional internationalization theories such as Hymer's foreign direct investment (FDI) theory (Hymer 1976) and Dunning's eclectic (OLI) theory (1980, 1995, 2000) explain that businesses internationalize to exploit monopolistic advantages such as labor and capital, as well as ownership-specific advantages and location-specific advantages in foreign markets. Research on born-global firms and international new ventures suggest that SMEs can also benefit from internationalization (Rennie 1993; Knight and Cavusgil 1996, 2005; Oviatt and McDougall 1994, 1996, 1997, 2003). A number of empirical tests of the relationship between firm performance and internationalization appear in the literature. However, few studies measure performance from the perspective of external investors.

We report the results of a study of the relationship between intensity of internationalization and post initial public offering (IPO) share price appreciation for a group of venture-backed companies headquartered in Australia. This research contributes to two bodies of literature. First, it adds to the extant literature on internationalization and performance. Stock prices are seldom used as measures of performance in the IB literature. The extant literature concentrates on measures of financial performance (e.g., return on assets or return on equity). Examining the stock performance of companies after their IPO represents a different perspective – that of external investors. The results of our research also complement literature on born global firms and international new ventures (e.g., Rennie 1993; Knight and Cavusgil 1996, 2005; Oviatt and McDougall 1994, 1996, 1997, 2003). This literature suggests that firms internationalize early and IPO as-soon-as possible to fund growth and provide an exit for early investors (Gabrielsson, Sasi, et al 2004; McNaughton and Bell in press).

We found surprisingly few firms that had internationalized by the time of their IPO. There was less variation in the compound annual growth rate (CAGR) of share price for firms that internationalized, but a positive relationship between internationalization and CAGR was only found for firms that generated more than 50% of their revenues within Australia. These results are intriguing, but the sample size is small and the context quite specific. Further research involving a greater number of firms and countries, and a range of measures of performance and volatility is promising. Such empirical research will contribute to

international business theory about why firms internationalize, and investor decision-making about how to factor internationalization into their assessment of the value of a firm. By linking internationalization and post-IPO stock performance, this line of enquiry can help managers and investors to understand how internationalization affects share prices. It also contributes to knowledge about the relationship between internationalization and firm performance from the perspective of investors in public equity.

Contemporary Diaspora Entrepreneurship: A Preliminary Conceptualization

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Extended Abstract

Contemporary diaspora entrepreneurs (CDEs) refer to diaspora individuals who are educated and/or trained in country of settlement and later return to their country of origin to pursuit entrepreneurial opportunities in knowledge-intensive industries. CDEs are different from traditional ethnic entrepreneurs who either serve as middlemen in trade between country of origin and country of settlement or function in geographically segregated enclaves in country of settlement. Although CDEs have become a potent force in the global technology industries, research on international entrepreneurship has surprisingly almost paid no attention to their existence. Yet, as evidenced in China and India, diaspora professionals returning from the high technology sector of the U.S. and other western countries could lead the development of the indigenous high-tech industry and create opportunities for “brain circulation” in the globalized marketplace.

The objective of this study to take a step toward conceptualization of the CDEs phenomenon by synthesizing existing literature, coupled with published evidence and observations. Since CDEs fall in the intersection of ethnic economy, international business, and entrepreneurship, understanding of this phenomenon has to be informed by theories from multiple disciplines. The literature has largely considered traditional ethnic economies as a result of socio-economic exclusion in the general market. Ethnic enclaves, for example, provide an extreme case wherein minority groups rely on ethnic resources and community needs to survive in a protected and captive market. In contrast, CDEs develop in rather different contexts and carry distinct characteristics. As the emerging literature on diaspora and transnationalism has shown, CDEs represent a different mode of immigrant adaptation to the host society. Their dual identities and resource endowments have made them a unique force of international business and development in the era of globalization. Although international business and international entrepreneurship theories have given little attention to CDEs, they provide broad frameworks regarding incentives for cross-border business engagement and conditions for effective international new ventures.

The current paper follows Aldrich and Waldinger’s framework to conceptualize the phenomenon of CDEs in terms of access to opportunities, group characteristics, and entrepreneurial strategies, resulting in seven propositions. It suggests that the emergence of CDEs is associated with both the structural discrepancies in

concerned industries (between country of origin and country of settlement) and development readiness in the country of origin. It is not a coincidence that both China and India are emerging markets ready for a "quantum leap" to fill the gap with advanced western economies in the high-tech sectors. However, for diaspora individuals to physically involve themselves in business venturing, an amiable institutional environment also has to be in place. The experience from emerging markets, most of which are undergoing transition towards market-based economies, suggests that a climate encouraging entrepreneurship and diaspora participation are crucial elements in such an environment.

Entrepreneurship research emphasizes individual motivations and characteristics of the entrepreneur. In our case, the paper suggests that CDEs are distinguished by their entrepreneurial spirit and homeland sentiments. The conceptualization on entrepreneurial spirit might sound circulative. However, as found in previous research, there is national difference in entrepreneurial motivation. Similarly, the available evidence suggests that diaspora groups from different countries vary in the strength of homeland sentiments. Ultimately, homeland business engagement cannot be reduced to pure economic matters.
Informed by resource-based view of the firm and social capital literature, the paper describe CDEs as being rich in both home country resources and host country resources. Born and raised in the motherland but educated and experienced in a foreign land, CDEs are capable of doing business that traditional immigrants cannot think of on one hand and better able, than conventional international entrepreneurs, to transfer and apply knowledge in the motherland.

The discussions of CDEs' entrepreneurial strategies drew on publicized interviews with CDEs in Zhongguancun, widely referred to as China's Silicon Valley. Three strategies have been identified. First, CDEs are more likely to adopt an international orientation. CDEs use an international strategy to migrate through early years of adventure in markets that turn to be both turbulent and limiting. Second, consistent to the inducement-opportunity framework, CDEs are more likely to take a network approach. Clearly, diaspora professionals will seek complimentary knowledge and skills locally and market opportunity that otherwise may be limited to foreign firms. More importantly, CDEs often are in a stronger position in forming alliances locally: comparing to local firms, they are advantageous in technology and management; and compared to foreign firms, they have lesser identity problems but are more skilful in negation. Of course, CDEs' network abilties are not limited to alliances with local partners, but also apply to foreign technology companies and venture capital firms. Finally, CDEs are more likely to implement a hybrid management in their venture firms. While many FDI-affiliated firms are reluctant or unable to reconcile and integrate different cultural systems, CDEs often have a clearer understanding of the need for such integration and are better able to practice a management that not reconcile two different cultures but draw strength from each of the cultures in running effective entrepreneurial firms in the knowledge-intensive industries.

International Entrepreneurship in Emerging Economies: Some Evidence from Poland

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Extended Abstract

The transformation processes that have taken place since the fall of the Soviet Union have had considerable influence on small firms in Central and Eastern Europe. Indeed, many firms have struggled with the pace at which they have been exposed to market competition. There has also been a need to re-orient rapidly to different markets in order to replace those lost in the former Soviet Union. The limited scale and scope of domestic demand, which is usually displayed during the early stages of transition, has further encouraged firms to look for foreign market opportunities (Bradshaw et al, 1993). For most countries, membership of the European Union, or future accession, has emphasised the importance of internationalisation, with the development of a competitive export base viewed as crucial to eliminating old dependencies and stimulating economic development. Indeed, as various authors have indicated (Pollard and Jemicz, 2004; Newman 1998; Nelson and Taylor 1995), SMEs have a crucial role to play in transformation economies.

The ability to compete in foreign markets varies between countries and sectors. In food processing, for example, SMEs often focus on other transition countries rather than on Western countries. In the clothing industry, many are able to attract subcontract type work from Western countries, due to low labour costs and the global nature of the clothing market. Additionally, some smaller entrepreneurial firms in the emerging private sector have responded to export market opportunities and become internationally competitiveness in the short term in high technology areas. However, in many of these transition economies low labour costs are being eroded and priced-based competition may be very difficult to sustain in the long term. Therefore, upgrading production processes, quality standards and levels of technology plays a crucial role in these firms' internationalisation (Tokaj-Krzewska et al, 2004). Moreover, while conditions in the domestic environment (such as a small home market, liberal trade policies and increasing competition) encourage international expansion, many firms in transition countries also require high levels of export assistance (Smallbone et al, 1998).

In Poland SMEs constitute 99% of all firms, account for 70% of employment, contribute over 48% of GDP and are responsible for some 44% of exports (Gacki, 2004). Given their importance to the Polish economy and their significant export contributions, the present enquiry focuses on the internationalisation of such firms. In particular, it centres on differences in motivation and behaviour of firms that started to internationalise prior to the transformation of the economy, compared to those in the post-transformation era.

Following Loane et al. (2006), data was collected on thirty internationally active Polish SMEs. Of these, sixteen (53%) were small/micro enterprises with less than 50 employees and fourteen (47%) were medium-sized firms employing 50-249 staff. Generally, the older companies are larger with seven of the nine firms established internationalise prior to the beginning of economic transformation in 1988 employing more than 180 staff. Twenty one firms (70%) had export ratios of more than 50% and around the same number had initiated export activity within 5 years of start up. Nine firms (30%) had started to internationalise 1988 and twenty one (70%) since then. In the later category, three firms had internationalised since Poland's accession to the EU in 2000. A broad range of sectors is represented including chemicals, clothing and textiles, electrical and mechanical engineering, food and drink, furniture and IT and software. The data obtained was comprehensively analysed using SPSSX to compare and contrast the patterns and pace of internationalisation of pre- and post transition firms.

The present research identifies that Polish SMEs fall into three groups of firms according to their internationalisation patterns: former state-owned enterprises and newly-founded companies, among which are both 'traditional' and 'knowledge-intensive' firms. The former state-owned enterprises (SOEs) were founded pre- democracy and their international activities were controlled by warrants from the Central Planning System. They represent the typical 'stage' theory approach, supplying the home market first before moving to other psychically 'close' international markets, generally within the former Soviet Union sphere of influence. In the 1990's, when transformation took place in Poland, they had to restructure to improve their efficiency, refocus in terms of priority export markets and become more competitive internationally. In addition, there has been a huge growth in the number of new firms in both 'traditional' and 'knowledge-intensive' sectors. Some of these firms emerged due to the break-up of larger SOEs, but in most cases they were brand new entrepreneurial start-ups.

The importance of networks in rapid internationalisation is also demonstrated, particularly among newer Polish firms. Again this is consistent with the extant literature (Coviello & Munro, 1995; Welch & Welch, 1996; Coviello & McAuley, 1999, Roolaht 2001). The high incidence of international partnerships and the importance that respondents attach to them suggest that these relationships are pivotal in terms of market selection and entry decisions, gaining market knowledge, finding representation and obtaining reference clients.

In terms of market focus, firms operating in traditional sectors have tended to serve ‘psychically’ close markets first, whereas knowledge-intensive firms entered psychically or geographically distant markets from the outset. However, several other interesting trends are also emerging. Firstly, the growth of trade with other new EU entrants, like the Czech Republic or Slovakia. In part this may be explained by patterns of mobile investment (e.g. by the German automotive industry) that have created opportunities to supply components. Secondly, the targeting of other rapidly emerging economies in the region, such as Belarus and the Ukraine, as worthwhile markets. Interestingly, the transitions that have taken place in many of these countries have made them more appealing markets than before, when they were ‘psychically’ close, but unattractive in terms of doing business. These issues merit further enquiry, not only in a Polish context, but also from the perspective of other new EU accession states.

Born Global or Born Regional? Evidence from an exploratory study in the Costa Rican Software Industry

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Extended Abstract

This paper provides empirical evidence about Born Globals in the software industry of a small developing country with an open economy: Costa Rica. The paper is based on data collected through interviews with CEOs or founders of Costa Rican software firms. Literature reviewed includes a brief account of traditional theories of internationalization and Born Globals. Emphasis is made on research streams associated to the born global phenomenon in knowledge-intensive firms, such as those that make software or information technology products, and research that explores the relationship between home market size and firm tendency to export early. Our research questions were aimed at assessing the prevalence of born global firms among Costa Rican software firms, and to assess these firms' characteristics as compared to other, not born-global, firms.

Data

We collected data from forty Costa Rican software companies using interviews and a questionnaire. Information was gathered on three groups of variables. The first group of variables was related to export performance. The second group of variables measured entrepreneurial characteristics. The third group of variables measured firm-level characteristics.

Results

Inspection of our data showed that most firms in our 40-firm sample were not born exporters. In our 40-firm sample, thirty six firms reported the percentage of total sales that were exports during their first year. Out of these thirty six firms, the vast majority, 30, did not export at all during this first year. One firm

reported exporting 10% of its sales within one year of its inception, and another firm reported 20% of its sales as being exports during its first year of existence. A relatively small group of four firms reported most of its sales being exports during the first year of the firm's existence. One firm reported obtaining 80% of its sales from export markets, and three firms exported the total of their sales during their first year of existence.

Our data show that it took firms an average of 4 years since their founding to export for the first time, and not all exported on a regular basis. At the time of the study, 2004, four firms in the sample had never exported at all.

Examination of current exports sales as a percentage of total sales for 2004, the year of the study, revealed different export behaviors. One group, of 23 firms, exported less than fifty percent of their total sales. The other group, 15 firms in total, while consisting of smaller firms (at least as measured in terms of their number of employees), had 50% or more of their total sales coming from exports.

Those firms that exported within two years of their inception and whose current exports were larger than 50% concealed subtle but important differences among them. Some firms established a very dynamic trade with nearby countries. These countries, regional neighbors such as Nicaragua, Panama, El Salvador, Guatemala, and Honduras, are close to Costa Rica in terms of cultural traits and business practices. Few firms exported upon birth to the more challenging strategic markets, like the US and Europe, which have very different business and cultural practices. The majority of firms we had previously classified, tentatively, as "born global" firms, turned out to actually be "born regional". This means that although they started exporting very early in their lives, and continued exporting a fairly large share of their sales, much of these exports were aimed at regional neighboring countries.

Only one firm in the sample, whose current exports account for 81% of total sales, started exporting right from its inception to the most strategic market, the United States. This firm can be said to be a true "born global" firm, because it started out with more than half of its customers in a foreign country located far in terms of psychic distance. Two other firms made their first export to such strategic markets (one to the USA, the other to Canada), but most of these two firms' business still comes from serving the local market. Of the firms in our sample that have an export business that accounts for more than 40% of total sales, only one chose the USA as its first export market. Most firms chose to export to nearby countries (Central America) or countries which can be said to have close proximity in terms of cultural and business traits (South America or Spanish-speaking Caribbean countries). These firms could be categorized as "born-regionals." Finally, the vast majority of firms in the sample took longer than 3 years to make their first export. They are, simply "born locals," as they were not born with an export orientation and, currently, less than 40% of their customers are foreign.

Conclusion

Few studies have studied the phenomenon of internationalization and the born global phenomenon in small developing countries like Costa Rica. The case of software firms in Costa Rica is particularly suitable for analyzing determinants of internationalization, particularly because of the small size of the Costa Rican economy. Our data show the disparity between Born Regionals and Born Globals. Our data revealed the presence of firms that actively exported from their inception, but most firms in the sample actually engaged in export activities to regional markets. There were very few firms that, immediately after their founding, ventured into global markets such as the US or Europe. In all, we were looking for Born Globals but found mostly Born Regionals and Born Locals instead.

Environmental uncertainty: Does it drive or derail small and medium-sized enterprise internationalization performance?

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Extended Abstract

Environmental uncertainty, paradoxically, has an uncertain relationship with firms' internationalization performance. Research suggests that uncertainty has a negative, moderating relationship on organizational performance (Buckley & Casson, 1998; Kogut, 1985; Miller, 1993). That is, it predicts that organizations will perform sub-optimally because of the organization's uncertainty of the environment. Yet, other research suggests that environmental uncertainty is the impetus of organizational performance (Covin & Slevin, 1991; Das, 1994; Freel, 2005; McGrath & MacMillan, 2000; McMullen & Shepherd, 2006; Zahra, Neubaum, & Huse, 1997). It is thought that uncertain environments create opportunities for a firm to exploit. We seek to explore whether uncertainty is a driver of performance or a negative moderator of performance for internationalizing small and medium sized businesses (SMEs).

Entrepreneurial firms that seek international diversification has been one of the most cited research topics in international management literatures over the past ten years (Ireland, Retzel, & Webb, 2005). Part of the appeal to study this topic is that it provides an opportunity to get a more complete picture of why organizations internationalize (Oviatt & McDougall, 1994) and how they interact in different environmental contexts (Jones & Coviello, 2005). It has the potential to help us gain a better understanding of some of the most difficult and conflicting assumptions in entrepreneurship and international business among a group of firms that face resource constraints and lack the flexibility to make mistakes (Lu & Beamish, 2001) especially under conditions of uncertainty.

Theories of internationalization and uncertainty are linked. Internationalization is defined as "the process of adapting firms' operations to international environments," (Calof & Beamish, 1995: 116). The

internationalization of small firms is important to understand because small firms seem to be pursuing internationalization more rigorously and faster than previously believed (McDougall, Shane, & Oviatt, 1994). The global economy is, also, much more connected, munificent, complex, and dynamic. Firms that seek to internationalize not only have to cope, therefore, with their domestic market, but also with a more uncertain international environment partly because of cultural, language, government and social issues (Ghoshal, 1987; Miller, 1992; Shrader, Oviatt, & McDougall, 2000).

Environmental uncertainty is the unpredictability of the environment (Miles & Snow, 1978), i.e., the "inability to predict something accurately," (Milliken, 1987: 136). There are two streams of uncertainty related research linked to performance (McMullen & Sheppard, 2006). In one stream, a negative, moderating relationship between environmental uncertainty and performance is reported. Organizational action is impeded because the firm lacks a clear understanding of the environment (Miller & Friesen, 1982), or it lacks the information processing power to comprehend a complex environment (Galbraith, 1973; Milliken, 1987). In the second stream, research suggests that environmental uncertainty is a positive driver of organizational performance. Organizations that bear uncertainty obtain market opportunities through superior judgement and, thereby, generate superior performance (Knight, 1921). Also, bounded rationality and knowledge imperfections of incumbent firms create opportunities for the entrepreneur to innovate (Freel, 2005; Kirzner, 1973). Indeed, uncertainty is thought to bring about the necessary (though insufficient) conditions for profitability.

SMEs suffer from liabilities of foreignness (Hymer, 1976), newness (Stinchcombe, 1965), and size (Barringer & Greening, 1998). Indeed, SMEs are at greater risk from liabilities of foreignness than larger firms (Lu & Beamish, 2001). This suggests that SMEs must have or must develop capabilities to deal with their liabilities and to function in a market context. Organizational capabilities are configurations of routines and resources that allow an organization to achieve its goals (Nelson & Winter, 1982). Firms compete using capabilities embedded in their value chains. Capabilities allow firms to create new products and processes and to respond to changing market circumstances (Teece and Pisano, 1994) and to enhance the value generating potential of the firm's resources (Makadok, 2001). Capabilities are necessary (though insufficient) conditions for performance. We include capabilities, therefore, in our modeling and hypothesis development for the effects of environmental uncertainty on SME internationalization performance.

Given the paradoxical nature of the uncertainty/performance relationship, we seek to model and to explore how environmental uncertainty affects performance in an international context. From the literatures on internationalizing SMEs, uncertainty, and capabilities, we derive the following hypotheses:

H1: *Market and technological uncertainty negatively moderates the relationship between market and technological capabilities and internationalization performance.*

H2: *Market and technological uncertainty positively lead to internationalization performance through a mediating process of opportunity-seeking, marketing, and technological capabilities.*

H3: *The relationship between market and technological uncertainty and internationalization performance which is mediated by opportunity-seeking, marketing and technological capabilities is stronger than the uncertainty moderated relationship between market and technological capabilities and internationalization performance.*

The empirical model is tested using a data set of 367 SME knowledge-based service firms in Northern Ireland, New Zealand, and the Republic of Ireland, from which we created two randomly selected sub-samples. We performed Confirmatory Factor Analysis (CFA) on each of our constructs with a first sample of 100 firms. Using the remaining 267 firms, we assessed our model using Partial Least Squares (PLS). PLS was chosen as the structural equation modeling technique because of its superiority with single item constructs (controls) (Barclay, Thompson, & Higgins, 1995) and ease when dealing with moderator variables.

We found no support for hypothesis 1 that market and technological uncertainty moderate capabilities that lead to internationalization. We found strong support for hypothesis 2 that market and technological uncertainty lead to internationalization performance. We also found support for hypothesis 3 that uncertainty is a stronger driver than a moderator of internationalization performance.

Human Resource Management in Vietnam: Comparative study of organizational ownership and performance appraisal practices

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Extended Abstract

In western culture organizations, the effectiveness of human resource management (HRM) has long been linked to improved productivity, and the importance of human resource practices has become a critical element in the development and success of companies in all countries (Diewert & Nakamura, 2005; Harel & Shay, 2003; Kamoche, 2001; Nguyen & Bryant, 2004; Riedel & Tran, 1997; Sullivan, 2004; Tung & Havlovic, 1996). While attention to productivity seems to be universally recommended, the link between organizational productivity and human resource practices has been somewhat more difficult to define and assess. Since the performance appraisal process is the one human resource function designed specifically to evaluate and encourage employee contributions to organizational goals -- performance appraisal systems should be more directly linked to increases in outputs (products and services) and therefore have stronger relationships with organizational productivity. Much research has been reported concerning the effectiveness of performance appraisal systems in U.S. business organizations. These studies share a general agreement that the more direct the link is to "job-related performance results," the more effective the process seems to be. (Albers-Mohrman & Lawler, 1999; Mondy & Noe, 2005; Murphy & Cleveland, 1995). In essence there is a consensus in the literature that performance appraisal systems are most effective when they (a) are formally instituted in organizational systems, (b) are directly related to job duties and responsibilities , and (c) include performance targets (future performance goals) that are specific and measurable. The major business ownership structures typically studied in Vietnam continue to be represented as state-owned enterprises (SOE's), local-private companies (LPC's), and foreign-invested corporations (FIC's). With the family-supported nature of the LPC's and the tradition-restricted culture of the SOE's, it is predictable that FIC's have been more likely to sustain effective formal human resource management systems than either SOE's or LPC's. As the state-owned enterprises continue to partially equitize their ownership options and as the family-owned firms gain additional years of business and ownership experience, the question is raised as to whether or not this dichotomy will continue or if it is lessening in today's Vietnam as the economy progresses. While research on human resource management practices in Vietnam continues to be scarce, recent findings indicate that the formal institution of HR practices in Vietnam companies is positively linked to the owners' perceptions of company profitability

(Thang & Quang, 2005). This leads to the proposition that in Vietnam, regardless of ownership type, company productivity can be positively impacted by linking the organizations' performance appraisal systems to performance results and by raising the formality of its HR practices within the organization.

The focus of this paper is on the specific HR function of performance appraisal and its systems and processes in Vietnamese business organizations. The measures adopted for this study are intended to reflect (a) the extent to which the evaluation process is formally and consistently instituted, (b) the degree to which the appraisal process is linked to organization outcomes (performance results), and (c) the degree to which performance expectations (goals) are set, communicated, and managed throughout the performance appraisal process. This study is designed to analyze data in regard to the growing effectiveness of performance appraisal systems in Vietnam businesses and the relationship of this development to ownership type and to manager perceptions and values. Building on the proposition that performance appraisal systems can and do impact organizational productivity when designed properly in less-industrialized countries (generally) and in Vietnam (specifically), three research questions were explored:

1. Is the quality of current performance appraisal systems strengthening (as measured by the level of formality and implementation) in Vietnam companies and are these related to ownership types? And do these reflect current manager values?
2. Are current performance appraisal practices in Vietnam directly related to job duties and responsibilities and does this relationship differ among ownership types? And do these reflect current manager values?
3. Do current performance appraisal practices in Vietnam include the setting and use of performance goals and does this practice differ among ownership types? And do these reflect current manager values?

Data were collected from 38 practicing business managers in Hanoi and Ho Chi Minh City (26% state-owned enterprises, 32% local-private companies, 42% foreign-invested corporations. Each participating manager was surveyed concerning the current performance appraisal practices of their organizations and their own professional opinions and values of performance appraisal systems. Follow-up interviews were held with each participating manager to better understand each response. Their initial responses were gathered in three major categories through an eighteen-question survey (half concerning organizational practices and half eliciting manager values and opinions).

I. The level of formality and consistency of the performance appraisal process within organizational systems.

II. The specific relationship of the performance appraisal process to the duties and responsibilities of the job.

III. The practice of setting and managing employee performance targets (specific and measurable goals).

Nine questions were first presented asking the extent to which they utilized each of these performance appraisal practices. Their response options were related to company usage (never, seldom, partially, mostly, or fully). Secondly, the managers were asked for their personal opinions of the importance or value of each. Their response options to these statements ranged from strongly disagree to strongly agree. All responses were gathered and follow-up interviews were conducted to assure that no language problems interfered and that the responses checked were in fact the responses that were intended. While this study is limited by sample size, it represents in-depth data gathered by both survey and interview and suggests the following results:

Research Question 1. While the quality (formality and consistency) of performance appraisal systems does not guarantee increased effectiveness, it does seem to be a necessary first requirement. These results indicated that the formality of performance appraisal systems was only partially related to ownership type (FIC, 75%; LPC, 60%; SOE, 43%) and that there was less difference between the formality in LPC's and FIC's than was expected. The manager interviews suggested that the SOE's have high traditional and political restrictions while the LPC managers have more autonomy but are restricted by the lack of internal HR expertise. It was noted that all managers (all business types) indicated very high values (importance) to having more formal and professional performance appraisal processes and systems in their organizations.

Research Question 2. Current performance appraisal practices in the companies surveyed were more consistent in relating performance appraisals to specific job responsibilities (FIC, 77%; SOE, 60%; LPC, 53%). Job-related practices were partially related to ownership type but surprisingly similar between SOE's and LPC's. This seems to support the notion that SOE's may be strengthening their performance appraisal practices as they face the growing competition from FIC's and maturing LPC's (Quang & Dung, 1998, p. 13). Follow-up interviews with managers indicated that many local-private companies lack the internal expertise and resources to make major changes in their performance review systems.

Research Question 3. The setting and use of "performance goals" as part of the appraisal process was reported as lowest among the SOE managers (FIC, 75%; LPC, 58%; SOE, 40%). Discussions with individual managers indicated that for the most part, SOE managers felt their company traditions, politics, and policies prevented them from rewarding employee performance or encouraging individual employee productivity. These results are very similar to the practices of establishing formal performance appraisal systems in the organization.

Research Questions 1, 2, and 3. Each of the research questions included the issue of "practices" in relation to "manager values." This result was perhaps most noteworthy in that there were very few differences among ownership types. All managers in our survey, regardless of ownership type, indicated very strong opinions of the importance and value of effective performance appraisal practices. The results of this study can make a contribution to existing HRM research in several ways. First, it provides information about existing performance appraisal practices in current economic ownership structures in Vietnam. Second, it gives a sample of current Vietnam managers' preferences and expectations that indicates a strengthening of employee productivity. And third, the study suggests how the development of employee performance appraisal systems impacts or is influenced by manager values and perceptions.

Internationalization of Firms in Small Developing Economies: The Case of Jamaica

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Extended Abstract

This paper is an exploratoration into firm internationalization in Small Developing Economies. The vast majority of the literarure on Small and Medium Size Enterprises (SMEs) internationalization have been conducted in developed economies. The paper argues that SDEs are sufficiently different from developed economies to warrant their separate investigations (Bernal 2002, FAO. 2002). The extent to which firms internationalize in similar ways in the two context is not known. The three major stakeholers to benefit from such research are the researchers themselves, policy makers and practioners. The need is probably greatest for the latter two in SDEs as government try to find ways of creating economic growth for better prospeity and practioners try to understand how best to internationalize their businesses for growth and survival. The paper aims to fill the gap in the literature by proving empirical evidence on why firms internationalize and how they achieve international presence as well as what are the challenges that they face in the process. The small developing economy of Jamican is used to represents SDEs is the paper.

The paper combines the Uppsala model (Johnson and Valhne, 1977) with the Dimensions of Internationalization framework (Welch and Luostarinen, 1988, Chetty 1999) and the International New Venture Approach (Oviatt and McDougall, 1994) to create a conceptual model with some of the attributes that are considered in the three approaches including mode of entry, foreign markets, sales object, decision makers characteristics, environmantal factors and firm characteristics. Propositins are formed on each of these attributes.

The paper uses a field-based data collection method with a case study design utilizing cross case analysis and a critical incident technique. The sample included five cases from agriculture, hotel, beauty and cosmetics and food manufacturing sectors.

The paper finds that as has been established in the literature (Miesenbock, 1988, Bell, 1995, McNaughton, 2003) that export is a common mode of entry by the Jamaican firms but that there are firms using import and subsidiaries to enter foreign markets (Korhonen et al 1994, Fletcher, 2001). There is also evidence that the nature of the product determines to a large extent the mode of entry (Welch and Luostarinen, 1988, Burgel and Murray, 2000), and that firms will enter markets where there is a demand for their product and services rather than ones that are psychically close to them (Hutchinson and Quinn, 2006). The firms are very internationalized, gaining the biggest percentage of their sales (up to 85%) from foreign markets and that their owner/managers all have international education and experience (Bloodgood et al 1996, Rueber and Fisher, 1997, Johnson 2004). The paper finds that these small traditional firms move rapidly into

international markets sometimes even without existing local markets. This latter finding is unlike much of the born global literature where it is knowledge-base firms that have been found to internationalize early to cover R&D cost (Preece et al 1999) or to use the knowledge that the firm possesses (Kuemmerle, 2002). Finally the paper shows that small firms from Jamaica face problems of non-payments, high taxes and other government regulatory requirements and challenges from adverse weather conditions.

The paper has several limitations including, the convenient selection of the sample, which prevents any generalization of the findings. All the cases were owned and managed by highly educated person with international experience, whether this is representative of the population of business owners or the wider population has not been established. Another limitation is the fact that the paper does not assess the performance of the companies.

Despite the limitations however the findings does have several implications for policy development. The evidence from this paper shows the owners as highly educated people with international experience. These are not usually the group of people targeted to start small businesses by government programmes. Policies that target this group by better facilitating start-up and internationalization may contribute more to economic development than focusing on unskilled and undereducated segments of the population. The evidence also shows that in many cases importing raw material is a necessary first step in the exporting process. It also identifies challenges and frustrations in the process, which are created by government policies. There is therefore the need for modification of these policies to facilitate this very important part of firm internationalization by separating importing related to later exporting from importing for local consumption. Finance related problems could be addressed by facilitating visits to foreign markets to build relations with distributors as part of export promotion programmes.

Research into the performance of the firms is an obvious extension to this paper. Comparing international and domestic firms in this setting could also provide useful information.

Keywords: Internationalization, SDEs; SMEs

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Entrepreneurship and Innovation in MNEs Subsidiaries

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Extended Abstract

The attention of this study is focused on the entrepreneurial behaviour and the innovation capabilities of the multinational subsidiaries characterized by a broad degree of autonomy. This contribution aims at integrating the research streams about entrepreneurship, internationalization and innovation in order to propose a more systematic framework to address the study of MNE's local subsidiaries as entrepreneurial organisations.

The research objective is to explore what are the conditions, resources and capabilities relevant for the innovations developed by the MNE's subsidiaries in order to consider them as International Entrepreneurial Organisations (IEO). The latter show the capacity to produce a variety of novel combinations and to transfer knowledge from and to different counterparts through the creation of internal (other subsidiaries and the HQ) and external (customers, suppliers, institutions, research centres, ...) networks. Particular interest is given to the subsidiaries which are not just an instrument of the parent but have certain degrees of freedom in shaping their own destiny, possess specialized resources and develop capabilities especially addressed at new knowledge creation, thus generating innovations. On one hand the autonomy of the subsidiary manifests through the creation of linkages (formal/informal) with the local environments, on the other hand the subsidiary is like a node of a network belonging to the multinational group and can rely on intra-firm and social linkages with the HQ and the sister subsidiaries. From this perspective the subsidiaries are important actors within the multinational system and their autonomy can be considered as a positive

effect on the subsidiary's innovative potential through facilitating the creation and diffusion of locally developed innovations.

This paper assumes that innovation capability depends on the combination and recombination of knowledge from different economic agents (Nooteboom, 2000) and aims at investigating the role of the subsidiaries as combinative agents which, through efforts and initiatives of employees and management and through the creation of intra-firm, inter-firm and social networks, create innovations adapting their strategy to the market requests. In this way a MNEs subsidiary is in the condition to leverage on a knowledge base deriving from the group it belongs and has the possibility to contribute to the augmentation/regeneration of this knowledge recombining it with the one accessed to the local level. In a dynamic context the internal resources, competences and capabilities permit to the subsidiaries to respond to the customer's needs, adapting their strategy to market requests and lead to the periodical renewal of subsidiary's core-capabilities, sometimes following a strategic trajectory which diverges from the one suggested by the headquarter.

The empirical analysis is based on two explorative case studies methodology (Eisenhardt, 1989,1991; Yin, 2003) of large MNE's subsidiaries very different in terms of industry, governance corporate culture and organisation: the R&D Chinese Subsidiary of a Global Semiconductors Company and the European Subsidiary of a well known multinational company that operates in the Household-electric industry.

The first carries on research projects with a time frame over 18 months and scouts knowledge basins within Universities and other research centers. The product of the Chinese R&D Subsidiary is the creation of new knowledge supporting the other activities of the group. It has the role of agent able to combine and recombine the knowledge from the sister subsidiaries and from the people recruited from the Universities and Research Centres in order to create and transfer new pockets of knowledge contributing to the overall knowledge creation and performance of the organisation. The Subsidiary is tightly interconnected with other sites in the world wide network of the Group and through the creation of a wider, external network within Chinese community of Universities, State Key labs, other companies, Discussion Forums and research centers is also oriented to explore the local customer needs in order to meet particular domestic requirements. It presents a broad/strategic mandate and the autonomy to develop the research programmes, to select and train the personnel. The only constraints are represented by the budget about the roadmap and by the respect of the common values of the Group.

The second case study is both a subsidiary, at the multinational level, and a regional headquarter, at the regional level – Europe. As a subsidiary it has a broad strategic mandate which is reflected in a significant adaptation to local markets of products, marketing strategy and partner selection and in the creation of dedicated organizational units for innovation. These special teams try to find and transfer individual superior knowledge - located in different organizational units and in different subsidiaries - at the organizational level and stimulate the functional units to create new knowledge. This integration system is a sort of “laboratory” for combinative capabilities, where organizational learning is interpreted as the synthesis of knowledge which derives from internal and external network relationships. Networking embraces very heterogeneous partners such as University, strategic partners in related industry, strategic suppliers for original equipments.

The theoretical model is mainly based on the International Entrepreneurship (Birkinshaw, 2000) and some interesting streams about resources and capabilities. This contribution borrows from international business literature the idea that the process of multinational growth can involve the embeddedness of foreign subsidiaries in local markets. MNE’s can be seen as knowledge networks able to access and transfer knowledge from different locations in which the subsidiaries are located. Each node creates a novel mix of embedded ties with both local and foreign counterparts according to a multiple embeddedness framework (Zucchella, 2006). Network capabilities allows the subsidiary to access to internal and external resources, expecially in terms of knowledge. Then the combinative capabilities (Kogut & Zander, 1992) lead to the integration of these resources and to the development of new core–capabilities at the organizational level. If the combination of knowledge continues over time, the organizational learning is internalized as a core-process and dynamic capabilities emerge (Teece, Shuen, Pisano, 1997).

The outcomes of this contribution might have relevant managerial implications, in high lightening pre-conditions and meta-capabilities which need to be developed in order support innovation processes at the subsidiary level.

The International Entrepreneur: Entrepreneurial Orientation of Local and Global firms

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Extended Abstract

This paper examines some of the entrepreneurial characteristics of International New Ventures (INVs) and compares them with other types of new ventures including Domestic New Ventures (DNVs). The paper introduces a novel classification of new ventures based on the suggested classification criteria by Oviatt & McDougall (1994) and Knight & Cavusgil (1996). We propose to classify firms according to the scale of foreign activities, operationalised as three levels of sales as well as sourcing: one group with no foreign activities, a second group having less than 25% of activities outside own continent, and a third group with more than 25% outside own continent, depicting five different groups of firms – Born Local Firms, Born International Sellers, Born European Firms and Born Global firms. Drawing on this typology we are able to show, that large differences exist between the founders of different types of firms. The differences can be seen in e.g. the number of founders, the networks used, and in the way of acting in the markets. As the focus in the paper is on the entrepreneurial orientation of the founders of different types of firms we intend to use the well-known scale of entrepreneurial orientation (Covin & Slevin 1989). The paper exhibits large differences between The Born Local Firms and The Born Global Firms. An entrepreneurial firm must be innovative, risk-taking, proactive and aggressive towards its competitors at the same time. This type of firm can be seen amongst the Born Global firms in the survey of Danish industrial firms.

As Miller & Friesen (1982) argues, the entrepreneurial position of a firm (or a founder) must been seen as a strategic posture with a number of components that are interwoven. An entrepreneurial firm must be innovative, risk-taking, proactive and aggressive towards its competitors at the same time. This type of firm can be seen amongst the Born Global firms in the survey of Danish industrial firms. If we compare the local firm with the highly international Born Global firm the difference between the two types is quite evident. The local firm fits into the description of (Covin & Slevin 1989) as a firm with a conservative,

strategic posture characterized by minimal technological, product and market innovation, a cautious orientation towards the competitors and a management with a wait-and-see posture. On all nine items in the entrepreneurial orientation scale the local firm scores lower than the Born Global firm. Opposite to the Born Locals the Born Global firms have a strong entrepreneurial strategic posture with a focus on innovation, and aggressive orientation towards the competitors, and a strong risk-taking propensity by the founders. On all items except one in the scale of entrepreneurial orientation, the Born Global firm has the highest score indicating that this type of firm is the most entrepreneurial amongst all industrial firms in Denmark.

In a Danish context, being highly international (whether it is on a global or a European scale) is linked to a strong entrepreneurial orientation. It can of course be discussed what comes first; the entrepreneurial orientation or the global orientation of the firm, but anyway it is clear that a firm that has a global orientation from the foundation has to have a strong entrepreneurial orientation, too. The next step in the research is, therefore, to go deeper into the relation between internationalization and entrepreneurial orientation through a large number of case studies.

The timing and location of international market entry – Evidence from small software firms in Costa Rica, Finland, and India

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Extended Abstract

Early internationalization of firms should be viewed as a holistic process, in which micro- and macro level variables influence the pace and path of the process. This paper draws upon extensive literature in the entrepreneurship and international business domains to provide an empirically testable framework that includes firm-level explanatory variables to answer the "when" and "where" questions of new venture internationalization. The empirical data of the study comes from small, young software firms in Costa Rica, Finland, and India.

We have taken the seminal work of Oviatt and McDougall (1994) as our starting point, and specify some of the mechanisms that can lead to the early internationalization of young companies. Resource constraints have been a popular explanation for growth and internationalization dynamics of young firms. We acknowledge their importance, but exclude them from our framework that focuses on a *firm's strategic orientation* and *market knowledge* as explanations of new venture internationalization. Based on these theoretical concepts as well as the empirical data from software companies, we aim to understand *what factors influence the timing and location of international market entry of a small firm?*

Market knowledge. In the initial stages of internationalization, firms are not necessarily knowledgeable of market conditions abroad. However, the new theories on the internationalization process of young, small firms (McDougall, Shane and Oviatt 1994, Oviatt & McDougall 1997) as well as the more traditional process (stage) -model of internationalization (Johanson and Weidersheim-Paul 1975, Johanson and Vahlne 1977) treat market knowledge as a central enabling resource for internationalization. Much of the liability of foreignness, typically thought to affect MNEs but equally important in the context of SMEs, relates to the foreign firm's lack of local market knowledge (Lord and Ranft, 2000).

The more traditional internationalization process theory emphasizes the accumulation of foreign organizing knowledge (Johanson and Vahlne 1990), whereas the new venture internationalization "theory" (McDougall et al. 1994, Oviatt & McDougall 1997) views international market knowledge more as an enabling resource than as a regulator of resource commitments. In the literature on new venture internationalization, the inherent mobility of knowledge allows for an early and rapid internationalization of new ventures. (Yli-Renko, Autio, and Tontti 2000).

Strategic orientation. According to Oviatt and McDougall (1994), sustainable international new ventures possess enduring competitive advantages that enable them to successfully expand their geographic markets. In line with the resource based view of the firm (Barney 1986, Peteraf 1993, Wernerfelt 1984), international new ventures should control valuable, rare, and inimitable resources that allow them to appropriate economic rents from markets. However, it is also possible that some resource poor new ventures are forced to internationalize at an early age because of limited demand in the home market. Instead of exploratory market-seeking strategies these firms react to negative changes in their home markets and try to exploit their existing capabilities in markets abroad. The choice of exploration ("proactive") or exploitation ("reactive") (March 1991) as its market expansion strategy is likely to influence the very process of internationalization.

Essentially, existing literature suggests that both market knowledge and strategic orientation can have a key role to play in the internationalization of a small firm. New venture internationalization literature suggests that especially knowledge concerning the international markets themselves is important, whereas the traditional stage-model emphasizes the importance of accumulation of foreign organizing knowledge. Our model incorporates both types of knowledge and we hypothesize that both types of knowledge are important in answering the "when" and "where" questions of firm internationalization. New venture literature would suggest that a firm enters foreign market once it has accumulated market knowledge about the market. The stage theory would seem to suggest that the number of new foreign markets a firm enters per year increases over time as the firm accumulates more foreign organizing knowledge. We hypothesize that these two views are complementary and both processes explain firm internationalization.

We hypothesize that foreign organizing knowledge and market knowledge are important in explaining the timing of internationalization: Firms started by entrepreneurs and personnel that have gained foreign organizing knowledge in their previous jobs are expected to internationalize earlier than other kinds of new ventures. However, in line with the stage-model of internationalization, this foreign organizing knowledge is expected to lead to internationalization to geographically close markets. A firm's perception of how different foreign markets are (a proxy for foreign market knowledge) is also expected to be related to the timing and location of early internationalization: Perceived market knowledge should be positively related to both early internationalization as well as adventurous early entry to geographically distant markets. Regarding strategic orientation, we expect internationalization as a result of domestic market saturation to be negatively related to adventurous early entry to distant markets, whereas firms that proactively seek out new markets will be more inclined to venture to promising distant markets. Also, this difference should persist over time, and proactive market seeking should lead to a firm having a wide geographic scope.

We have collected empirical data by interviewing and surveying CEOs of small- and medium sized software firms in Costa Rica, India, and Finland. The dataset in which we test our hypotheses comprises 126 software firms, out of which 45 are based in Finland, 41 in India, and 40 in Costa Rica. All of the firms in this sample have international operations (exports). A typical sample firm employs less than 50 people, and collects about 45 % of its turnover from overseas sales. A mean time from firm birth to the start of exports is less than four years, some firms internationalizing already in the first year of operations.

Most of our hypotheses are supported with the empirical data. We use stepwise regression analysis to test the hypotheses. Foreign organizing knowledge is positively related to early internationalization as well as to a wide geographic scope of operations over time. However, as predicted, firms that have high levels of foreign organizing knowledge are likely to initially start their international operations in geographically close markets. Our hypotheses concerning the importance of perceived market knowledge are not supported. Unfortunately, this may be largely due to data limitations, an issue further discussed in our paper. As far as strategic orientation is concerned, reactive internationalization as a result of domestic market saturation is more often limited to geographically close markets, whereas a more proactive search for markets where to expand in order to utilize unused capacity results in stronger expansion to far-away markets. Also, firms that have abilities to sell abroad and expand internationally to take advantage of their resources end up with a wider geographical scope in their business activities.

The results of our empirical study further advance theory development in the field of international entrepreneurship. Our data from one industry in three very different kinds of home markets shows that new ventures in a globalizing industry follow similar patterns in terms of timing and geographic scope of their internationalization despite of their location. Most of them start their international operations in markets that are geographically and culturally close. Our findings concerning the importance of the foreign organizing knowledge brought to a firm by entrepreneurs and employees show that even if new ventures do not necessarily follow the stage-dependent pattern of incremental geographic expansion, foreign organizing knowledge is still an important variable in explaining firm internationalization. Also, even if declining domestic demand can drive some ventures to international sales, more proactive internationalization strategies result in initial expansion to geographically more distant markets as well as in persistence of this unprejudiced pattern over time.

Advancing Entrepreneurship Research on Network Processes and Dynamics

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Extended Abstract

There is need for a greater understanding of network processes and dynamics in entrepreneurship research (Hoang and Antoncic, 2003). We suggest that one way to achieve this is to draw on network research from other disciplines. This paper argues that two fields of research are particularly relevant to help inform entrepreneurship. The first stems from the work of the Industrial Marketing & Purchasing (IMP) research group which examines dyadic interactions between buyers and sellers, and inter-organizational relationships within the broader network. We refer to this as the Business Network (BN) approach. The second field of network research has its roots in sociology and focuses on the characteristics and structure of networks, emphasizing whether different patterns can predict certain future outcomes. We refer to this as the Social Network (SN) approach.

The two approaches differ in theoretical foundations and assumptions, areas of interest and scope of investigation. For this very reason, we see the BN and SN perspectives as complementary. They therefore offer opportunities to inform entrepreneurship network research through their approaches to conceptualizing and assessing network processes and dynamics.

Processes and Dynamics in the entrepreneurship literature

At a conceptual level, few entrepreneurship articles focus on processes and/or dynamics in the context of networks. The work of Larson & Starr (1993) provides one conceptual foundation by offering what is referred to as a network model of organizational formation. More recently, Hite and Hesterly (2001) present a set of theoretically-derived arguments on how networks might change as the new firm moves from emergence to early growth. Drawing these conceptualizations together, Larson & Starr (1993) and Hite & Hesterley (2001) agree that entrepreneurial networks become more complex over time. They also view process as an evolutionary course of action but base it on a rational-action view in that entrepreneurs are understood to create and manage their networks. To the best of our knowledge, these two articles provide the conceptual basis for entrepreneurship research regarding network dynamics and processes. The

question then becomes, how are these issues viewed by the BN and SN literatures and what can be learned from these two approaches?

Process and dynamics according to the business network literature

The BN perspective encompasses research at both the dyadic level and the network level. It has also included both the individual and the organization, although inter-organizational relationships are the primary focus. The process of creating and maintaining strong relationships has been a key concept in BN research, as is the idea that relationships can be complex. For example, relationships may consist of both positive and negative ties. A particular characteristic of BN research is that it follows the process of how dyadic relationships change amongst themselves, and how changes takes place within relationships. Beyond process, the BN approach also considers dynamics. Even if the total pattern of the network seems to be stable, though not static, the BN perspective recognizes that existing relationships can vary in both content and strength over time. An exchange relationship is formed of expected activities and intended activities. It is the interplay between the two that constitutes the dynamics in a business network, thus contributing to a duality between change and stability in the network (Anderson et al 1998).

Process and dynamics according to the social network literature

SN research considers the formation and dissolution of ties as part of network process and change. The emphasis is not on relationship development within a tie, but how the addition or deletion of simplex ties changes the network structure. SN research focuses on capturing the patterns of relationships that form the network.

The same emphasis on structure is included when assessing network dynamics. For example, dynamics are captured by studying network formation (e.g. what kind of structural relationships provide the best outcomes and how to build them). The SN approach therefore views dynamics by focusing on how the network structure changes over time and assessing actor centrality and position at different times.

Conclusions

The intent with this paper is to identify and discuss what entrepreneurship research might learn from the business and social network perspectives in order to better explore network processes and dynamics. The BN approach has focused on process issues while the SN approach emphasizes structure. Both perspectives are interested in understanding network dynamics and change. Table 1 summarizes each of the three areas of research in terms of issues related to network processes and dynamics.

Table 1 suggests that at one level, there is some existing overlap between the three different approaches to network research. For example, both the entrepreneurship and BN perspectives allow relationship formation to be their intentional or incidental. Similarly, both the entrepreneurship and SN approaches allow for relationships to be either formal or informal.

At another level, we see that either or both the BN and SN perspectives might be used to advance entrepreneurship research. For example, the BN approach can be used to inform research interested in relationships at a micro and inter-organizational level, while the SN approach brings forward aspects of the entire network, i.e. at the macro level. More importantly, drawing on the BN approach will allow entrepreneurship researchers to study not only the process of relationship development over time, but interactions within and between multiplex relationships. Likewise, drawing on the SN perspective will allow understanding of dynamic patterns between relationships and within the overall network structure. It can also provide some guidance as to capturing network change and the related issues of tie formation and dissolution. Both the BN and SN perspectives can be useful in trying to understanding the concept of learning as it relates to network processes and dynamics, and if scholars wish to develop an ongoing understanding of network issues as well as the multiplexity of relationships, the BN perspective can offer guidance.

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Table 1: Comparing Three Perspectives on Network Research

	Entrepreneurial Networks	Business Networks	Social Networks
Level of Analysis	Ego network	Dyad, Interorganizational	Whole network
View of Relationship formation	Intentional, Incidental	Intentional, Incidental	Intentional
View of Process	Development of relationships	Development within and between relationships	Development of patterns between relationships, in overall network structure
View of Change	Evolutionary and active/intentional	Evolutionary	Intentional
View of Relationship Content	Informal (emphasized), Formal	Multiplex	Formal (emphasized), Informal
View of Dynamics	Relationship complexity increases over time (positive influence)	Relationship complexity increases over time (both positive and negative influence)	Formation and dissolution of ties over time (no complexity or multiplexity)
View of Learning	Learning reflected in adaptation	Learning an outcome of multiplex (positive and negative) relationships	Learning an outcome of cooperative (positive) relationships
View of Network Management	Proactive	Proactive	Pro-active
Timeframe	Points in time, Over time	Ongoing, Past, present, future	Points in time

Internationalization Patterns in Entrepreneurial Niche Companies

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Extended Abstract

The focus of this paper is on the internationalization patterns of entrepreneurial niche companies. We argue in line with the network approach that relations are important for internationalization and because of this the companies' internationalization patterns are not always gradual. We pay attention specifically to business relationships with international buyers and suppliers and the paper aims to explore the nature of internationalization to these. An empirical multicase-study on five niche companies and 20 international business relationships illustrates the role played by relationships for internationalization.

Introduction

Research on internationalization patterns has traditionally been dominated by incremental internationalization models like the Uppsala model (Johanson & Vahlne 1977). Alternative explanations have been provided by, among others, the transaction coast approach (Williamson 1981) and the innovation-related internationalization model (Bilkey & Tesar 1977; Cavusgil 1980). However, during the last decade much attention has also been focused on new ways of explaining internationalization. One stream of research that has emerged, focuses on the Born Globals phenomenon, that is, firms that are international almost from the beginning (e.g. Oviatt & McDougall 1994; Knight & Cavusgil 1996). In recent years also the network approach has been launched as an alternative way of analyzing internationalization (Johanson & Vahlne 2003; Holmlund & Kock 1998; Johanson & Mattsson 1995; Blankenburg 1995), rather than in terms of obstacles placed by psychic distance, risk, and market knowledge. Networks are defined as systems of direct and indirect relationships between firms involving resource exchange and joint business activities in the purpose of getting access to external resources (Håkansson & Snehota 1995). Firms operate in networks in which the relationships function as bridges to unfamiliar markets, and opportunities and motivation for internationalization are obtained through these bridges (Sharma & Johanson 1987). The present study therefore proposes that, according to the network approach, a firm is able to overcome the problems of risk, inadequate knowledge, market novelty, and market complexity by joining foreign businesses or by using its relationships to enter international markets. Networks and relations have been related to successful SME internationalization for example by Johanson and Mattsson (1988), Forsgren and Johanson (1992), Coviello and Munro (1995, 1997) as well as Chetty and Blankenburg Holm (2000).

Researchers taking a network perspective on internationalization, focus on the role of inter-organizational and inter-personal relationships of the firm for international activities. Relations in focus are diversified and include relations to customers, suppliers, competitors, private and public support agencies, family as well as friends. (Coviello & McAuley 1999). The main thought within the network approach to internationalization is that a firm's success in entering new international markets is more dependent on its relationships within both domestic and international markets than on the characteristics and culture of the market chosen (Johanson and Mattsson 1988).

The *aim of this paper* is derived from the assumption that companies' internationalization patterns are not necessarily gradual and that relations are important for internationalization. Hence, this paper aims to explore the nature of internationalization that builds on firms establishing specific relationships to to buyers and suppliers in specific countries.

Method

This paper builds on a qualitative, case-study based research method with multiple cases. This research includes five case companies and all of them are industrial (B2B) niche companies operating in various industries. The companies are highly involved in international activities. Two of the case companies are large companies employing about 600 persons: a technical information services company (Company A) and an abrasives manufacturer (Company B). The three other are entrepreneurial small- and mediumsized companies employing between 35 and 85 persons: a manufacturer of tracked vehicles for snow purposes (Company C), a manufacturer of equipment for industry automation and fur farming (Company D) and a manufacturer of containers for storage of liquids (Company E). Within the cases in total 20 international business relations are analyzed. Of these, 15 relations are to substantial international buyers, whereas 5 relations are to international main suppliers.

The cases are mainly built on personal interviews and complemented with secondary data, such as business magazines, information documents written by the companies and annual reports. Either the founder or the previous/present CEO of each company has been interviewed during April and May 2006. The data-analysis included several steps. First, the information received from the interviews was written down in descriptive narratives for each company and within that for each relation. These narratives where then complemented with information from secondary sources. This process allowed the researcher to become highly familiar with each case and each relation, before the next step, the cross-case comparisons were made.

Results

The results of the conducted case studies show that the internationalization process in the entrepreneurial niche companies has been very selective. The have established relationships to few cooperative partners in the countries they have entered. In that way they have probably avoided some of the cultural differences and at the same time they have not been forced to adopt their offered problem solutions to a huge consumer market.

The relationships are mostly very old and go back to the beginning of the internationalization process. In common is that these relationships have developed with the companies. From the case studies we can, however, notice that some of the relationships have not developed in an expected way. These relationships can be regarded as “problem relationships” and the case companies stand in front of the decision if they want to continue with the relationships, transfer them into sleeping relationships, or even terminate them.

Important is, that the content of the relationships is in focus and that the companies have set goals, or at least have expectations, with the relationships. Relationships have been identified to function as gateway, development, reference and/or future relations.

Keywords: International business relations, internationalization pattern, niche company, case study

An Exploratory Study of Canadian Born Global Firms' International Strategic Development

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Extended Abstract

In the past decade, research on born global firms have highlighted the characteristics of born global firms, the reasons for their rapid internationalization and the strategies used for their expansion. The majority of the studies, however, have focused on the inception phase, defined by some as the two to three years following their creation. Little is know, however, of what becomes of these firms after this period: Do they sustain their rapid international development, regress, get acquired or die? The purpose of this paper, therefore, is to assess the strategies used by born global firms after their inception phase and the factors that shape their trajectory.

This paper is based on the analysis of five site cases of born global firms in the technology sector through in-depth interviews and related documents, including web sites. Three years after their first sales, these firms were established in multiple country markets mainly through low involvement entry strategies. The management team's prior knowledge and experience shaped the initial rapid internationalization of these firms mainly developed through network relationships. The first three years of market development were formative years for these firms that adjusted their trajectory according to new knowledge acquired. Subsequently, three main growth strategies have been observed: market penetration, diversification and rationalization. These strategies can be used simultaneously and their choice and timing for implementation depend on market context, knowledge acquired and network relationships. Geographic diversification is the result of one of those three strategies. An emerging strategy, 'blending' was put in place by one of the firms to gain a competitive advantage in the Chinese market and look local.

The study was conducted with born global firms in the technology sector which had started selling their products in the past three to eight years. The results need to be expanded and confirmed with born globals in other sectors and born globals which are more established. Moreover, a longitudinal study would allow for the monitoring of their development and strategy formation. Researchers studying growth strategies of born global firms should change their focus from country market selection to market and segment potential as these are the factors born globals consider when they expand overseas. Moreover, prior market

knowledge and resources should be taken into account when trying to explain mode of market entry and mode change.

The results of this study provides some initial understanding of other patterns of internationalization and more specifically that foreign market knowledge can be acquired in various ways and allows firms to become more highly committed to some remote markets much earlier than preciously anticipated in the 'staged' model of internationalization. Network relationships and knowledge acquisition are instrumental in born globals' rapid internationalization and subsequent growth. This understanding could help policy-makers provide more targeted and relevant support to born globals.

Key words: Born global; SME growth, Canada; internationalization, knowledge.

Overcoming the liability of smallness: Best practices in international brand management for SMEs, an exploratory study

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Extended Abstract

Purpose: The purpose of this paper is to assess the brand development process in SMEs and to determine which brand associations - symbolic and/or functional - are being used in developing the brand image and building brand equity.

Methodology/Approach: This paper is based on the analysis of four site cases of consumer goods SMEs though in-depth interviews and related documents, including websites.

Findings: The founders' value and beliefs set the tone for the core competencies to be developed and transmitted through the brand image. A bundle of marketing innovations, including coherent marketing programs support the brands. The only area of weakness seemed to be distribution which did not always appear to fit the intended positioning. SMEs can successfully use functional and symbolic values in their brand image development. One important association, the country of origin, does contribute substantially to companies' brand image. A conceptual model of brand development and enhancement of brand equity in SMEs is proposed.

Research limitations/implications: The study was conducted with well-established consumer goods SMEs in Monaco using country of origin association in their brand image. Results need to be expanded and confirmed with other SMEs from Monaco, newer firms for instance, which are not as well established, to study their brand management process, as well as those that do not use the country of origin in their brand image, and SMEs located in other countries.

Practical implications: Because of resource limitations, a promising approach is the role that country of origin (COO) may play in these small firms' strategies in order to build strong brands and leverage their brand equity.

Originality/value of paper: The paper provides new insights into brand management in SMEs.

Key words: SME brand management, brand equity, country of origin

Entrepreneurship in an International Context: Expanding the Concept

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Extended Abstract

Current research on international entrepreneurship (IE) literature defines and analyzes international entrepreneurship predominantly from a behavioral and private business perspective. This paper argues that such a delineation of the field is too narrow. While private enterprises may be restricted in their ability to affect change on the business environments in which they operate and lack the resources to identify and absorb new foreign ideas, know-how and technologies in order to be able to internationalize their operations, the state has a better leverage over the possible barriers to internationalization. Hence, the study of mechanisms of international transmission of knowledge, barriers in the international flow of knowledge, and possible private- public strategies to foster internationalization should become an integral part of the research on international entrepreneurship.

The paper first reviews three theoretical approaches to international entrepreneurship as identified by Andersson (2004) and Jones and Coviello (2005). The first, rational or strategic decision making approach maintains that "internationalization decisions are a consequence of rational analysis" of the costs and conditions of production (Andersson 2004). Internationalization decisions are seen as discrete choices available at certain points of time. The second, organizational learning and network-dependency perspective of IE includes the external factors of internationalization decisions. Uppsala theory (Johansson and Vahlne 1977) of internationalization is the first and premier example of IE organizational learning approach. Uppsala theory sees the process of internationalization as linear and taking place through distinct phases of firm's development. Learning about foreign markets and cultures is the most important explanatory variable of internationalization (Andersson 2004, 855). In the 1990s, the theory was complemented with a network approach when Johansson and Vahlne concluded that a firm should be analyzed in the context of its networks and not as an independent actor. Moreover, new knowledge obtained through networks is of higher significance for later decisions about internationalization decisions

than the initial learning about foreign markets. The third main theoretical approach to IE focuses on the role of entrepreneur in the discovery, evaluation, and exploitation of new opportunities. The emergence and shift of emphasis to the entrepreneur in the IE literature may be ascribed to Oviatt and McDougall (2005).

The paper observes that the IE literature, while highly interdisciplinary, misses the role of different mechanisms of international transfer of ideas, people, know-how, and technologies that may benefit substantially the international entrepreneurs. Some of these mechanisms include the reliance on informal business and social networks (Wong and Ellis 2002); building across border communities of professionals of one nation (e.g. Indian software engineers community joining professionals from the U.S. and India); mobilization or, more radically, repatriation of expatriates educated abroad (Choi 1999, Ite 2002, Rauch 2001); and the utilization of foreign know-how through counseling, management, and technical assistance agreements (Carlson 1974, Wilkins 1974). Curricula improvement in universities in cooperation with Western universities, exchange of students and teachers, virtual delivery of classes from Western universities, and the establishment of Western university branches in developing countries (van Damme 2001) are some examples of the extent to which the educational system may be improved in host countries and provide better resources to potential international entrepreneurs.

The international flows of knowledge face numerous types of hindrances. This paper analyses the common organizational, technological, and institutional barriers to internationalization. These barriers are known in the entrepreneurship literature as the “knowledge filter” concept (Acs et al 2004). Organizational barriers manifest themselves as the inability of the international firm to absorb and exploit new knowledge (Hedlund 1994, Nonaka and Takeuchi 1995, Grant 1996). Lack of the willingness to risk, weak organizational alliances, industry or market-specific factors are only some examples of organizational barriers. Technological barriers include the lack of appropriate infrastructure, R&D capability, poor communication between research institutions and the industry resulting in serious absorption gaps (Wilkins 1974). Finally, institutional barriers to the internationalization of business operations include unfavorable formal institutions (sophistication and reliability of national legal system, definition of property rights, the degree of enforcement of contracts) as well as informal institutions such as cultural distance between the origin and host country. The barriers associated with an economic space combine in numerous and complex structures, rendering it unfeasible to prescribe a universal recipe for handling these barriers.

The last section of the paper presents examples of old and new measures that have been recommended or applied to tackle different types of barriers to IE. It is argued that even though there are means that private enterprises can apply themselves in order to more effectively absorb new knowledge and technologies (e.g. managerial solutions), the state has better leverage over certain environmental aspects that impact private businesses ease of internationalization. More innovative measures and mechanisms include the assistance in establishing business and educational networks, the mobilization of expatriates for the benefit of home country, and entering into management and counseling agreements between foreign experts and domestic institutions and firms.

The paper is exploratory and interpretative in nature in its efforts to connect the research on IE and public policy literature, notably the literature on knowledge and technology transfer mechanisms. While a first attempt of integrating the IE and public policy literature, a more systematic analysis that properly situates public policy measures in the IE literature is only ahead. So far, the main conclusion of this research is that there are innovative measures of public intervention and public-private partnership that can greatly accelerate the effective exchange of ideas, knowledge, and technologies across borders and, hence, contribute to the internationalization process of national enterprises.

From Personal to Professional: The Changing Role of Networks in the Internationalization of Small Entrepreneurial Firms

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Extended Abstract

Research Focus

Fruitful finings in the entrepreneurship literature have confirmed personal networks of the entrepreneurs to be their most significant source of external resources to lay the groundwork of their new ventures, and to shape their further development. In the internationalization literature of small entrepreneurial firms, empirical studies on the actual use and roles of personal networks in the internationalization process, however, are limited and much neglected. Since the majority of the existing studies on the effect of personal networks are in the context of new ventures, this study questions the extent to which the findings at a 'snap shot' in the specific context can be generalized to illustrate the use and roles of personal networks in the internationalization.

Addressing this literature gap, this study aims at specifying the use and roles of personal networks explicitly in the context of internationalization. The roles are analyzed in accordance to the resources accessed and acquired through the deployment and utilization of the networks to support the foreign business development. The findings provide insights into the effect of the network and entrepreneurs' ability of networking to pursue internationalization. The case firms are all international new ventures, and they have already proceeded beyond the start-up in the internationalization. Specific focus therefore is also placed on identifying any transformation of the networks and networking from the start-up stage. The main questions of this study are as follows:

1. What are the roles of personal networks in the internationalization of small entrepreneurial firms?
2. To what extent are networks and networking changed in the internationalization of small entrepreneurial firms?

Research Method

This study is primarily exploratory in nature. Taken into consideration the inseparable socio-business context of small firms and the dynamic nature of networks, qualitative case study approach is deemed to be most appropriate to the study.

Four purposely selected case studies are conducted. They are all international new ventures. The firms are of mixed characteristics in terms of business sector, origin, and founder's background. Two of the firms are in traditional industry, and two in high-tech industry.

In-depth semi-structured interviews with key informants, mainly the founders of the firms, were conducted for primary data collection. Secondary data including enquiries with third parties who have knowledge of the firms and the owners, company publications, press speeches by and interviews with key decision makers, and news scripts were used to enrich and validate the primary data. Based on the primary data collected from the interviews and secondary data accessed, within- and cross-case analyses are conducted in accordance to the research focus.

Conclusions and Implications

The case findings show that entrepreneurs' pre-existing network resources compensate for the liabilities of the new ventures in the early stage, when the firm has not established legitimacy to promote formal business networking. The effect of entrepreneurs' personal networks on supporting the foreign business development of the firms, in terms of the resources acquired and utilized, was limited in the cases. It is shown that personal networks that extend from a focal individual are inevitably concentrated, and are limited in diversity to provide sufficient resources to support internationalization. Findings also show that informal personal networking may not be valid to trigger and promote business relationships in the foreign business context, when legitimacy based on firm's position is deterministic to business decisions. More formalized business networking at firm-level is fundamental to sustain the development of the firms in the global marketplace.

In the context of international new ventures as of the cases, which deal with network parties across nations of different characteristics right at the beginning, the urgency to establish legitimacy to obtain wider market acceptance and recognition to facilitate the shift from personal networking to formalized organizational networking intensifies. The findings raise the question of whether network process should be understood as unidirectional as most models (e.g. Larson and Starr) or multidirectional; and whether the process varies in contexts. Further research and empirical studies using longitudinal qualitative research method are necessary to enrich the understanding of the network process.

The significant influence of the entrepreneur's personal attributes on networking and internationalization is confirmed. It corresponds to the argument that it is not the existence of networks, but their effective use by the entrepreneur that determines the benefits. The study provides implication to further research to focus on investigating the correlation between entrepreneurial attributes and networking orientation, and the internationalization patterns.

The firms in the case were able to integrate the networking activities in alignment with the overall strategic direction. They had shifted from extensive networking at the early stage of the start-up, to deliberate networking when strategic network parties were identified. The successful internationalization experience of the cases provides important managerial implications to entrepreneurs towards more deliberate use of their limited resources for effective networking in favour of the firm goals.

Limitations

The study has several limitations. Firstly, the study is based on four qualitative case studies. The findings may not be valid for generalization. The ambiguous and fuzzy contents of 'personal networks' in different studies have made it difficult to compare findings across studies. Secondly, the study has made an initial attempt to address the transformation of networks in internationalization; and the insights from the findings are contributory to promote further research. It is however acknowledged that the network process is better explored by longitudinal study. Thirdly, primary data are collected from a single key informant in each company, thus, may inherit single respondent bias. Multiple informants are useful to increase the richness and validity of the findings.

Linking knowledge, entry timing and international entrepreneurship

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Extended Abstract

This paper contributes to the literature on international entrepreneurship by linking the nature of knowledge in the firm, its first-mover orientation (FMO), international growth orientation (IGO) and internationalization strategy. So far only few empirical studies have investigated all these important attributes concurrently in the context of entrepreneurial firms. The study extends the existing knowledge on international entrepreneurship and born globals, and responds to criticism about lacking empirical research in this field. In the paper, the earlier literature on knowledge and capabilities, entry timing, international growth orientation and internationalization strategy in entrepreneurial firms is used as a basis for drawing up five main hypotheses, which will be tested with data from 299 Finnish companies representing several different industrial sectors. The findings indicate that the nature of the firm's knowledge, its FMO and IGO are related to a firm's international growth strategy.

Much of the international entrepreneurship literature has focused on the background and personal characteristics of the entrepreneur as main explanatory factors of firms' international growth and

performance. Another typical feature in internationalization of the firm literature has been the (over)emphasis on the descriptive characteristics of the internationalization process itself. We regard internationalization primarily as one way to hunt extraordinary profits that are higher than the average profit level in the industry concerned. From this angle both international entrepreneurship and internationalization have to be analyzed from modern economics-based strategy perspective. By utilizing modern transaction cost and benefit analysis and knowledge-based view of the firm, we focus on the main determinants of knowledge labeled as (i) accumulated expertise, (ii) versatility, and (iii) network dependence, and how these determinants can be associated with the firm's first-mover orientation and international growth orientation and finally the internationalization strategy of the firm. Different internationalization strategy dimensions have been treated in the literature (Johanson & Vahlne 1977; Ayal & Zif 1979; Anderson & Gatignon 1986; Bell et al. 2001; Brouthers 2002; Rialp et al. 2005), and we have focused our analysis into three following decisions: (i) the internationalization path, (ii) the choice of entry/operation modes, and (iii) the number of countries, i.e. the choice between market concentration vs. diversification. These decisions can be seen as essential issues of any international strategy.

Our findings suggest that firms with versatile resources perceive the value of being first in the market higher than the firms with more specialized, one-purpose only suited assets. This must be linked with a better ability to bear risks due to a smaller danger to get "held up" (cf. Teece 1986). However, the versatility of resources could not be linked to international growth orientation of the firm. In our model we suggested that while network membership may facilitate international expansion, it may also inhibit market diversification efforts. Thus, high dependence on the network might depress entrepreneurial behavior such as rapid strategic actions and pioneering in new markets (Coviello & Munro 1997). We found no significant relationship between the network dependence and first mover orientation of the firm. This can be explained by the fact that most probably there are simultaneously both advantages and disadvantages associated with the choice of a networking strategy. The findings confirm that accumulated expertise was positively related to both first-mover orientation and international growth orientation. This implies that with prior knowledge of markets and ways to serve those markets, firms perceive themselves better equipped to pioneer new international markets. This speaks strongly for the knowledge based view adopted in modern strategic management literature.

Internationalization strategies of the firms were to some degree affected by their first-mover orientation. Our results indicate that companies classified as born globals had significantly higher FMO than traditionally internationalizing or domestically operating firms. However, the other two dimensions of internationalization strategy, i.e. entry/operation modes and the choice between market concentration vs. diversification were not affected by the FMO of the firm. Internationalization strategies of the firms were also affected by the level of international growth orientation that the firms perceived. Our results demonstrate that internationalized firms had significantly higher IGO than the firms that had stayed at home markets only. Our results also suggest that higher IGO drives the company towards more diversified internationalization strategy, i.e. higher IGO results as more target countries for the firm. On the other hand the choices with regard to entry / operation modes in the firms were not affected by IGO as we would have expected.

The main managerial implication of our study is that when thinking about the internationalization strategy it is not enough to take into account only traditional factors behind the entry mode and diversification vs. concentration choices. A manager has to take into account also the timing of his internationalization activities. It is not “how” and “where” but “when” as well. The more there are factors that generate first mover’s advantages, the more rapid and diversified the internationalization strategy has to be. Also the factors that foster international growth orientation (e.g. the manager’s global mindset and the assessment of the perceived risks in foreign operations) speak for getting internationalized. In addition, the more versatile the resource base of the firm is and the more there are accumulated knowledge embedded the more favorable are the conditions to internationalize due to smaller risk to get held up.

This study has limitations that provide directions for future research. Since the data used were cross-sectional, the study portrays only a snapshot of essentially dynamic phenomena. As our data were drawn from the one-country sample, further research would be worthwhile to test the generalizability of findings.

Role of Regional Industrial Clusters in Internationalization of Small Domestic

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Extended Abstract

The major breakthroughs that China witnesses in the transformation from Planned Economy to Market Economy are productivity growth along with the flourishing "from wild grass to big tree" small domestic private businesses[1] which have replaced former SOEs/ collective enterprises and the symbiosis of new regional industrial clusters.[2]

Though the cluster phenomenon has been in existence for decades, new light should be shed to this subject for three reasons:[3]

- The growing number of people involved in economic-development activities. The

[1] The small domestic enterprises in China are abbreviated appellation of domestic SMEs. SMEs are widely defined in terms of their characteristics, which include the size of capital investment, the number of employees, the turnover, the management style, the location, and the market share. Country context plays a major role in determining the nature of these characteristics, especially, the size of investment in capital accumulation and the number of employees. For developing countries, small-scale generally means enterprises with less than 50 workers and medium-size enterprises would usually mean those that have 50–99 workers. In China, they are defined as enterprises employing 100-3000 employees, RMB 10–300 million (USD 1.2 – 37 million) in annual income turnover, RMB 40-400 million (USD 5-50 million) in assets if in industrial and construction sectors, according to Interim Provision of SMEs Standard, issued by National Statistics Bureau of China in 2003. This paper mainly address to domestic private SMEs in China's coastal Zhejiang province where private SMEs are most dynamic.

[2] The regional industrial clusters concept is defined as "geographic concentrations of interconnected companies, specialized suppliers, service providers, and associated institutions in a particular field that are present in a nation or region", according to M. Porter's theory of 'industrial cluster' model; in China, it develops naturally over time from the privatization of previous profit-losing SOEs or local collective enterprises and emerging private enterprises since early 1980s. New regional industrial clusters have formed stimulated by business acumen to opportunity, imitation and reinforced by local governments' cluster-based economic development policy, and replaced the former regional industrial clusters out of government planning. The economic globalization since early 1990s and popularity of modern management system have fueled its growth momentum. It is normally composed of several major players (domestic or joint venture), hundreds of small private domestic firms and other related upstream/downstream service providers, and forms a pyramid-like structure. Yet, in different regions, the clusters take on varied characteristics.

[3] Reasons for the growth in popularity of cluster: www.clustercompetitiveness.org/theory, based on the work done by Porter, M.E. (1998), *On Competition*, HBS Press and Porter, M.E. (2001), Clusters of innovation initiative: San Diego, available at http://www.compete.org/pdf/san_diego_findings.pdf#search='Clusters%20of%20innovation%20initiative%3A%20San%20Diego%20%20Michael%20Porter'

decentralization of decision-making processes to the regional and city levels and the renewed importance of international organizations have left many new policy planners with the need to find new tools to define their policies.

- Use of increasingly frustrating traditional industry policies such as providing subsidies for uncompetitive industries, attempting to build new indsutries from scratch and trying to attract uncompatible foreign investments are unproductive.
- The globalisation of international markets. With the reduction in the number of barrieres trade, producers can compete freely in any economy at the global level. Given this, regions realize that they must compete internationally in the industries in which they enjoy an advantage. Globalization is thus leading to a specialization of regional economies. Clusters support this trend by building on local differences, seeking an endogenous growth of regional economies, reinforcing the assets already present in the local economies.

At careful counting, there may be thousands of regional industrial clusters in China,[4] from which the author discuss about Wenzhou Yueqing Liushi Town low voltage electrical component industry and Yiwu market-private sector interaction model.

This paper, in review of existing literature in this field, presents the two case studies to provide an empirical testing of a) why and how clusters come into being and the significant roles, in particular internationalization of small domestic firms/ SMEs, that regional industrial clusters play in China; b) how to leverage "cluster activation"[5] and harness public-private relationship to contribute to cluster-based economic development.

It is organized in four parts: *First*, the paper looks at the existing literatures in this field to form a conceptual foundation of cluster. *Second*, in view of M. Porter's Diamond Model and in line with Chinese experience, the paper explains the reasons and processes that clusters appear and thrive in China. *Third*, we discuss the benefits that cluster provide in internationalization of small domestic firms of China basing on M. Porter's Diamond Model as well as M. Best's cumulative model of cluster dynamics. *Forth*, we turn to analyze feasible measures to leverage "cluster activation" and propose public-private relationship to contribute to cluster-based economic development.

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[4] Due to unavailability of complete and credible detailed data on employment, wage levels, productivity level and innovation rates at the regional level, it is impossible to undertake extensive cluster mapping exercise as Michael Porter has at the Institute for Strategy and Competitiveness, Harvard Business School. For a detailed description of the methodology used see http://data.isc.hbs.edu/isc/cmp_overview.jsp. The figure raised here is a mere estimation basing on second-hand research information of different sources in China.

[5] Cluster activation is focused on removing the most serious bottlenecks for higher productivity and innovation for a cluster by mobilizing the capacity of cluster participants to act jointly. Ketels, Christian (2003), "The Development of the Cluster Concept—Present Experiences and Further Developments", NRW Conference on Clusters, Duisburg, Germany

The case study of Wenzhou Yueqing Liushi Town low voltage electrical component industry is a result of two field visits to the region and major manufacturers in 2003 and 2005 and direct communications with small manufacturers in that region this year plus secondary sources; while the Yiwu market-private sector interaction model example and research materials were found and applied in an empirical research project August 2005 named “Chinese Figures Astonishing the World”, a special report co-delivered by the United Nations, the World Bank and Morgan Stanley, along with the author’s field visits to the city, its numerous markets, visit and talk with manufacturing suppliers, logistic service providers and government officials in 2004 and 2005.

So far the successful experience of Zhejiang’s regional industrial clusters have been extended across enterprises, sectors and environments to other coastal regions like Fujian, Canton, Shandong, etc., yet for the vast country and hinterlands, it remains quite unattainable. Behindhand logistics being one explanation, missing of the social and business environment that nurturing entrepreneurship seems hinder their regional economies.

Some empirical implications drawing from the Zhejiang regional industrial clusters may imply to other SMEs:

a) Regional industrial clusters encourage health competition, boost productivity, bring about cluster effect, synergy effect and stimulate formation of modern business administration and international views; to a broader extent, regional industrial clusters even contribute to upgrading economic structure and attribute to wealth creation of a nation.

b) Yet its pitfalls are equally marked. Discouragement of innovation due to poor intellectual property right protection (free-rider effect) and extensive growth model focusing on the increase of industrial output rather than the quality of economic growth and people’s living standard as well as “price war” out of excessive competition have plagued regional industrial clusters. Moreover, the management style, grades of leadership and entrepreneurship of the owners have tremendous effect on all aspects of the corporate—it brings opportunity and speed, so it brings uncertain and risk. The missing role in cross-border financing and business development of small private businesses in regional industrial clusters demonstrates these pitfalls.

c) The analysis showcases that regional industrial clusters are sufficient but unnecessary conditions for internationalization of small domestic enterprises. However, its roles of internationalizing small domestic enterprises have limitations.

d) A sound government-public-private sector partnership is the key in solving the problems. The collaborative relationship raises high requirement in regard to intellectual property right protection, technological development and application, better legal and administrative environment and introduction of advanced management skills, corporate governance. Above all, entrepreneurship and leadership, the driven force and soils to regional industrial clusters, and the “independent variable" deciding the level of internationalization of small domestic enterprises is of the foremost importance.

The Value Chain in International SMEs and Born Globals

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Extended Abstract

To succeed with internationalisation.it is required to establish a market with a high speed and in certain situations on many markets at the very same time (Andersson and Wictor, 2003). For many smaller companies it is a suitable strategy to internationalize at an early stage (Madsen and Servais, 1997). Later studies show that many entrepreneurs internationalize their companies already from the start (Rennie, 1993; Knight and Cavusgil, 1996; Madsen and Servais, 1997). In these companies the entrepreneur and the managerial group are important for the formation of the company strategy (Andersson, 2000). Some researchers consider the individual characteristics of the entrepreneur to be very important (Gartner, 1989), but others are highlighting the individual entrepreneur's personal network (Johannisson, 1994a). In some cases some companies have been started although the entrepreneur has had no access to international networks (Rasmussen, Madsen and Evangelista, 2000). Innovative firms have a global focus (Boter and Holmqvist, 1996). Spender (1989) means that innovative firms try to develop niche - markets to be able to act in their own way. One of the first studies concerning Born Globals in this area was executed by McKinsey in Australia (Rennie, 1993). The characteristic of the industry influences the firm's internationalisation process (Boter and Holmqvist, 1996).

Oviatt and McDougall (1994), Bell (1995) and Coviello and Munro (1997) have the opinion that you have to study networks and networking to understand a company's speedy internationalisation. Also, Etamand (1999) means that the short product development cycle does it necessarily to expand to as many markets as possible during a short time. This situation requires new strategies, alliances and networks. Spence (2003) has found that networks are important in connection with internationalisation. The interest in international entrepreneurship has grown rapidly during the last years (McDougall & Oviatt, 2000). One of the most frequent definitions of international entrepreneurship is: "international entrepreneurship is a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organizations" (McDougall & Oviatt, 2000, p. 903). This definition is heavily influenced of Covin and Slevin, (1989) and does not explicitly focus on the individual entrepreneurs within a firm but focus on the entrepreneurial behaviour on firm level.

Internationalisation strategies have earlier focused mostly the market and increased sales. But as pointed out above by McDougall & Oviatt (2000) it is a question of creating value. Internationalisation influences all parts of the Value Chain. Porter (1985) developed a model concerning how the executives do their strategic choice. In his theory he is studying how the company reaches competition advantages. He divided the company in different parts, where value is created and costs arise. The company could now be analysed more in detail. Porters Value Chain could be found (pp. 37, 1985). Later Porter (1986) also found that the Value Chain could be used to analyse international strategies. In which countries should different activities be placed and how should they be coordinated? This was due to the competition situation (Andersson, 1996). Porters Value Chain (1985) will in this paper be used as framework to study four case companies. An interesting article in this area is also International entrepreneurship and sourcing: International value chain of small firms by Servais, Zucchella and Palamara (2005) focusing international sourcing as an entrepreneurial act.

The aim of this paper is to investigate the four cases in accordance to the framework by Porter (1985, 86) and his Value Chain to find how the companies work with their internationalisation. Which strategies they use today? Which activities of the Value Chain are represented where, which activities the company wants to control and why. What competition advantages have the company in comparison to competitors? Has the expanded product with service, etc. any importance to the Value Chain? How do they act with the product development? Which activities in the Value Chain are triggering the internationalisation process? Has the entrepreneur any important part in the process, if any?

In the findings the information concerning the different companies is systemized in accordance to Porters Value Chain. For the CEOs the underlying factors to the Value Chain were most important. To analyse the information theory concerning strategies, Born Globals, entrepreneurship, internationalisation, motivation and network is used.

The main contribution is that the Value Chain is pressed down in Inbound logistics/ Operations through lower purchase prices or/ and outsourcing and in Marketing and sales expanded through a more consultative service as to help the customer to save money, which means the companies develop their product to be cheaper to buy or produce but to be more expensive to buy. For the company it is important to know what is important for the customer in his “purchase value”. Then you can optimize your pricing; value price-fixing. In the process developing the Value Chain, the entrepreneur has an important role.

Drivers of International Entrepreneurship: Efficiency vs. Effectiveness

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Extended Abstract

Profound explanations about the attributes of early internationalization have remained scarce so far. I suggest that this is partly due to the lack of a viable approach to identify and quantify the contribution of firm-specific advantages. As of now, the missing link is not the question what kind of competitive advantages support foreign market activity but why. The paper uses cross-sectional data of British new ventures in the manufacturing and service industry. Extending existing literature, the here undertaken study indicates an efficiency-effectiveness dichotomy that determines the location of entrepreneurial firm activity, domestic or international. I argue that effectiveness-related advantages force an international activity in overwhelming the lack of embeddedness in foreign markets and attracting new customers. Efficiency-related advantages are helpful in domestic markets where the company is already embedded in the local information flow.

Keywords: International entrepreneurship, competitive advantage, efficiency, effectiveness

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[i] The characteristics of SMEs make them especially sensitive to micro- and macro-economics, for example, institutional adequacy and imperfect and incomplete markets or economic cycles, all typical of emerging economies.

[ii] As previously mentioned, meeting international standards is not an option anymore but a requirement, thus internationalization is an imperative.

[iii] The present article does not take into consideration the intangible aspects of internationalization. It only applies to SMEs that are engaged in some kind of international activities; therefore, it does not discuss the initial internationalization steps.