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JOHANNA HALLBÄCK

International New Ventures as a Multifaceted Phenomenon

*Towards a Contingency Approach in
International Entrepreneurship*

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Reviewers

Professor Pavlos Dimitratos
University of Glasgow
Business School
Glasgow G12 8QQ
Scotland

Professor Olli Kuivalainen
Lappeenranta University of Technology
The School of Business
P.O. Box 20
53851 Lappeenranta
Finland

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Julkaisun nimike Nopeasti kansainvälistyvät yritykset monitahoisena ilmiönä – Kontingenssiteoreettinen lähestymistapa kansainväliseen yrittäjyyteen		
Tiivistelmä Yritykset kansainvälistyvät yhä nuorempana ja nopeammin. Nopeasti kansainvälistyvien yritysten osuus on kasvanut merkittävästi myös suomalaisten yritysten keskuudessa. Tällaisen ns. International new venture (INV) -yritysten merkitys erityisesti pienten maiden taloudelle on suuri ja niiden kasvu antoi sysäyksen kansainvälisen yrittäjyyden tutkimussuuntaukselle. <i>Tässä tutkimuksessa kuvataan ja tuotetaan ymmärrystä nopeasti kansainvälistyvistä yrityksistä tutkimusilmiönä sekä tarjotaan näkemyksiä siitä, kuinka näitä yrityksiä voidaan ymmärtää kontingenssiteoreettisen lähestymistavan kautta. Tutkimus koettelee INV-kirjallisuudessa ja kansainvälisen yrittäjyyden alalla vallitsevia premissejä keskittymällä seuraaviin käsitteisiin: kansainvälistymisen kehittymismallit, kansainvälinen kokemus, proaktiivisuus, reaktiivisuus, ja yrittäjämäinen markkinointi. Tutkimuksessa aihetta lähestytään kolmen erilaisen tutkimusmenetelmän (tapaustutkimus, kyselytutkimus ja käsitteellisen tutkimus) kautta sekä näiden pohjalta saatuja tuloksia yhdistämällä. Tutkimus koostuu neljästä artikkelista.</i> Tulokset osoittavat, että nopeasti kansainvälistyvien yritysten ymmärtäminen ja kansainvälisen yrittäjyyden teorian kehitys edellyttää kontingenssiteoreettista lähestymistapaa tutkimukseen. Tulokset kyseenalaistavat ja kiistävät monet INV-yrityksiä koskevista keskeisistä oletuksista, joiden voidaan katsoa haitanneen tutkimuksen etenemistä. Tulosten valossa nopea kansainvälistyminen näyttäytyy monitahoisena ilmiönä ja koostuvan yrityksistä, jotka eroavat toisistaan niin strategisella tasolla kuin kansainvälisen kehittymisen ja menestyksen osalta. Tutkimuksen mukaan tyypillisten kehittymismallien sijaan nopeasti kansainvälistyvien yritysten kehittymistä määrittävät tilannekohtaiset ja kontekstuaaliset mallit, ja tämä löydös pitäisi ottaa huomioon INV-käsitteen määritelmässä. INV-yritysten kehittymistä ja markkinointistrategioita määrittäviä kontingenssitekijöitä tulee tarkastella toimintaympäristön, organisaation ja sen yksilöiden tasolla sekä näiden vuorovaikutuksen ja yhteisvaihtelun kautta. Tutkimus korostaa strategisen yhteensopivuuden tärkeyttä nopeasti kansainvälistyvien yritysten menestykselle. Työssä rakennettu kontingenssiteoreettinen viitekehys tarjoaa mielenkiintoisia jatko-tutkimusaiheita sekä useita johtopäätöksiä nuorten ja kansainvälisten yritysten sekä valtion tukioorganisaatioiden päätöksenteon tueksi.		
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Abstract <p>Firms are internationalizing ever younger and faster. The proportion of early internationalizing ventures among Finnish firms has also increased significantly. International new ventures are regarded as very important in small countries and such firms have also sparked a research field labelled international entrepreneurship (IE).</p> <p>The purpose of this research is to <i>develop a description and understanding of international new ventures (INVs) as a research phenomenon and to provide insights into how the development of such firms could be understood by emphasizing the contingent nature of the phenomenon.</i> The research examines the prevailing premises in the literature on INVs and IE and so focuses on the concepts of internationalization development patterns, international experience, proactiveness versus reactiveness, and entrepreneurial marketing. The research comprises four articles and adopts a mixed method approach in which the findings of multiple case studies, a survey study, and a conceptual study are integrated to meet the research purpose.</p> <p>This research suggests that the understanding of the development of INVs and the advancement of IE theory requires that a contingency approach is adopted. By demonstrating how the INV phenomenon comprises firms that vary at the strategic level of behaviour and in terms of their internationalization development and performance, the findings contradict many of the prevailing premises that were identified to hamper INV research. It is suggested that rather than typical patterns, the development of INVs is determined by situational or contextual patterns; a findings that needs to be incorporated to the definition of INVs. The research suggests contingency factors of consequence to the development of INVs and of their marketing strategies in the individual, organizational and environmental level. The research also discusses the role of strategic fit in the performance of these firms. The integrative contingency framework created in the study provides interesting avenues for future research and offers several implications for managerial and public policy decision-making.</p>		
Keywords International new venture, born global, international entrepreneurship, internationalization, strategic decision-making, contingency approach		

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On a sunny day in May 2012

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³ A part of this study was published in E. Hutson, R. Sinkovics & J. Berrill (Eds). *Firm-Level Internationalization, Regionalism and Globalization*. London: Palgrave Macmillan. 177–197.

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1 INTRODUCTION

It has been pointed out in various forums that firms are internationalizing ever younger and faster. In fact, firms that internationalize early have attracted increasing interest among academics (McDougall 1989) as well as in the popular business press (Mamis 1989) since the late 1980s and the trend towards early internationalization has been witnessed globally in different types of economies (Knight & Cavusgil 2005; Rialp, Rialp & Knight 2005). The phenomenon of early internationalization has been regarded as especially important in small countries, where firms are seen to have many incentives and pressure to internationalize soon after establishment, such as the small size of the home market (see Fan & Phan 2007; Lopez, Kundu & Ciravegna 2009). For firms from such countries, the knowledge of the requirements and challenges of early internationalization and of the subsequent international development becomes crucial. Even more so, because early internationalizing firms are likely to face the liabilities of newness, smallness and foreignness (Zahra 2005), all of which make the research on their development an especially relevant topic.

Indeed, the proportion of early internationalizing ventures among Finnish firms has increased significantly. While according to a survey conducted in 2001, about 20 per cent of Finnish export firms gained over a quarter of their sales from abroad within three years from inception (Larimo & Pulkkinen 2002a), the percentage had risen to 40 per cent by 2011 (Gabrielsson, Gabrielsson, Hallbäck & Sepulveda 2011). The increase of early internationalizing firms can be seen as a positive sign given that, as in many small countries, foreign trade is extremely important for Finland's well-being and the fostering of growth entrepreneurship and internationalization of firms are central objectives of the government's economic policy (Programme of the Finnish Government 22.6.2011). In general, these firms have been associated with not only early and rapid internationalization, but also high growth and competitiveness (Autio, Sapienza & Almeida 2000; Rennie 1993). Their significant contributions to the creation of new jobs, adding to the GDP and improving international trade balances makes them very important to Finland's economy.

Such firms are increasingly being focused on by both government support organizations and public and private financiers and investors, as demonstrated by the support programmes tailored for what is termed the *born global* firm. However, if government organs and investors are to be able to relate to them appropriately, a more holistic understanding of early internationalizing firms will be important. As an example, the forms of support required by early internationalizing firms are likely to be significantly different from those required by firms that international-

ize later and in a slower manner (e.g. Bell, McNaughton, Young & Crick 2003). In fact, research has identified significant gaps and deficiencies in the support mechanisms currently targeted at these firms in Finland (Sepulveda, Gabrielsson, Gabrielsson & Hallbäck 2011). This certainly reflects an inadequate understanding of these firms and a need for further research.

Early internationalizing firms have many names such as international new ventures (McDougall 1989), born globals (Rennie 1993), global start-ups (Oviatt & McDougall 1995), infant multinationals (Lindqvist 1991), and instant internationals (Fillis 2001; Litvak 1990; McAuley 1999). The richness of the terminology adopted to refer to this phenomenon clearly reflects its importance. Early internationalizing firms are hereafter termed *international new ventures (INVs)*. In their seminal work on these firms, Oviatt and McDougall defined an INV as “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (1994: 49). This definition has perhaps been most widely used in the research on early internationalizing firms and it is also adopted as a definition in this thesis. There are several avenues for researchers to contribute to in the understanding of these firms; this study identifies and addresses four substantive research gaps as detailed in the following section.

1.1 Positioning the study and identifying research gaps

This study seeks to examine the phenomenon of early internationalization and INVs by looking at the phenomenon from selected viewpoints taken at the interface between entrepreneurship, international business and marketing. Research on early internationalization and INVs laid a foundation for the emergence of a research field called *international entrepreneurship (IE)* (Jones, Coviello & Tang 2011; Zahra 2005). The thesis can first and foremost be positioned as one contributing to that field. IE has been described as occupying an intersection of the entrepreneurship and international business fields (Dana, Etemad & Wright 1999; McDougall & Oviatt 2000) and therefore these two background research fields are important foundations of this study as well. Entrepreneurship has been assigned different meanings and roles in the IE research, but three concepts appearing in entrepreneurship theory – entrepreneurial orientation (Miller 1983; Covin & Slevin 1989; Lumpkin & Dess 1996), opportunities and value creation – have all been discussed in IE research. This becomes apparent also in the many definitions of IE, which draw on these concepts (see Section 2.2). From the international business research field especially the internationalization theories have been of interest to IE researchers (Chetty & Campbell-Hunt 2004; Jones *et al.* 2011).

IE research is at a nascent stage, which is reflected for example by the fact that the research is phenomenally based and there are constantly new concepts, elements and issues arising that the researchers identifying them posit to be important for the development of IE theory (see e.g. Jones *et al.* 2011). It is easy to agree with many reviews provided over the years that the research in the field is fragmented and inconsistent and is just taking its first steps to unify the theory and paradigms (Zahra 2005). The field can be seen to reside in what Dumont and Wilson (1967: 987) call the “theory sketch” stage; it is characterized by a vague comprehension of “laws and initial conditions considered as relevant, and it needs ‘filling out’ in order to turn into a full-fledged explanation [theory]”, and the way to do so, they suggest, is through further empirical research. Challenges are posed to the theoretical and methodological convergence of the IE field by suggesting that IE research is not merely an integration of international business and entrepreneurship, but of many more fields such as strategy, sociology, marketing, finance, knowledge management and economics (Jones *et al.* 2011).

Later this chapter discusses how INV research is assumed to benefit from building on the marketing research field in its theory development because researchers have so far largely ignored this aspect (see field reviews by e.g. Jones *et al.* 2011; Styles & Seymour 2006). The definitions of IE (such as those provided by McDougall & Oviatt 1997; 2000 and Oviatt & McDougall 2005a) have many components that overlap with those in marketing research. Specifically, value creation, market opportunity and innovativeness are central concepts both in IE and the marketing tradition. Thus bringing a marketing aspect to the core of the analysis is likely to support the development of INV and IE theory. In addition to the entrepreneurship/international business interface, adoption of the entrepreneurship/marketing interface in particular is seen as a fruitful step in order to advance INV and IE research (Fillis 2007). Thus, owing to the multidisciplinary nature of the phenomenon, the study draws on more than one research area in order to develop the understanding of INVs and contribute to the theory of IE. These research areas are, in order of preference: international entrepreneurship, international business, entrepreneurship and marketing. The positioning of the study is presented in Figure 1. While drawing on these research fields, this thesis concerns itself especially with strategic decision-making and takes a strategic approach to entrepreneurship (Hitt *et al.* 2002), marketing (Varadarajan 2010) and internationalization (Melin 1992).

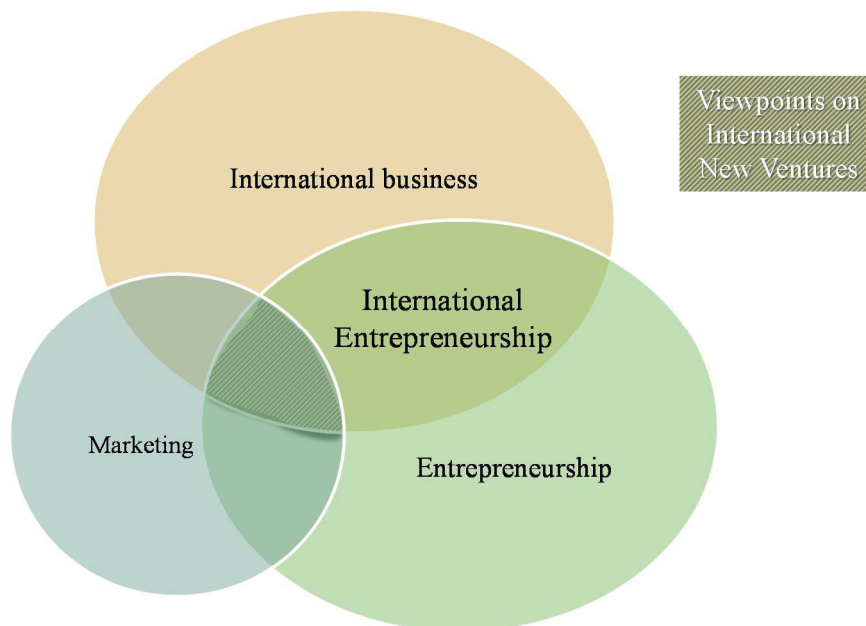


Figure 1. Positioning of the study

In the research on INVs certain research gaps can be identified by looking at the standpoints and premises underlying previous studies. In this thesis it is argued that at the same time as earlier research on INVs is very fragmented in terms of areas being studied, it is also loaded with some presumptions exerting influence over these different studies. The further development of INV research, and thereby of IE theory, could be enhanced by challenging such prevailing premises about the phenomenon of INVs. These premises are discussed next.

Premise 1 – INVs evolve in a manner that is inconsistent with the internationalization process theories. The extant literature on INVs still suffers from a lack of knowledge about how INVs evolve. Rather than tracking the evolution of these firms, the majority of the INV research has focused on the founding and early phase development of INVs (Zahra 2005). With the exception of a few partially-deviant views (Chetty & Campbell-Hunt 2004), this has triggered a latent consensus that INVs follow an internationalization path that does not accord, but rather contrasts, with stepwise pattern and process theories of internationalization. In the literature two such theories, labelled the traditional models of internationalization have so far dominated: the *Uppsala model* (Johanson & Vahlne 1977; Johanson & Wiedersheim-Paul 1975) and the *Innovation model* (Cavusgil 1980). However, the INV literature has mostly compared and contrasted early internationalizing firms with the Uppsala model (Chetty & Campbell-Hunt 2004). These so-called *traditional theories* assume a gradual development path that evolves in stages, both in terms of the commitment of resources to the operations abroad and in terms of foreign market selection. The researchers focusing on early international-

izing firms describe INVs in a manner which emphasizes radical, rather than incremental internationalization. In these descriptions the stages are absent.

According to internationalization process theories such as the Uppsala model, the stepwise pattern is specifically related to accumulation of knowledge through previous experience. Internationalization increases knowledge through experiential learning, affecting the subsequent involvement decisions in international operations (Johanson & Vahlne 1977). While many studies of INVs criticize the extant internationalization theories for failing to explain INVs (e.g. Knight & Cavusgil 1996; McDougall, Shane & Oviatt 1994; Moen & Servais 2002), understanding the role of international experience in INVs would give more arguments – or counter arguments – for these criticisms (Madsen & Servais 1997) as well as shed light on the theoretical foundations and future development of IE field. This is in line with the citation below. In a more recent review of INVs research, especially the need to understand further the role of entrepreneur and top management experience in the development of INVs was emphasized (Zahra 2005).

If entrepreneurs generally have more foreign market experience than in earlier periods of history, as some scholars believe (Hedlund/ Kvaerneland 1985), and if increased experience is the predominant explanation of accelerated moves into foreign markets, the Uppsala model is reinforced. If the basis of explanation is otherwise, the need for new formulations of international process theory is reinforced (Oviatt & McDougall 1997: 96).

Premise II – INVs are a distinct group of firms that share an internationalization pattern depicted by rapid parallel entries into multiple countries from inception. The fact that the early focus of INV research was criticism of existing internationalization theories has also prompted researchers to form their comprehension of INVs especially in terms of the consistency (as opposed to the variety) in them. Researchers have tended to look for power and to strengthen the arguments for their critiques of existing internationalization process theories by demonstrating INVs as a group of firms distinctive from traditionally internationalizing, larger and mature firms as well as from domestic firms (e.g. McDougall 1989; Moen & Servais 2002). This has spurred the emphasis that INVs share an internationalization path that is identifiable by early entry and the rapidity of the internationalization. Indeed, the body of knowledge on the differences between INVs and their more traditional counterparts is documented empirically rather well. At the same time researchers have largely ignored to study the internationalization paths, antecedents, characteristics or strategies within different types of INVs. This is surprising since the seminal work in this field (Oviatt & McDougall 1994) distinguishes four INV types. This gap in the literature is also very clearly presented in the following quote.

While considerable attention has been given to other parts of Oviatt and McDougall's (1994) arguments, less attention has been devoted to the four INV types they identified. Thus, we do not know a great deal about the prevalence of INVs under different combinations of industry, market, firm and entrepreneur-related conditions. Knowing the prevalence of these firms can be useful in predicting which types of INV are created under which conditions and in tracking the changes that occur in INVs over time, which offers a foundation for understanding the differences in their financial performance. This is a gap in the literature in this area, one that requires further research (Zahra 2005: 23).

Related to the above, the research on early internationalizing firms has also been imbalanced in another way. In both theoretical and empirical studies the focus is somewhat biased towards firms resembling the *global start-up* type of INVs introduced by Oviatt and McDougall (1994) and even more prevalent is the research on the born globals (Jones *et al.* 2011). Research pieces categorized as studies of INVs are – in terms of the empirical data that has been used – often actually investigations of global start-ups (Coviello 2006). There is only a limited collection of studies that explicitly focus on different types of INVs. Thus, what the researchers do not yet know well is the variety in these firms.

First, many venture types are relevant in IE. Starting with the INV concept, we re-iterate that it is important to recognize that the global start-up is only one form of INV, and the INV is not necessarily a BG [born global]... A first step might be [---] to develop a richer typology and understanding of venture types (Jones, Coviello & Tang 2011: 642).

Premise III – INVs can be described and understood by the entrepreneurial nature of decision-making and strategic approaches. Another prevailing assumption, or rather a starting point in the INV research, is the approach in which their implicit and explicit characteristics, their actions and activities are described as entrepreneurial (Zahra 2005; Knight & Cavusgil 2004). This is most clearly demonstrated by the fact that international entrepreneurship, which is generally thought of as the *theoretical home* of INVs, has by definition been conceptualized as “a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations” (McDougall & Oviatt 2000: 903). Although this definition goes beyond INVs, researchers have often applied it when researching INVs and adopt such qualities as given features for INVs. The INVs are especially described as proactive (Oviatt & McDougall 1994; Moen & Servais 2002). In previous research also innovativeness has been argued as a central characteristic of or prerequisite for INVs (Knight & Cavusgil 2004). Nevertheless, the assumption that INVs are, or ought to be, entrepreneurial deserves further justification and evidence if one is to build a holistic picture of the phenomenon. The role of entrepreneurship in the subsequent development of

INVs after their early internationalization endeavours is not yet understood. Furthermore, the entrepreneurial features might run counter to the propositions of internationalization theories and thus challenge the integration of these two approaches (entrepreneurship and international business) to the IE theory.

Premise IV – The development of INVs is a product- and technology-centred process where the growth and performance is conditional on innovative products and technologies. The high-tech or technology-intensive fields have been described as having a core role in initiating the trend towards early internationalization and they are regarded as especially fertile ground for INVs (Mainela, Pernu & Puhakka 2011). According to literature, INVs are characterized by technology-intensive, highly specialized and innovative products (Chetty & Campbell-Hunt 2004), and explicitly as firms that rely on “cutting edge technology with the development of unique product or process innovations” (Knight & Cavusgil 1996: 12). This notion suggests that INVs have been considered by previous research a product- or technology-driven phenomenon, especially so, since research has frequently described product and technology innovations as preconditions in the emergence, development and performance of INVs (Kim *et al.* 2011). Furthermore, while the discussion of innovativeness in INVs, and of the empirical studies in particular, have primarily referred to these two elements (e.g. Kim *et al.* 2011; Knight & Cavusgil 2004; Gassmann & Keupp 2007), other aspects of how INVs innovate and create value in marketing have been largely ignored. As an example, although low-technology industries have been studied within the INV and IE literature (e.g. McAuley 1999), the issue of how these firms create value through routes other than technology has been widely neglected. The approach taken in the extant research is wanting.

In summary, there clearly exists a research gap in INV research which is reflected by the above mentioned premises that have tended to guide much of the research conducted so far. It is expected that the extant research would benefit from exposing these premises to different viewpoints and contexts. The research should especially examine how the premises hold when they are approached by bringing into question the consistency versus variety, stability versus dynamism, and generality versus contextuality of the phenomenon. Examination of *consistency versus variety* of the phenomenon is expected to unveil the possible differences between the internationalization patterns, decision-making and strategic approaches in INVs and to offer a more multifaceted picture of the phenomenon. The *stability versus dynamism* aspect helps to reveal what type of changes occur during the growth of different types of INVs and hence responds to extant research’s call for the knowledge about how INVs develop in the longer run. The examination of the *generalization versus contextualization* aspects is needed to analyse the differ-

ences further and to understand the influence mechanisms behind these differences and changes in the internationalization development patterns, decision-making and strategic approaches of INVs. These three aspects foreground the manifold and complex nature of the phenomenon, thereby bringing into question the possible role of *contingency* or *co-alignment* theories (Venkatraman 1990), which posit a match between a certain set of theoretical dimensions as critical to their understanding, assuming for example that the nature and development of organizations is likely to be situation-specific or contingent on the contextual factors. The contingency perspective has rarely been adopted in studies of the INV phenomenon (Keupp & Gassman 2009).

1.2 The purpose and research questions of the study

Motivated by the research gaps discussed in the previous section, the current study was commenced to identify what constitutes an international new venture (INV), how such firms develop and what is the behaviour and decision-making intrinsic to their development. The overall purpose of the study is to *develop a description and understanding of international new ventures as a research phenomenon and to provide insights into how the development of such firms could be understood by emphasizing the contingent nature of the phenomenon*. The work approaches that purpose by way of four research questions that represent different perspectives selected for examination on the basis of the research gaps identified. These perspectives are expected to shed light on the possible contingencies in the development and behaviour of INVs and thereby to stimulate theory development in the area of international entrepreneurship.

- (i) What are the internationalization development patterns that are distinctive to INVs and serve their identification?
- (ii) How does international experience relate to the internationalization development of INVs?
- (iii) How are proactiveness and reactiveness associated with the internationalization development and strategic decision-making of INVs?
- (iv) How does entrepreneurial marketing as a strategic approach relate to the internationalization development of INVs?

The study meets its overall purpose through: a) four articles which comprise the core and main body of the thesis and which each aim to answer one or more of the above research questions; b) integration of the findings of the articles to form a rich description and holistic understanding of the phenomenon; and c) evaluation of the value of the contingency approach to the understanding of the development of INVs and to advancing the IE theory on the basis of the findings and their integration. This research process is expected to contribute to the overall purpose of the study (see Table 1).

Table 1. Composition of the thesis.

	Article A	Article B	Article C	Article D	Conclusion part (Ch. 5)
Research premise(s) primarily addressed	I, II	I (II)	III	III, IV	I, II, III, IV
Research question(s) primarily addressed	(i)	(ii)	(iii)	(iv)	(i), (ii), (iii), (iv)
Theoretical scope / interface*	E+IB+M	IB + E	IE + E + IB	IE + M+ E + IB	IE, IB, E, M
Research approach and design	Abductive Multiple case study	Deductive + Abductive Survey + multiple case study	Abductive Conceptual	Abductive Multiple case study	Abductive

* IE=International entrepreneurship, IB=International Business, E=Entrepreneurship, M=Marketing

The predominant focus of article A is to answer the first research question and set the ground for the analysis of the phenomenon of INVs. By providing a description of the internationalization development of different types of INVs and illustrating the rationale behind the differences, the article provides an initial insight into the later research questions, and so functions as a stepping stone for the analysis of the second, third and fourth research questions in the subsequent articles. Article A is based on a multiple case study of INVs based in Finland. The second research question is central to article B, where both a survey study of Finnish firms operating internationally and a multiple case study of the same Finnish-

based INVs as in article A are analysed. The focus in article B is on the international experience as a characteristic of INV decision-makers and the management team (Reuber & Fisher 1997; Reid 1981). Articles A and B provide an examination of premise I and II identified in the previous section.

Focusing on the proactiveness and reactiveness aspects in the internationalization development and international entrepreneurship of INVs on the one hand (article C) as well as on the entrepreneurial approach to marketing strategies in INVs on the other (article D) provides an examination of premise III regarding the entrepreneurial nature of the internationalization and strategic decision-making of INVs. To answer the third research question, article C takes a viewpoint on proactiveness and reactiveness. Proactiveness is one of the key elements associated with entrepreneurial strategies whereas reactiveness has traditionally been viewed as a non-entrepreneurial behaviour (Miller 1983; Covin & Slevin 1989), so the two concepts are apt when examining premise III. They are considered a worthy focus also because of the research gap on the two concepts in extant INV research. Furthermore, investigating proactiveness and reactiveness serves as an especially insightful ground for evaluating the integration of international business and entrepreneurship into IE theory on a more general level. The third research question is primarily approached through a conceptual study in article C; however, articles A and D produce empirical findings on this research question as well.

The fourth research question is focused on in article D by analysing entrepreneurial marketing as a strategic marketing approach in INVs. It provides another examination of premise III. Entrepreneurial marketing encompasses the interplay between entrepreneurship and marketing (Carson *et al.* 1995). The focus is laid on innovativeness and adaptation as dimensions of entrepreneurial marketing in INVs. The innovativeness has been viewed in the literature as the core dimension of entrepreneurial marketing (Chaston 2000; Collinson & Shaw 2001; Morris, Schindehutte & LaForge 2002), while adaptation to international markets (Cavusgil, Zou & Naidu 1993; Theodosiou & Leonidou 2003) is argued to become an important aspect for INVs facing the liability of foreignness (Zahra 2005). Investigating the innovativeness in INVs at the level of marketing strategy serves as a vehicle to examine the premise IV as the analysis of innovativeness is extended beyond products and/or technologies, namely to other aspects in the value creation. Furthermore, article D compares the development of the strategic marketing approach between different types of INVs in terms of their growth phase. In so doing, it also functions as another examination of premise II.

To address the overall purpose of the thesis, the results of the articles are integrated, and followed by a discussion of the value of the *contingency approach* (Tosi 1990; Ginsberg & Venkatraman 1985) in understanding INVs and in advancing IE theory. The areas examined in the articles are considered to highlight the possible contingency aspects in the INV phenomenon on a *descriptive level* through a focus on contextual features of INV development, but also on the *normative level* (in article D) through a discussion of strategic fit as a determinant of their marketing performance (Tosi & Carroll 1976; Venkatraman 1990). The value of this research process is evaluated in light of the early stage research that is primarily driven from the substantive domain, that is, the phenomenon of interest and that proceeds to investigate this phenomenon predominantly via an empirical research path (Brinberg & McGrath 1985).

In this thesis, the internationalization development of INVs is examined focusing on the firm-level behaviour and decision-making. Internationalization may be viewed and defined in different ways⁴. The concept of internationalization is here approached by analysing the internationalization development in terms of the behaviour and decisions concerning areas such as international market and operation strategies, the timing of international entry and speed of internationalization. The concept of international experience is studied at the level of entrepreneur(s) and top-management team (Reuber & Fisher 1997; Reid 1981), whereas other concepts selected under focus in the research questions are approached by investigating them at a firm-level, and by focusing on strategic approaches and decision-making. Thus, the proactiveness is examined at the level of the strategic approaches and decision-making of the firm (Lumpkin & Dess 1996; Ketchen, Hult & Slater 2007), rather than as the characteristics of its individuals. The entrepreneurial marketing concept is viewed at a strategic level of the firm, rather than as the organizational culture or as marketing tactics (Webster 1992; Morris *et al.* 2002).

The thesis follows a mainly abductive line of reasoning (see Table 1). The idea of abduction can occupy the middle ground between deduction and induction and involves going back and forth between theory and empirical observations. Some scholars point out that no research can be described as purely deductive or inductive, and that in practice, it is more beneficial to combine the two approaches

⁴ As an example, Welch & Luostarinen (1988: 36) define internationalization as “the process of increasing involvement in international operations”. Andersen (1997) takes a more focused standpoint and argues the decisions on market and operation modes to be central in the concept of internationalization. See also Johanson & Vahlne (1977), Melin (1992), and Forsgren (2002).

(Saunders, Lewis & Thornhill 2009: 124–128). This has been said to be particularly appropriate for studies that aim to develop theory through refinement and extension, through new combinations of the empirical observations and concepts derived from them and the existing theory (Dubois & Gadde 2002). Rather than inventing totally new theories or solely testing existing ones, this study seeks to develop theory by offering new insights regarding INVs and in that way to refine and extend the current field of IE research. However, instead of being constantly in the middle between deduction and induction, the research process varies to some extent between the articles in terms of their leaning towards the deduction or induction (see Järvensivu & Törnroos 2010). As an example, article B adopts a quantitative approach and seeks to test hypothesis, thereby consisting more of deductive elements than articles A and D, which are based on a case study approach with only a loose *a priori* theoretical frame. These latter articles are more purely abductive and article D in particular partly leans towards induction. Methodologically the thesis employs a mixed method approach (Tashakkori & Teddlie 2003) through use of both case study and survey research.

1.3 The research process and structure of the study

The research process and structure of this study can be illustrated using the approach provided by Brinberg and McGrath (1985). In their discussion of validity of the research process, the authors describe the research process in terms of five basic concepts: domains, levels involved in each domain, three stages of research, meanings of validity, and study paths of conducting the research in stage two (Ibid: 16-28). Any research can be seen to involve three domains (aspects): a) *substantive* (some content that is of interest), b) *conceptual* (some ideas that give meaning to that content) and c) *methodological* (some techniques or procedures that can be used to study those ideas and content). These domains receive different emphasis depending on the interest of the research. One aspect usually works as a starting point for the interaction between the three aspects. Furthermore, research is characterized by three levels; *an element level, a relations level, and a systems level*. Thus, any research can be described as an examination of relations between units in a surrounding context in which they are embedded. These levels acquire a different meaning in the three domains.

This thesis can be described in relation to these concepts as follows. Firstly, as discussed in previous sections, the primary focus of this study is on the phenomenon of early internationalization and INVs. Its primary interest is in real-world events and entities rather than abstract representations (conceptualizations) or techniques for gathering information (methodologies) of the phenomenon. The

research approach thus deals primarily with the substantive domain. The other, conceptual and methodological, domains are addressed in a secondary manner. In relation to levels of research (see Bringberg & MacGrath 1985: 32–35), the element level of this thesis comprises the states and actions of entities referred as international new ventures. Those states and actions refer to the development of INVs and the decision-making and strategic approach involved. The relations level comprises the patterns and relations identified within the states and actions of INVs, for example, the relation between internationalization development and the international experience, or between internationalization development and proactiveness of the INV. The embedding system level can be seen as the context and situation (the contingencies), in which the INV development paths or strategic decisions are embedded.

A complete research process involves three stages but any given piece of research does not necessarily go through all these stages (Ibid). Research in the first stage is preparatory in nature (comparable with a pre-study). It needs to precede the two later stages in order to identify and structure the key focus areas of the study, that is, to generate, identify and clarify the concepts, methods and substantive phenomena. The second (central) stage of research then involves producing *findings* by the identified combination of content, ideas and means. Finally, the third stage in a research process is a *follow-up* stage that is required to give meaning to the findings in a broader body of knowledge. That stage should therefore be dedicated to exploring the range and limits of the findings in relation to all three domains. However, a piece of research may not advance to the third stage but instead the findings suggest going back to the first stage and redefining the concepts or techniques in the inquiry of a phenomenon, for example. Or in other words, sometimes research in stage one “is actually the result of stage two research of the past, that was thought to be especially definitive with respect to one of the domains” (Bringberg & McGrath 1985: 18). This thesis as a whole can be described as positioned in the *first and second stage research*. While the research design comprises the first stage, the articles of the study proceed to the second stage; that of actually conducting the study. The findings of the study are then interpreted in terms of their value to the INV field and IE theory.

The central research (stage two) may be conducted in different ways depending on how the domains are prioritized in the research (Ibid: 59–70). The experimental path draws on conceptual and methodological domains in forming a study design to be applied in the substantive domain of interest, such as in the phenomenon of INVs. The theoretical path combines elements and relations from conceptual and substantive domains to form a set of hypothesis to be tested through the methodological domain. In the second stage of this research, the articles, the

study mainly follows an *empirical path* in that it focuses on building a set of observations of INVs and explains them by interpreting them in terms of a set of meaningful concepts. That is to say, the relations and elements of the substantive domain are combined with the methodological domain and the findings achieved are then described through the conceptual domain. However, theoretical path is followed to some extent in article B, in that hypotheses are formed for the focal problem within the INV phenomenon and then tested with survey data. Even in this approach the substantive domain is predominant in that the hypotheses are driven by the INV phenomenon, not theoretical concepts.

The articles in the second stage treat a multitude of concepts as meaningful in order to provide tools for the research of IE, which is still in an early phase of theory development. Thus, whereas this research in its substantive domain and empirical path is likely to contribute to the research on INVs by offering both scope and specificity, it is not yet possible, nor is it desirable, to achieve parsimony in the concepts and relations used to describe INV as a phenomenon. Finally, the results of the articles will be integrated together in the fifth chapter, emphasizing their implications and the possible value of the contingency approach to future INV and IE research moving towards the next stage of theory development. The research process of this thesis is further clarified in Figure 2 below.

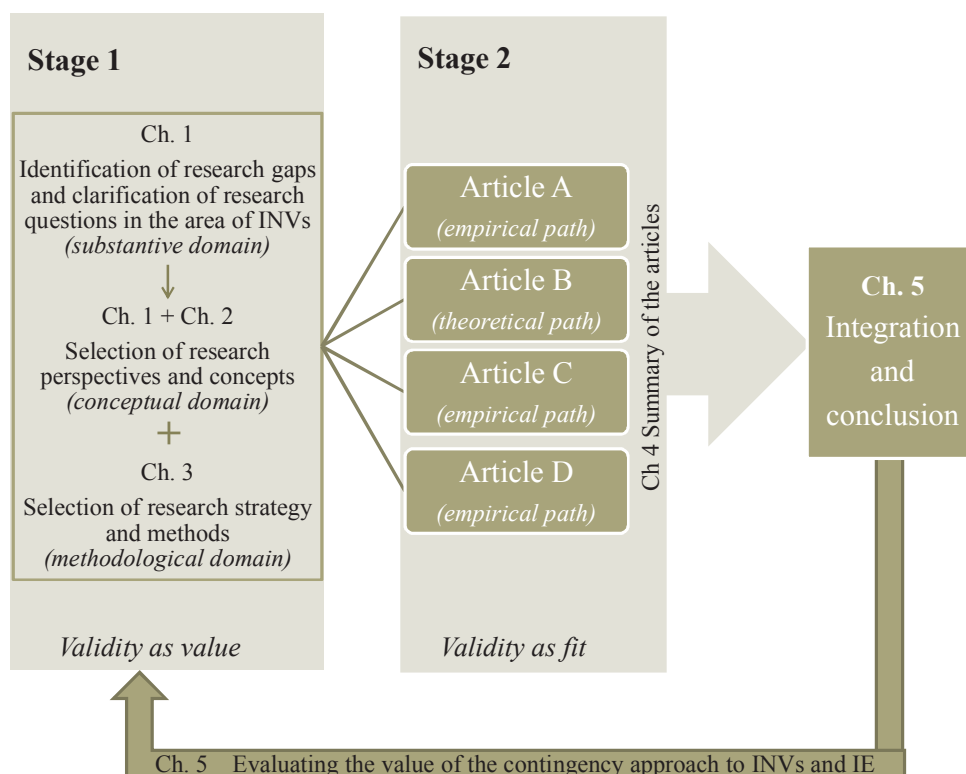


Figure 2. Research process and structure of the thesis.

The above approach by Brinberg and McGrath (1985) is the basis of evaluating the value of this research to INV research and IE theory. According to Brinberg and McGrath (1985) the validity of research has different meanings depending on which stage of the research process it is carried out in. The judgment of the validity of this thesis as a research process (as well as of the INV research in general) should be established in terms of the criteria that are appropriate for a relatively young research field and that is characterized by stage one and stage two research (see Section 5.4).

The validity of research in stage one takes the meaning of *value* or *worth*. It is evaluated by the importance and usefulness of the research. In the substantive domain such value is based on the cost/benefit aspects and feasibility of the research, such as the contribution of this INV research to society, public policy and managerial decision-making. However, specifying the features of research in the substantive domain and determining the criteria for establishing the validity of such research is challenging, as “it tends to slip away, either into methodological or into conceptual matters” (Brinberg & McGrath 1985:50). This is because the research in this domain is almost inevitably discussed through conceptualizations and field observations. Thus, the value of the research is also assessed based on the theoretical (conceptual) and methodological importance of the study. In the second stage of research, the central criterion for validity is the *fit* between how the domain of key interest is combined with the other two domains when producing empirical observations and findings. In the substantive domain, this can be understood as how the concepts and methods chosen correspond to the relations that are in focus in the phenomenon of interest. In this thesis, the fit refers, for example, to how the chosen concepts and methods match the research question on the relation between internationalization and experience in INVs.

2 THEORETICAL CONTEXT

2.1 The concept of international new ventures

The concept of international new ventures relates first and foremost to the early internationalization of firms. The first notions of early internationalization mainly referred to exceptions in international development among firms with for example high-tech, narrow niche or differentiation focus (Hedlund & Kverneland 1985; Bonaccorsi 1992). In their empirical enquiry Jolly, Alahuhta and Jeannet (1992) reported how four high-technology start-ups leapfrogged the stages that were traditionally associated with the international development of firms. The overall reduction of the time-lag from the start-up of a firm to the start of export activity was clearly evidenced among Danish SMEs in the late 1980s (Christensen 1991). However, the research on early internationalization and INVs has been conducted more intensively since the mid-1990s. The seminal work by Oviatt and McDougall in 1994 gave rise to a volume of research focusing on early internationalization of firms and finally a foundation for the IE as a research field (Zahra 2005).

As mentioned in the previous chapter, different concepts have been applied to early internationalization (see Table 2). Terms such as global start-ups (Mamis 1989; Oviatt & McDougall 1995), infant multinationals (Lindqvist 1991) and instant internationals (Litvak 1990; Preece, Miles & Baetz 1999; McAuley 1999; Fillis 2001) have been offered. Two concepts – *international new ventures* and *born globals* – were introduced in the late 1980s and beginning of 1990s respectively, and have perhaps been the most widely adopted in subsequent research (Svensson & Payan 2009). The concept of the international new venture was coined by McDougall (1989) in an article comparing these firms with domestic new ventures. The concept was further developed by Oviatt and McDougall (1994), who introduced a theory of international new ventures which differentiated four types of INVs, namely export/import start-ups, multinational traders, geographically focused start-ups and global start-ups. The distinction between these four types was based on two categories; the geographic scope of business in terms of number of countries and the degree of coordination of value chain activities across countries. International new ventures were redefined as “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt & McDougall 1994: 49). The theory then proposed four elements that were regarded as necessary for any sustainable INV: internalization of some transaction, reliance on alternative governance structures, the existence of foreign location advantage, and unique resources (Ibid).

The concept of the *born global* on the other hand was first introduced by Rennie (1993) and was widely adopted especially in the studies that viewed the phenomenon from the international marketing perspective (e.g. Moen 2002; Moen & Servais 2002; Knight, Madsen & Servais 2004). Rennie (1993:46) did not explicitly provide a definition of a born global, but described them as firms which “began exporting, on average, only two years after their foundation and achieved 76 per cent of their total sales through exports”. Some studies suggest that the term *born global* should be reserved for firms that in addition to entering international markets soon after establishment also expand globally to different continents in a rapid manner (Crick 2009; Gabrielsson *et al.* 2011; Lopez *et al.* 2009). In these studies the term *globalization* has attracted particular attention. Born globals can be seen to resemble the global start-up type of INV (as viewed in Oviatt & McDougall 2005b), but some definitional differences exist between the two as well. Although global start-ups are often regarded as firms with worldwide sales, the definition of global start-ups does not concern globalization or expansion to different continents, rather it simply refers to a firm that “coordinates many organizational activities across many countries” (Oviatt & McDougall 1995: 42).

In addition, at the definitional level, the INV definition (Oviatt & McDougall 1994) assumes that these firms are international *from inception* whereas the born global definition (Knight & Cavusgil 2005) positions them as firms that internationalize *from or near to* their founding. However, the two concepts (as well as other related concepts illustrated in Table 2) have been operationalized in a variety of ways, sometimes resembling each other more and sometimes less. For example, INVs have been operationalized in a way that allows for a time gap between inception and international activities. Furthermore, for both INVs and born globals the time gap between establishment and internationalization that has been used to capture the ‘near’ inception differs between studies. Taken together, in many previous studies, the concepts of INVs and born globals have been regarded as synonymous and the terms are often used interchangeably (Knight & Cavusgil 2005) although some differences in their nature have been pointed out (Crick 2009; Jones *et al.* 2011).

Table 2. International new venture and related concepts/terminology in selected earlier studies.

Author(s)	Concept	Definition	Main domain
McDougall (1989)	International new venture	"...start-ups that, from their inception, engage in international business, thus viewing their operating domain as international from the initial stages of the firm's operation...ventures with sales from international activities comprising greater than 5% of total sales are considered 'international' new ventures"	IE
Litvak (1990)	Instant international	NA. The study reported results of small high technology firms that "initiated their export marketing strategies during the formative stage of their companies' development"	IB
Lindqvist (1991)	Infant multinational	NA. The study focused on the internationalization of young, small technology-based firms	IB
Rennie (1993)	Born global	NA. The study reported results on small and medium sized firms that "began exporting, on average, only two years after their foundation and achieved 76 percent of their total sales through exports" were labelled born global	IB
Oviatt & McDougall (1994)	International new venture	"...a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries"	IE
Oviatt & McDougall (1995)	Global start-up	"...a type of international new venture that coordinates many organizational activities across many countries" (based on Oviatt & McDougall 1994)	IE
Knight & Cavusgil (1996)	Born global	"...small, technology-oriented companies that operate in international markets from the earliest days of their establishment"	IB, International marketing
McAuley (1999)	Entrepreneurial instant exporter / Instant international	The study focused on "firms that are 'instant internationals' as a result of rapidly becoming involved in international markets. Rapid involvement is defined as having international activities within the first year of being in business... 'instant internationals' is used to convey what happens to a firm under certain influences...."	IB

Bell, McNaughton & Young (2001)	Born-again global firm	"...firms that have been well established in their domestic markets, with apparently no great motivation to internationalise, but which have suddenly embraced rapid and dedicated internationalisation"	IB
Arenius (2002)	Early international venture	"...a firm that within six years of its founding, either demonstrates significant commitments of resources to obtaining international sales revenue, or derives a significant proportion of its sales revenue from one or multiple foreign markets"	IE, social capital theory
Dimitratos, Johnson, Slow & Young (2003)	Micromultinational (mMNE)	"...a small- and medium-sized firm that controls and manages value-added activities through constellation and investment modes in more than one country" ... "mMNEs can be different from 'international new ventures' as again they refer to two dissimilar aspects of the small firm's international activities: market servicing mode and pace of internationalisation, respectively"	IE, IB
Knight & Cavusgil (2004)	Born global	"...business organizations that, from or near their founding, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries"	IE, IB and International marketing
Rialp, Rialp & Knight (2005)	Early internationalizing firm	"...INVs [ref. to McDougall <i>et al.</i> 1994:470; Oviatt & McDougall 1994:499], global start-ups and born-global firms [ref. to Knight & Cavusgil 1996:11], which are, by definition, international at inception...we collectively refer to such businesses as 'early internationalizing firms'"	IE
Kropp, Lindsay & Shoham (2006)	International entrepreneurial business venture	"...entrepreneurial firms that exhibit growth potential and that are export oriented."... "These firms had an international focus in that 20 per cent began exporting from their inception and the remaining 80 per cent either began exporting within three years of inception or planned to export within three years of inception"	IE
Svensson & Payan (2009)	Early internationalizing firm	"Early internationalizing firms strive to optimize the interface of balance and harmony of the focal company's business operations globally and locally on operative, tactic, and strategic levels in terms of standardization versus adaptation, homogenization versus tailoring and synchronization versus flexibility in a short timeframe"	IE

Further, early internationalization has been accompanied by terms such as rapid internationalization and accelerated internationalization, both of which are concerned with the *speed* of internationalization. Ideally, these terms should not be used interchangeably although they are often related to each other and used as synonyms in many studies. While early internationalization focuses on the time lag between firm foundation and the initiation of internationalization, high speed of internationalization (rapid, accelerated) may also be identified in older firms with a sudden motive to engage in intensive internationalization after a long period of focus on the domestic market, for example in firms sometimes referred as born-again globals (Bell, McNaughton & Young 2001). In order to emphasize the age at which the firm internationalizes, Arenius (2002) for example adopted a term 'early international venture'. In a similar vein, Svensson and Payan (2009) suggest researchers abandon various labels such as INVs and born globals to use the concept of "early internationalizing firms", which they saw as more descriptive of the phenomenon.

The extant research on INVs can now be classified in different ways. Irrespective of the theoretical areas being studied, the prevailing focus in the previous studies has been on born globals and global start-up types of INVs, while other forms of INVs have received only limited attention (Jones *et al.* 2011). The areas that have gained attention among researchers are the comparisons between traditional international firms and INVs (e.g. Moen & Servais 2002; Moen 2002; Chetty & Campbell-Hunt 2004), comparisons of domestic and international new ventures and their drivers (McDougall 1989; McDougall, Oviatt & Shrader 2003), the value and the criticisms of the existing traditional internationalization theories (as well as some other international business theories) in the light of INVs (e.g. McDougall *et al.* 1994; Oviatt & McDougall 1997), network and relationship aspects to INVs (e.g. Sharma & Blomstermo 2003; Coviello 2006; Mort & Weerawardena 2006; Zhou, Wu & Luo 2007), the culture and strategic orientations (especially entrepreneurial orientation but also international, market, or learning orientation) of INVs (e.g. Kropp, Lindsay & Shoham 2006; Kuivalainen, Sundqvist & Servais 2007; Jantunen *et al.* 2008; Ruokonen & Saarenketo 2009), the identification of external and internal drivers of early internationalization (e.g. Johnson 2004; Zucchella, Palamara & Denicolai 2007; Evers 2011), the business/competitive strategies of INVs (e.g. Knight & Cavusgil 2004; 2005), the internet and INVs (e.g. Arenius, Sasi & Gabrielsson 2006; Loane 2006; Gabrielson & Gabrielsson 2011), as well as the opportunity creation, exploration and exploitation behaviour of INVs (e.g. Söderqvist 2011). The research on the opportunity concept in INVs is rather new, following and corresponding to the more recent definitions provided for IE by Zahra and George (2002), Dimitratos and

Plakoyiannaki (2003) and Oviatt and McDougall (2005 a) (see discussion in Section 2.2).

Areas that have attracted less attention in INV research are the elaboration of different types of INVs (Knight & Cavusgil 2005; Baum, Schwens & Kabst 2011), the formation process and first steps in the process of INV internationalization (Rasmussen, Madsen & Evangelista 2001; Evangelista 2005), the role of top-management team and their characteristics, such as experience, in the INVs (Freeman & Cavusgil 2007; Harveston, Kedia & Davis 2000), the role of industry characteristics in INVs (McDougall 1989; Fernhaber, McDougall & Oviatt 2007), the inward operations of INVs (Servais, Zucchella & Palamara 2006), and the marketing aspects of INVs (Knight *et al.* 2004; Ripollés & Blesa 2011) such as their adaptation/standardization strategies (Gabrielsson, Gabrielsson & Seppälä 2012). The growth and survival of INVs after their initial stages have also received minor attention (Sapienza *et al.* 2006) and empirical studies in this area are limited (e.g. Autio *et al.* 2000; Mudambi & Zahra 2007; Gabrielsson *et al.* 2008).

2.2 International entrepreneurship

This section will discuss the emergence, development and current status of the IE research field. The concept of international entrepreneurship was introduced by scholars in the 1980s. While for example Kohn (1988) used the concept in the context of foreign direct investment behaviour of small entrepreneurial firms, the earliest definition of IE was perhaps provided by McDougall in 1989. The definition was tied up with international new ventures and was:

International entrepreneurship is the development of international new ventures or start-ups that, from their inception, engage in international business. International new ventures see their operating domain as international from the inception of the firm's operation (McDougall 1989: 388).

Five years later, Wright and Ricks (1994) highlighted international entrepreneurship as an important emerging research area in international business. They associated international entrepreneurship with small business, but did not mention the firm's age or the timing of internationalization. Meanwhile, Zahra (1993) presented the idea that international entrepreneurship does not concern only smaller firms or INVs, but that these firms are only one type of international entrepreneurship. Zahra suggested a new definition, proposing that IE is:

...the study of the nature and consequences of a firm's risk-taking behaviors as it ventures into international markets (Zahra 1993: 9).

New definitions followed and IE as an emerging research field began to expand (see Table 3). Almost a decade after her first definition, McDougall revised her view of IE and joined forces with Oviatt to offer new definitions in 1997, 2000 and 2005. The definition by McDougall and Oviatt (2000) builds on the concept of entrepreneurial orientation (Miller 1983; Covin & Slevin 1989; Lumpkin & Dess 1996) and associates international entrepreneurship (and implicitly INVs too) with innovative, proactive and risk-seeking cross-border behaviour. The latest definition by the same authors (2005a) draws on the entrepreneurship aspects of Shane and Venkatraman (2000) and moves the focus from entrepreneurial orientation to behaviour towards opportunities. Thus, in line with Zahra (1993), the later definitions by Oviatt and McDougall, both focus more on the entrepreneurial qualities of firms than on the age at the point of internationalization (see Zahra 2005) and they permit a focus on corporate entrepreneurship in established firms as well.

However, the mainstream IE research did not adopt this broadened view quickly but retained its focus on IE within the context of early and rapidly internationalizing (often smaller) firms such as international new ventures, global start-ups and born globals (see e.g. the reviews by Zahra & George 2002; Keupp & Gassman 2009; Jones *et al.* 2011). As an example, although Oviatt and McDougall (2005a) provided a broad definition of IE that was not limited to certain types of actors or organizations, they still focused in that very article on INVs, on the speed of their (entrepreneurial) internationalization and on the forces which would explain the accelerated internationalization. Thus, while on the definitional level IE was expanding, at that point the research did not provide empirical applications to broaden the IE research to new arenas, such as to established corporations, but instead triggered a continuing focus on the internationalization of new and small firms.

As is evident in the label of the new field of IE, it has foremost been positioned at an intersection of the international business and entrepreneurship fields, with a stated aim of re-evaluating and integrating the ideas from both of these background fields (Dana *et al.* 1999; McDougall & Oviatt 2000; Jones *et al.* 2011). Regarding the integration of the aspects from these two fields in the definitions of IE, the early definition did not explicitly mark entrepreneurship as intrinsic to IE (McDougall 1989); the definition was more rooted in the international business domain. Zahra (1993) based the definition on the concept of risk-taking, Oviatt and McDougall (2000) on entrepreneurial orientation and Zahra and George (2002) on opportunity; these definitions were hence more centred on entrepreneurship tradition. Dimitratos and Plakoyiannaki (2003) and Oviatt and McDougall (2005a) followed this trend by also rooting their definitions in the concept of

opportunity. With the exception of the early work by McDougall (1989) the aspects from the international business field were not featured in the later definitions in any specific detail, but rather international business played the role of the mere context of behaviour. Instead, the subsequent definitions introduced many concepts that can be seen to lie at the core of not only entrepreneurship, but also marketing and strategy research. Such concepts reappearing in these fields are innovativeness, value creation, competitive advantage and growth. The concept of value creation has featured many of the IE definitions (McDougall & Oviatt 1997, 2000; Dimitratos & Plakoyiannaki 2003), whereas the concept of competitive advantage was brought to the definition by Zahra and George (2002).⁵

Table 3. Development of the definition of international entrepreneurship

Author(s)	Definition
McDougall (1989)	IE is “the development of international new ventures or start-ups that, from their inception, engage in international business. International new ventures see their operating domain as international from the inception of the firm’s operation”
Zahra (1993)	IE is “the study of the nature and consequences of a firm’s risk-taking behaviors as it ventures into international markets”
McDougall & Oviatt (1997)	IE is “new and innovative activities that have the goal of value creation and growth in business organizations across national borders”
McDougall & Oviatt (2000)	IE is “a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations”
Zahra & George (2002)	IE is “the process of creatively discovering and exploiting opportunities that lie outside a firm’s domestic markets in the pursuit of competitive advantage”
Dimitratos & Plakoyiannaki (2003)	IE is “an organization-wide process which is embedded in the organizational culture of the firm and which seeks through the exploitation of opportunities in the international marketplace to generate value”
Oviatt & McDougall (2005a)	IE is “the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services”

⁵ In chronological terms the concepts emerged in the definitions in the following order: international new ventures in 1989; risk-taking in 1993; innovativeness, value creation and growth in 1997; proactiveness in 2000; and opportunities and competitive advantage in 2002.

Closer look at the actual research done in the IE field reveals the following points. The early research in IE examined how successful the existing theories were in explaining INVs and early or accelerated internationalization, leading to criticism of the explanatory value of established theories (Knight & Cavusgil 1996; McDougall *et al.* 1994; Oviatt & McDougall 1997 to name but a few). Most of the evaluation and criticisms were targeted at international business theories, especially the Uppsala model, while the examination of established entrepreneurship theories in light of INVs and IE garnered only minor attention (Zahra 1993; Oviatt & McDougall 2005a). The article in 1994 by Oviatt and McDougall offered an alternative to those theories by combining approaches from international business, entrepreneurship and strategic management theory to form a new conceptual framework, which was later referred to as *a* theory of international new ventures (see discussion in previous section). Although the article was not explicitly labelled under international entrepreneurship, it was regarded as an unmistakable example of international entrepreneurship research (see Oviatt & McDougall 2005b) and together with McDougall (1989) it laid the foundation for the new field of IE. The strategic management theory was one of three cornerstones of the international entrepreneurship research of that time and of the INV theory then introduced (Oviatt & McDougall 1994, 2005b). Strategy literature has played a significant role in the later international entrepreneurship research as well (Zahra & George 2002).

As discussed earlier, the majority of the research in IE has been limited to INVs in terms of their context of research. Research in other contexts and areas of IE began to interest some researchers in the 2000s. Such issues that have emerged and attracted attention among researchers include the entrepreneurial opportunity aspects and behaviour in international firms other than INVs (Muzychenko 2008; Chandra, Styles & Wilkinson 2009; Ellis 2011), international entrepreneurial organization culture (Dimitratos & Plakoyiannaki 2003) and international corporate entrepreneurship, sourcing as a form of international entrepreneurship (Servais *et al.* 2006) as well as international entrepreneurship of consumers (Chandra & Coviello 2010). A more general model of entrepreneurial internationalization was provided by Jones and Coviello (2005), however, that was largely detailed using the concept of international new ventures too.

What actually comprises international entrepreneurship research today is the subject of debate among researchers. Dissenting views are illustrated for example by the reviews of IE research which seem to differ considerably in terms of how the *scope* of the field is defined. In the review by Keupp and Gassman (2009) the publications between 1994–2007 were classified as within or outside the IE domain by considering whether they corresponded to the IE definition of McDou-

gall and Oviatt (2000:903) or not, in other words, whether they related to “innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations”. This resulted in 179 articles. With only two exceptions, all of the empirical IE articles they identified (149 out of 179) focused solely on small and young firms, such as INVs. Their further conclusion was that the extant IE research focuses on the antecedents and outcomes of IE, whereas the elements of IE as such have received little attention. Their review suggests that especially analysis of the individual level factors as antecedents to INVs and of the internationalization degrees, patterns and performance outcomes have attracted most attention in IE research. The studies on firm strategy and competitive advantage are in the minority, they argue, and even more scarce are studies that examine the relations between the antecedents, strategies and outcomes and that reveal the “why” of the phenomenon.

On the other hand, Jones *et al.* (2011) provide a review of IE research, where they base the inclusion criteria on whether the publications corresponded to some of the IE definitions provided in the literature (e.g. those by McDougall & Oviatt 2000; Oviatt & McDougall 2005a) or explicitly integrated aspects from both entrepreneurship and international business. Altogether the review procedure resulted in a scope of IE which was very broad (see Figure 3). While respecting the value of this detailed and thorough review, it is perhaps not particularly helpful in clarifying and defining the boundaries of IE. It is challenging to follow the rationale behind inclusion or exclusion of specific articles. As an example, some of the articles included (such as Bell 1995) do not seem to integrate literature from entrepreneurship and international business, but are rather studies of international business alone.

According to Jones *et al.* (2011) IE research has occurred in three major categories: entrepreneurial internationalization, international comparisons of entrepreneurship and comparative entrepreneurial internationalization. However, the majority of the 323 publications they reviewed were categorized as entrepreneurial internationalization studies, in that their main thematic focus was on entrepreneurial internationalization in single country studies (68.7 per cent). Going further, studies with their primary focus on venture types and on internationalization were found to dominate IE research, with 16.7 per cent and 29.7 per cent shares respectively. Unfortunately, Jones *et al.* (2011) do not detail how many of the IE studies they reviewed actually concerned INVs (or other types of early internationalizing firms). Clearly it seems that it is not only those publications that were classified into the ‘venture type’ studies, but almost every thematic area of IE is occupied by studies of INVs (except for say the international corporate entrepreneurship theme). Indeed, as was the case with Keupp and Gassmann (2009) it

seems that the bulk of the studies reviewed by Jones *et al.* (2011) also fall into the INV category in terms of either their theoretical or empirical focus.

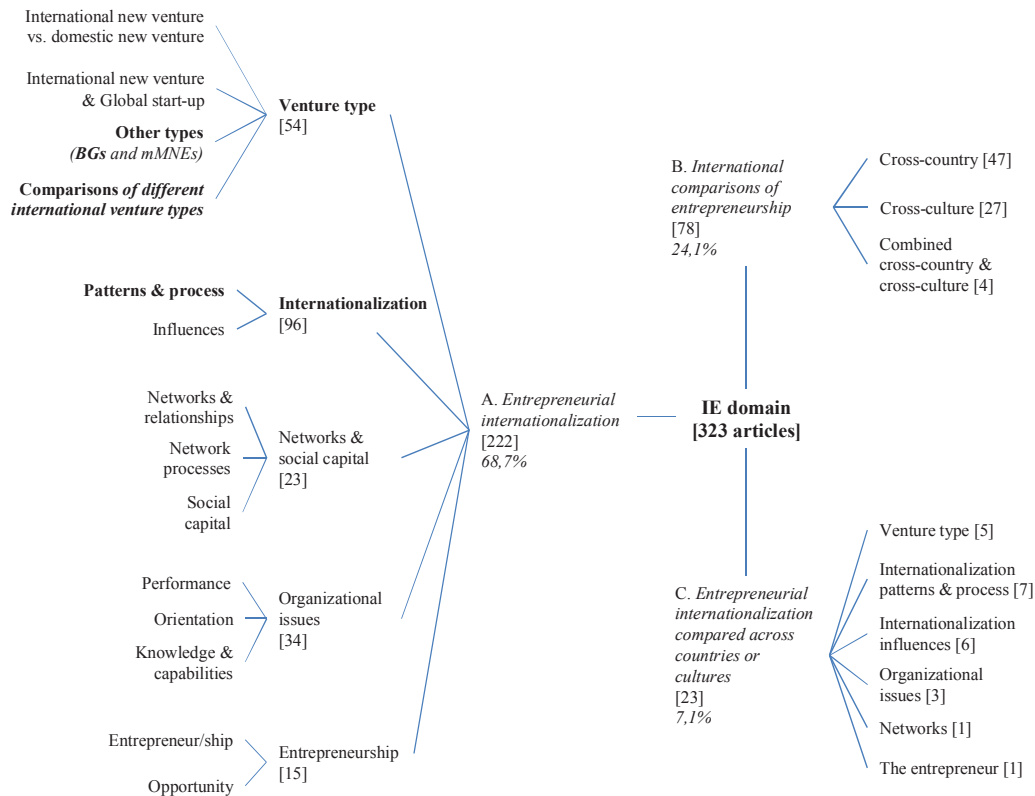


Figure 3. Thematic map of the international entrepreneurship domain 1989–2009 (Jones *et al.* 2011: 636, modified)

Returning to the focus of this study – INVs – the two preceding sections, 2.1 and 2.2, can be summarized as indicating that INV research has been predominantly viewed as belonging to the IE field, either simply because INVs are regarded as the inspiration for the emergence of this new research field in the first place or because they still prevail as a theoretical or empirical context in the studies of IE. However, in practice much of the research done on INVs has taken place in international business domain and in broader strategic management research, rather than in the field of entrepreneurship or IE (given the definitions provided for IE, see Table 3).

2.3 Theoretical perspectives and the interface approach

The following three sections outline the theoretical perspectives adopted and the conceptual choices made in the thesis and the four articles. The choices made entail using an interface approach to INVs, as the phenomenon is viewed through concepts that lie at the intersections of different research traditions, namely international business, entrepreneurship and marketing (see Figure 4). First, the examination of the concepts of international experience, proactiveness and reactiveness in relation to INVs taps into the interplay between entrepreneurship and international business fields. Then the interface between entrepreneurship and marketing is drawn upon to illuminate the strategic marketing in INVs, by examining the concept of entrepreneurial marketing. The focus in this thesis, such as the enquiry into internationalization patterns and strategic approach to marketing in the INV context, entails integrating marketing with the international business literature too. This is indicated e.g. by the use of market and operation strategies as concepts to depict the internationalization development patterns of the INVs as well as by the adoption of concept of marketing strategy adaptation as an element of entrepreneurial marketing in INVs.

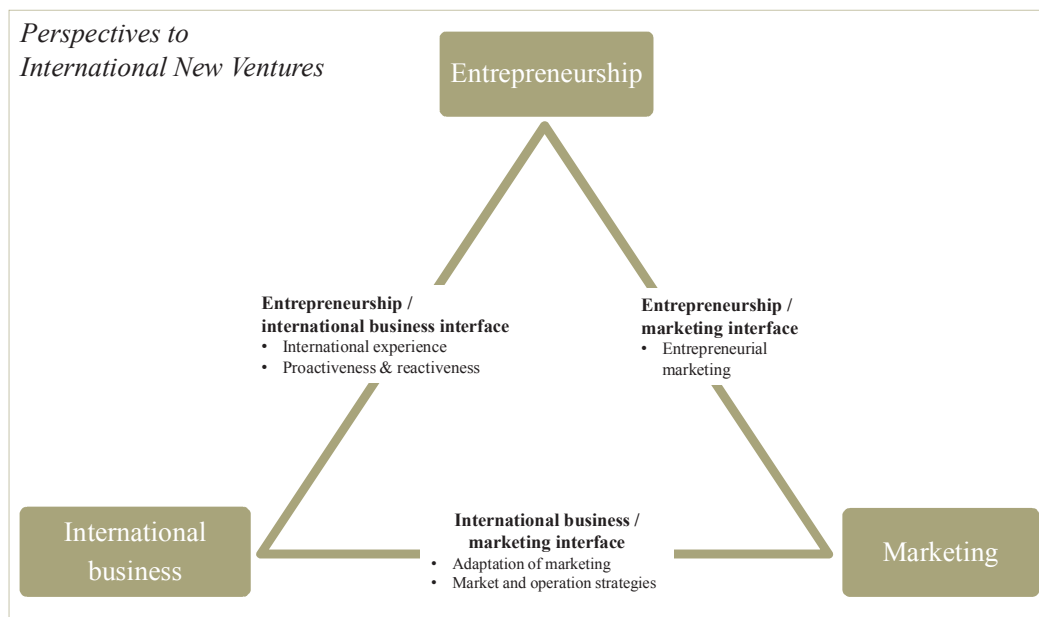


Figure 4. Perspectives and concepts at interface of entrepreneurship, international business and marketing selected under focus in the thesis

2.3.1 *International experience and the development of INVs*

This section reviews the concept of international experience in relation to INVs. There are many arguments for why the concept of international experience in INVs warrants more research. The extant research on the relationship between international experience and firm internationalization in general has reported results that are to some extent contradictory (see article B). This is especially the case in the small firm context. In the INV literature, many authors have posited that experience is an important element of INVs; however, research has not succeeded in elaborating on the concept further in these firms and there is a lack of systematic research that would test this relationship with large-scale samples. On the contrary, as will be discussed in article B, results are limited and experience has often been treated as a self-explanatory trigger for the INV phenomenon.

In particular, there is a lack of empirical research that investigates the direct and indirect relationships between international experience and early internationalization in general and that demonstrates the association of international experience with different types of INVs. These notions have led to calls for more empirical research in order to understand the role of experience in INVs (Zahra 2005). In particular, more IE research should be devoted to understanding how *entrepreneurs and their teams* relate to INVs (Jones *et al.* 2011). Furthermore, Jones *et al.* (2011: 643) conclude that “the source of experiential knowledge and the process by which it is accumulated need further exploration” and suggest Michailova and Wilson’s (2008) conceptual study as a useful starting point. That study again suggests that the internationalization frameworks discussed in INV-literature (as well as in small firm internationalization literature and the management characteristics perspective in the exporting literature) do not examine “in detail under what conditions experiential learning is more important for internationalization” (Michailova & Wilson 2008:243).

In fact, the concept of experience relates to the internationalization process theories of the firm (Blomstermo & Sharma 2003; Andersen 1993). In the literature such evolutionary theories of internationalization have been developed by for example Johanson and Wiedersheim-Paul (1975), Johanson and Vahlne (1977), Bilkey and Tesar (1977), Luostarinen (1989), Cavusgil 1980, and Reid (1981). The *Uppsala model* can be seen to represent the learning theory approach to internationalization, whereas the so called Innovation model is more rooted on the theory of innovation diffusion (Andersen 1993; Hurmerinta 2003). Particularly in the Uppsala model of firm internationalization, experience is one of the corner-

stones of the model and it has been discussed in terms of experiential learning.⁶ The Uppsala model was developed mainly by Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977). It is perhaps the most frequently cited model in the internationalization literature and has attracted most interest also in the IE research (Chetty & Campbell-Hunt 2004). The model posits that internationalization is an incremental, stepwise process, where the most important obstacles to internationalization are lack of knowledge and resources. Internationalization proceeds as the firm learns from the foreign markets and operations (Johanson & Wiedersheim-Paul 1975). The model distinguishes between two types of knowledge: market knowledge (i.e. knowledge about the specific markets) and firm knowledge (i.e. knowledge about the firm and its ability and resources to develop and manage international operations). The latter type of knowledge explains why it is difficult for a firm to speed up its internationalization, since this type of knowledge cannot be acquired by hiring managers with market knowledge (Johanson & Vahlne 2003a).

Given that the previous research has treated international experience as an implicit character of INVs, it is worth studying whether and how these firms collide with the existing, traditional internationalization theories. Several researchers have presented critiques of traditional theories of internationalization especially because of the emergence of INVs and the accelerated internationalization of firms (for example Anderson 1993; Knight & Cavusgil 1996; McDougall *et al.* 1994; Chetty & Campbell-Hunt 2004; Moen & Servais 2002). However, in its criticism of the evolutionary view of firm internationalization, the INV literature has mostly compared and contrasted the early internationalizing firms with the Uppsala model (Chetty & Campbell-Hunt 2004). Some empirical studies such as that of Jolly *et al.* (1992:78) explicitly evidence firms that evolve in ways that defy the premise of the staged development models. Moen and Servais (2002) investigated the gradual development of international activity among early and late internationalizing firms from Denmark, France and Norway and concluded that the results were inconsistent with the premises of the Uppsala model. However, the differences between firms concerning the market expansion and distribu-

⁶ The traditional internationalization models of Bilkey and Tesar (1977), Cavusgil (1980), Czinkota (1982) and Reid (1981) have commonly in the literature been labelled the Innovation model, whereas Luostarinen's (1989) model has been referred to as the POM-model. Neither the Innovation nor POM model builds on the concept of experience in such a comprehensive and fundamental manner as the Uppsala model. Therefore, the discussion in this thesis is focused especially on the Uppsala model. Later on, Johanson and his co-authors introduced another approach, namely the network model, to internationalization (see e.g. Johanson & Mattson 1998). However, for the reasons above, the network approach is not discussed in relation to experience here. It is discussed in relation to proactiveness and reactiveness instead.

tion channel patterns were mixed⁷. Furthermore, the international experience was not included in the examination – an issue which would have allowed a more rigorous examination. In fact, based on earlier literature and case studies, Madsen & Servais (1997) point out that the basic assumptions of the Uppsala model may hold for INVs, but conclude that

...the founder characteristics [prior experience] and market conditions are different which is the reason why the manifestation of the internationalization processes of Born Globals must be deviating from the 'rings in the water' model found to be a valid description of internationalization processes of firms in many empirical studies (Madsen & Servais 1997: 570).

In addition, Chetty and Campbell-Hunt (2004) find some evidence that INVs do not contrast with every aspect of the Uppsala model. Zhou (2007) posits that instead of incremental accumulation of experience, the market knowledge in INVs is acquired through entrepreneurial orientation, especially through pursuit of entrepreneurial opportunities across national borders.

From these bases, it seems that to enhance the knowledge of the role of international experience in INVs and to understand the contradictory views on the explanatory power of traditional internationalization theories in INVs, requires more profound and systematic research on the individual and organizational level international experience of these firms.

2.3.2 *Proactiveness and reactiveness and the development of INVs*

This section discusses the concepts of proactiveness and reactiveness in relation to INVs. Proactiveness has been discussed in the INV and IE research and often as an integral part of the entrepreneurial orientation concept which has been at the core of much INV and IE research. As an example, Oviatt and McDougall (2000) build on the concept of proactiveness in their definition of international entrepreneurship. It has been suggested that proactiveness distinguishes early internationalizing ventures from other types of international firms, although empirical evidence is limited (Moen & Servais 2002). At the same time, the concept of reactiveness has received less attention in INV and IE research discussions. In this thesis, it is argued that the further examination of the concepts of proactiveness

⁷ In Norway, as compared to late internationalizing firms, early internationalization was associated with a higher number of export markets as well as greater psychic and geographic distance of the markets entered. This relationship was not found in Denmark and France. In all three countries, there were no differences in the distribution channels used by the early or late internationalizing firms. (Moen & Servais 2002)

and reactivity might contribute to the understanding of the INV phenomenon. It is important to understand the possible contingent role of proactiveness and reactivity in INVs and to explicate under which conditions the proactiveness and reactivity are characteristic of INVs. Indeed, it is suggested that significant insights are likely when proactiveness and reactivity are not treated simply as a dichotomous process.

On a theoretical level, the examination of the two concepts is likely to contribute to the greater integration of entrepreneurship and international business aspects in describing INVs and thereby to IE theory. Such an approach might benefit from drawing on the strategy literature, where the two concepts have been discussed together, as the strategic approach that incorporates both proactive and reactive elements was defined in the early strategy literature as planning (Mintzberg 1973). Instead, entrepreneurial strategy was seen as merely proactive, whereas reactivity was associated with adaptive strategic behaviour (Mintzberg 1973). In the entrepreneurship and international business literature the two concepts have been discussed as parts of other concepts. In the entrepreneurship research, proactiveness has mostly been seen as an element in the entrepreneurial strategic orientation/posture underlying firm behaviour (Miller 1983; Covin & Slevin 1989; Lumpkin & Dess 1996) and the concept has its foundations in the strategy literature (e.g. Mintzberg 1973; Miller & Friesen 1978; Venkatraman 1989a). In entrepreneurship literature, reactivity has been discussed mainly as non-entrepreneurial behaviour. However, in the internationalization literature the proactiveness and reactivity are discussed less and mainly implicitly, using the terms that relate to the topic. Reactivity has implicitly featured the internationalization models especially in explaining the first steps of internationalization (by emphasis on filling unsolicited orders or reluctant adjustment to changing conditions, for example) (Bilkey & Tesar 1977; Johanson & Vahlne 1977).

Taking a more multifaceted view, the marketing literature has recently discussed reactivity and proactiveness as two elements of the market orientation construct. Whereas market orientation has traditionally been associated with responsiveness to market needs and competitor moves (e.g. Narver & Slater 1990), in more recent literature the other side of the construct has been discussed, as some firms have been found to show proactive market orientation towards latent needs of customers (Narver, Slater & MacLachlan 2004; Atuahene-Gima, Slater & Olson 2005). A highly market-oriented firm has been suggested to have the capability to focus on both existing and future market needs, implying that this strategic approach ultimately involves both proactive and reactive features (Ketchen, Hult & Slater 2007). On the other hand, some studies suggest that proactive and reactive market orientation play a contingent role in firm performance, depending on

its fit with for example the structural characteristics of the organization (Olson, Slater & Hult 2005). In the extant INV research, understanding of the conditional role of proactiveness and reactiveness in strategic approaches and behaviour of INVs as well as of their development and performance is limited despite the importance of the topic.

2.3.3 *Entrepreneurial (strategic) marketing and the development of INVs*

This section discusses the concept of entrepreneurial marketing as an alternative strategic approach for marketing in INVs. So far the marketing strategies of INVs have received less attention among researchers and the accumulation of knowledge in this respect is still at an early stage (see e.g. Keupp & Gassmann 2009; Rialp *et al.* 2005; Styles & Seymour 2006; Jones *et al.* 2011). Still, marketing capabilities are likely to be crucial in understanding the development of INVs (Ripollés & Blesa 2011).

Entrepreneurial marketing is positioned at the intersection of entrepreneurship and marketing research traditions and it has emerged from the notion, that the prevailing marketing theories are not adequate to explain small, young or entrepreneurial firms. It is an approach for strategic marketing under conditions such as environmental turbulence, complexity and limited resources (Collinson & Shaw 2001; Hills, Hultman & Miles 2008; Moffit & Chiagouris 2008; Morris *et al.* 2002). It might be especially insightful to explore the entrepreneurial marketing strategies in INVs as these conditions are likely to apply, given that INVs often face extremely complex international business environments while still very young. Convergences notwithstanding, INV studies that draw on the interface between entrepreneurship and marketing and that adopt the entrepreneurial marketing approach as their theoretical background are scarce (Fillis 2007; for two exceptions, see Kocak & Abimbola 2009; Mort, Weerawardena & Liesch 2012). On the contrary, studies discussing marketing in INVs have tended to limit their theoretical approaches to integrating marketing and international business and so rather replicate international marketing research in an INV context.

Some authors suggest that entrepreneurial marketing is fostered by a culture of a firm that integrates entrepreneurial orientation with market orientation (Morris *et al.* 2002). The key areas of interface between entrepreneurship and marketing are change (Carson *et al.* 1995), an opportunistic nature, and innovativeness in the management approach (Collinson & Shaw 2001). Small wonder then that entrepreneurial marketing has many features that overlap with IE. The core concepts defining IE have been value creation and entrepreneurial orientation (Oviatt & McDougall 2000). Entrepreneurial marketing integrates these two aspects in that

the focal point of entrepreneurial marketing is *innovative value creation* (Morris *et al.* 2002).

However, integrating the concept of entrepreneurial marketing into the study of INVs implies that the international nature of the context has to be acknowledged. Perhaps one of the most worthy aspects to consider is the adaptation of marketing strategies to individual countries or customers (Cavusgil *et al.* 1993). INVs that face the liability of newness and foreignness need to be capable of innovating but also adapting to the international markets. The international marketing research has featured an ongoing interest in this topic since the late 1960s (Buzzell 1968; Jain 1989; Theodosiou & Leonidou 2003; Ryans, Griffith & White 2003). However, adaptation and standardization aspects have received surprisingly little attention in the IE and INV context (Madsen & Servais 1997; Gabrielsson *et al.* 2012). Research on adaptation also responds to the call by researchers to take into account the globalization and localization aspects of the INV phenomenon (Svensson and Payen 2009). Thus, the focal dimensions of entrepreneurial marketing in an INV context might be those related to innovativeness and adaptation in the creation of value.

Concerning the first dimension, while the INV phenomenon has often been associated with innovativeness, reasoning on the relation between the two is often anecdotal. The previous research has not contemplated the possible risks or the contingent role of innovativeness in INVs. It is also unclear, what are the different ways in which INVs are innovative and how those ways relate to the international development of INVs – or how the innovativeness changes during this development. Indeed, often the innovativeness in INVs has been studied as an element of firm culture (Dimitratos & Plakoyiannaki 2003) and under the concept of entrepreneurial orientation (Knight & Cavusgil 2004; Kropp *et al.* 2006; Zhou 2007). This has led into focus and emphasis on management vision and approach on the one hand and on new products and technological leadership on the other (following e.g. Covin & Slevin 1989; Lumpkin & Dess 1996) as sources of innovativeness, without a more profound integration of the marketing literature and its concepts to entrepreneurship and innovativeness. Only a few INV studies have discussed innovativeness at the marketing strategy level (Hughes *et al.* 2010; Kim *et al.* 2011; Kocak & Abimbola 2009). Even this discussion is focused more on products and technologies, which becomes particularly evident in their empirical enquiries (see also Chetty & Stangl 2010; Gassmann & Keupp 2007). As has been stressed by O'Dwyer, Gilmore and Carson (2009: 46), marketing innovativeness “does not just relate to products, new product development, and technological development but is also evident in other aspects of marketing related activities and decisions...” The marketing strategy as a whole and its different elements

(e.g. pricing, channel management, customer relationships, and value co-creation) represent potential core arenas to innovate and deserve a research focus of their own in the INV context.

In relation to the second dimension, adaptation, the results of the limited number of studies are somewhat contradictory. Some studies suggest that INVs need to make clear-cut decisions regarding whether they are to follow a highly standardized marketing strategy or a highly adapted, custom-made one (Madsen & Servais 1997). Other studies point out the importance of capitalizing on homogeneous offerings and standardized platforms (Gassmann & Keupp 2007; Laanti *et al.* 2007). The studies are also limited to special high-technology sectors, such as ICT and biotechnology (Ibid). Thus, further research on entrepreneurial marketing, especially in terms of innovativeness and adaptation, is needed to increase the understanding of the INV phenomenon and to unveil the circumstances under which innovativeness and adaptation are the more characteristic or preferable in INVs.

2.4 Summary

To examine the premises in INV research, this study explores the variety (as opposed to the consistency), dynamism (as opposed to stability) and contextuality (as opposed to generality) in the development of INVs by focusing on the selected perspectives discussed above. Such an examination is close to the contingency or co-alignment approaches that have been discussed in the organization research since the 1970s (e.g. Hellriegel & Slocum 1974; Tosi & Hammer 1974; Tosi 1990). The contingency approach posits a match between a certain set of theoretical dimensions as being critical to their understanding, assuming for example that the nature and development of organizations is likely to be situation-specific or contingent on the contextual factors. The term contingency is associated with terms such as co-alignment, congruency, fit, match, reconciling, and consistency and it has been studied from both descriptive and normative standpoints (Venkatraman 1990). There is a stream of literature focusing on the strategic fit (Venkatraman 1989b), either in terms of the fit between strategy and external environment or the fit between strategy and firm resources. In international business literature, the contingency approach and the concept of strategic fit in particular have been discussed in relation to standardization strategies (e.g. Katsikeas, Samiee & Theodosiou 2006; Schilke, Reiman & Thomas 2009).

The contingency relationships between entrepreneurship and international business have attracted some attention, focusing for example on the role of strategic

fit between entrepreneurial orientation, the export channel structure and the environment in the export performance of firms (Yeoh & Jeong 1995). However, the contingency perspective has rarely been explicitly adopted in INV and IE studies (see field reviews by e.g. Keupp & Gassmann 2009; Jones *et al.* 2011). McDougall and Oviatt (1996) refer to the contingency approach in their early study of new venture internationalization from a strategic and performance perspective, but in later studies the contingency view is mainly acknowledged implicitly, without integrating the contingency literature into the theoretical frameworks.

The literature review by Keupp and Gassmann (2009) suggests that in the 179 IE articles, the contingency approach has been used only twice as a theoretical framework in the studies in this field. Among the few examples of the studies in the IE field which discuss the idea of contingency are those by Dimitratos, Lioukas and Carter (2004), Ibeh (2003), Kiss and Danis (2008) and Al-Laham and Souitaris (2008). Dimitratos *et al.* (2004) study the moderating effects of the domestic and foreign environment on the relation between entrepreneurship and international performance of Greek firms, not specifically of INVs. Their findings highlight how the uncertainty of the domestic environment in particular positively moderates foreign sales performance of entrepreneurially oriented firms. Ibeh (2003) integrates aspects from the entrepreneurship, exporting and contingency approaches to understand the export venture creation among Nigerian small firms, and the results suggest that entrepreneurial orientation is an appropriate strategic posture for small firms when they operate in a hostile environment. The two latter studies focus on the contingent role of network relationships in INVs. In investigating the role of social networks, Kiss and Danis (2008) find that the role of weak versus strong ties in speeding up the new venture internationalization depends on the country's level of institutional development. In the study by Al-Laham and Souitaris (2008), the contingent role of local and national networks in the propensity of new ventures to internationalize by forming research alliances was explored. The results suggest that national cooperation before entering international research alliances is beneficial to INVs, whereas the role of local clusters depends on the characteristics of that cluster.

In this study, the perspectives and concepts focused on in the articles are intended to contribute to the understanding of INVs in different circumstances and to examine the contingent role of strategic approaches and international experience in INVs. In general, when compared to more universal approaches, the contingency approach has been shown to be especially valuable in examining the complex relationships and situation-specific development of new ventures, such as the effects of entry barriers to the performance of new ventures (Robinson & McDougall 2001). This type of approach allows for a more multifaceted depiction of a

phenomenon and for researchers to elaborate on the intervening variables such as industry nature, firm growth phase or strategy in the enquiry. In this study the contingency approach is potentially useful in examining the relationship between for example international experience and INV development, proactiveness and INV development, and innovativeness and INV performance. An illustration of the theoretical approach and conceptual choices of the thesis is presented in Figure 5.

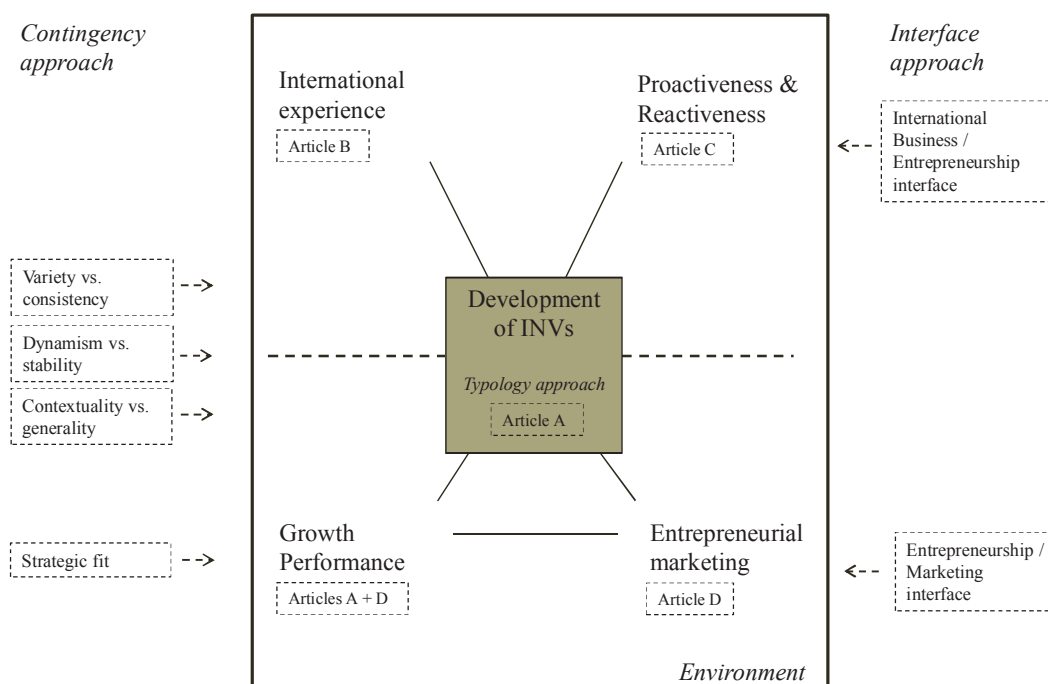


Figure 5. An illustration of the theoretical approach and conceptual choices in the articles of the thesis

3 METHODOLOGY

The methodology applied in this thesis and the choices underlying it can be presented in different ways. However, it is perhaps most relevant to discuss the methodologies in terms of how they are selected and used to answer the research questions of the thesis. The articles that comprise the core content of this thesis already involve a discussion of the methodological choices and their justification in the respective study. They also describe the data collection and analysis methods as well as the empirical data set under inquiry. Thus, in order to avoid duplicating the content in the articles, this chapter focuses on the methodology of the thesis as a whole.

Consequently, the emphasis in this chapter is first laid on the scientific philosophical orientation of the thesis. Then the discussion moves forward to describe the methodologies used and the justification of such methodologies in the light of the overall research questions of this thesis. This is followed by the description of the data collection and analysis methods.

3.1 Scientific philosophical orientation

Scientific philosophical orientation refers to ontological, epistemological, methodological and axiological beliefs held by the researcher. Ontology depicts the researcher's view of the nature of reality; their conception of the world and of how it operates. Epistemology then is about the relationship between the enquirer and the nature of knowledge; about the researcher's view regarding what constitutes acceptable knowledge (e.g. observable phenomena, subjective meanings, facts or created findings). Axiology refers to the researcher's orientation towards the role of values in research (e.g. is research to be value-free, value-laden or value-bound). The two particularly important aspects of ontology (and thereby of epistemology) are subjectivism and objectivism. While subjectivism assumes that social phenomena are created (*constructed*) from the perceptions and actions of social actors, objectivism posits that social entities exist in a reality external to and independent of social actors. The ontological viewpoint is traditionally seen to define the methodological stance of a research; however, the methodology may also be independent of the researcher's own ontology. (Saunders *et al.* 2009: 110–119; Guba & Lincoln 1998).

In the scientific research, different approaches may be identified on the basis of differing worldviews or sets of basic beliefs (Guba & Lincoln 1998), i.e. on the basis of different assumptions on ontology, epistemology and methodology.

However, there is no consensus on the issue. Several authors have distinguished the scientific approaches using different philosophical assumptions and provided classifications that vary considerably, each classification depending on the point of view taken (see also the contradictory use of the concepts of philosophical approach and paradigm). As an example, Burrell and Morgan (1979) distinguish between four paradigms in organizational research: the functionalist, interpretive, radical humanist and radical structuralist paradigms. Guba and Lincoln (1998) identified the following competing paradigms in (especially qualitative) social science research: positivism, post-positivism, critical theory (post structuralism, post modernism and a blend of the two), and constructivism. In business and management research, Saunders *et al.* (2009: 108) isolate four philosophical orientations, namely positivism, realism, interpretivism and pragmatism.

Ideally, the philosophical orientation that a researcher adopts guides their methodological choices. Some authors associate the positivist paradigm with that research that aims to explain and the constructivist (or interpretivist) paradigm with research aiming for understanding (Guba & Lincoln 1998). Traditionally, the positivist view has been associated more with quantitative methods and critical theory and constructivism more with qualitative methods. In practice, a particular research question seldom falls into only one philosophical domain (Saunders *et al.* 2009) and it is likely that the researcher may re-evaluate and redefine the basic beliefs held during the research process. As discussed by Patton (2002), the paradigms are in a sense normative and can therefore even be regarded as restricting. In this study the purpose is to describe and understand a phenomenon as well as to explain the relationships underlying it. In so doing, it is argued that the study benefits from not restricting itself to a solely objective, positivist or purely subjective, constructivist orientation but instead allows the research questions to guide the methodological choices. This comes close to a pragmatic philosophical thinking (Patton 2002: 69–73; Hurmerinta-Peltomäki & Nummela 2004).

Yet, considering the overall thesis process, it was not the case that I first acquainted myself with the different scientific philosophical orientations and then contemplated which one to rely on when embarking on the research. This might be considered as a hindrance, but at the same time it allowed me to keep an open mind in preparing the research proposal (Patton 2002: 69). However, I soon realized that the line of thinking that perhaps most inspires and guides this research reflects the reality-oriented view (Ibid), especially critical realism and post-positivist thinking. There are many views on what critical realism is (see e.g. Reed 2005; Easton 2010). It refers to the ontological view, which is strongly based on the ideas of Roy Bhaskar (see Saunders *et al.* 2009: 114–119). It is seen here as a form of realism, where the ontological foundation posits that there exists

a reality as it is seen and experienced but it can only be accessed imperfectly and with an incomplete objectivity – due to the fundamentally intractable nature of the phenomena. The knowledge of reality is based on social conditioning, our understanding of social structures. The focus is on explaining a phenomenon in a context and recognizing the importance of multiple levels in any examination of relationships (Saunders *et al.* 2009: 114–119).

Critical realism is also the ontology generally seen as underlying the post-positivist paradigm (Guba & Lincoln 1998; Järvensivu & Törnroos 2010), although not all are keen to associate these two with each other (Reed 2005; Easton 2010). Post-positivism is one of the modifications of positivism (other such modifications include logical positivism and logical empiricism). The ontology of positivism is based on naive realism; there exists a real reality that is apprehensible (Guba & Lincoln 1998). In its clear form positivism implies a deductive approach and the search for ‘truth’ through the verification of hypotheses through empirical observation. The empirical research is usually approached with a theoretical pre-understanding and mainly quantitative methods. Critical realism as well as post-positivism emerged from critiques of positivism (Patton 2002: 92; Reed 2005). Lincoln & Guba (1985: 29) first regarded post-positivism as a wide research trend the very assumptions of which were basically the reverse of those of positivism. They labelled the research era ‘post’ positivism as the naturalistic paradigm. Later the same scholars described it as a more limited paradigm and the one that, despite differences, still shared more tenets with positivism than for example constructivism and critical theory (Guba & Lincoln 1998). They describe how, in line with critical realism, post-positivism is seen to adopt an approach to knowledge where a hypothesis that cannot be falsified may be accepted as indicating probable truth. The post-positivist approach also implies recognition of abductive research, an increased use of qualitative methods and new knowledge that is not theory driven but emerging from the empirical world (Ibid). It shifts the emphasis from the controlled to the natural (e.g. the situational or context-bound) research setting (Ibid; Lincoln & Guba 1985: 37).

This line of thought responds to the need of IE research to reconcile positivist thinking with alternative realist and interpretive insights (Coviello & Jones 2004) and can be identified with contingency approach too. Indeed, the aspects of critical realism as well as post-positivism have been important for the present study, which is phenomenon-based and seeks to understand and explain the contingent – situational and contextual – aspects of the phenomenon through integrating theory from many fields and by using both qualitative and quantitative methods in order to address the complexities of the phenomenon as comprehensively as possible. Post-positivism in this thesis is taken to mean that although absolute objectivity

and value-free knowledge is impossible to achieve, it is still possible, and worth striving for, to distinguish between more and less plausible claims and between belief and valid belief, and to discuss the influences of biases and values in research (Patton 2002: 92).

Induction – Deduction – Abduction. The two basic approaches available to research are deduction and induction. These approaches differ from each other in terms of how theory and empirical observations are linked to each other and which is the predominant driver in research. While studies that focus on testing theory-driven hypotheses follow a deductive approach, those that start with the empirical observations and then proceed to form theoretical assumptions are inductive in nature. However, rather than leaning on either one of these, some scholars point out that no research can be described as purely deductive or inductive and that in practice it is more beneficial to combine the two approaches. (Saunders *et al.* 2009: 124–128). The idea of abduction is discussed by for example by Dubois and Gadde (2002). It can be seen to lie in the middle ground between deduction and induction and involves going back and forth between theory and empirical observations. The type of approach is also consistent with the philosophical orientation of this study. Thus, in line with the critical realism and postpositivism, the research process of this thesis as a whole can be described as abductive and as one aiming at theory generating and testing (Järvensivu & Törnroos 2010).

However, as Figure 6 illustrates, any research can be abductive in different ways. The emphasis on abduction, induction and deduction is likely to vary during the research process (Järvensivu & Törnroos 2010) and the current body of research is no exception. As an example, article B with its quantitative approach, consists more of deductive elements than the two articles that are based on a case study approach and lean more towards an abductive and partly also inductive approach (see Table 4 in Section 3.5). The enquiry into some of the concepts – such as internationalization (degree, scope and speed) and international experience – was considered to suit an approach from a more deductive orientation also in the case studies. There are different ways of theorizing from case studies. As this study relies on critical realism and post-positivism in terms of its scientific-philosophical premises, the theory development largely follows ways that could be described as *natural experiments* and *contextualized explanation* (Welch *et al.* 2011). This means that rather than aiming to build theory purely on the basis of induction as posited by Eisenhardt (1989), this thesis builds theory through abduction and more closely follows the theory development logic presented by reality-oriented researchers such as Yin (2003).

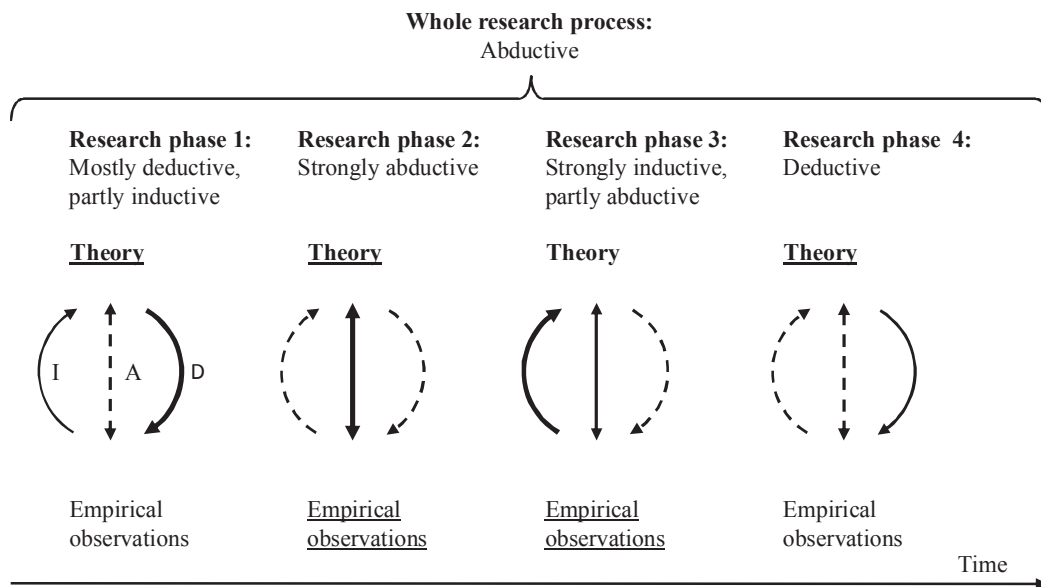


Figure 6. An abductive research process as a mix of inductive, abductive, and deductive sub-processes (illustrative example, different phases may apply to different studies) (Järvensivu & Törnroos 2010: 103)

3.2 Methodological approaches

Nummela and Welch (2006) emphasize that the core fields underlying IE, that is to say international business and entrepreneurship research, have both been overloaded with quantitative studies. According to Coviello and Jones (2004), the research methodologies in the field of IE should aim for more dynamic research designs and integrating positivist with interpretative approaches in methodological choices. It has also been suggested that the research on INVs should adopt a multiple-method approach rather than concentrate on any single method of data collection and analysis, and the advantage of using a combination of qualitative and quantitative-oriented research should be applied more efficiently to detect the INV phenomenon (Rialp *et al.* 2005). The scientific philosophical orientation underlying the present study implies an approach that moves in this integrative direction. Indeed, when considering this thesis as a whole, it would not have been possible to generate a holistic understanding of INVs as a research phenomenon if a single methodology and empirical data set had been chosen. If only a quantitative method was chosen, it would have failed to achieve understanding and depth of analysis and produced in knowledge of the phenomenon limited by being too superficial or standardized. This would not have served the needs of early stage research. If it had selected only a qualitative method and one case firm for example, the research would have faced the problem of being too anecdotal, given that

the aim is to develop theory. The research would have missed out the opportunity to develop theory through comparison and replication. Indeed, several scholars point out how it is beneficial to use a mix of qualitative and quantitative methods and different datasets to study a phenomenon and how this increases the across-method triangulation of research.

Consequently, this study adopts and integrates qualitative and quantitative methodological paradigms. The different articles approach the research problem with the methodology most beneficial and appropriate for the specific focus area and research question. The thesis involves three empirical studies. Overall, if the thesis is regarded as one study, it follows that this study adopts a mixed method approach. However, two of the empirical articles (A & D) adopt a case study approach, which implies that the methods used to collect and analyse data are mainly qualitative although quantitative components can also be identified. A combination of a survey and case study approach is adopted in article B, using both quantitative and qualitative methods. A short description of what is meant by these different methodological approaches is presented next.

3.2.1 *Case study approach*

A case study approach is usually seen as appropriate when the aim is to develop or extend theory in a situation where the context (the surrounding conditions) plays a crucial role in understanding a phenomenon (Eisenhardt 1989; Stake 1995). A case study approach can also be regarded as

...particularly well-suited to new research areas or research areas for which existing theory seems inadequate. This type of work is highly complementary to incremental theory building from normal science research. The former is useful in early stages of research on a topic or when a fresh perspective is needed, while the latter is useful in later stages of knowledge (Eisenhardt 1989: 548–549).

A case study is especially useful when the focus is on ‘how’ and ‘why’ questions and on understanding the cases in their unique contexts, in the settings where they take place (Yin 2003, Stake 1995). The case study approach allows the study of complex and changing phenomena. In such a situation, a case study is likely to outperform survey or other quantitative methodologies. When the mechanisms of development and causation are unknown, complicated or multidimensional, they are difficult to reveal with a quantitative, survey-type of study.

As such, a case can be many things, such as an individual, an organization, a programme, a process, or an event. A researcher can conduct a case study solely to

understand a particular case that they have an intrinsic interest in, or a case/cases can be studied as instruments to assist understanding something else (Stake 1995). In this latter case, the researcher uses the case to study a more common phenomenon, to understand particular concepts or to develop theory. Such an approach is taken in this thesis. There are different strategies available to pursue this type of case research, such as doing a single or multiple case study and a holistic or embedded case study (Yin 2003). The multiple case study approach draws particularly on theoretical case selection procedure that enables both literal and theoretical replication of the issue being focused on, such as the relationships between two concepts. These are core sources of strengthening the development of the concepts and theoretical propositions (Eisenhardt & Graebner 2007; Yin 2003). Both single- and multiple case studies can be holistic or embedded, meaning the case is studied without specifying a unit of analysis (holistically) or by defining one or more units of analysis in a single case or in each case of a multiple-case study (embedded).

More specifically, a case study approach is not restricted to any data collection or analysis method, but can rather be seen as a research strategy. The data collected for case studies as well as the methods used for analysing such data can be both qualitative and quantitative, although a case study is perhaps more often associated with qualitative methods. As will be discussed later in Section 3.3, this study adopts a multiple case study approach that comprises both qualitative and quantitative elements. Whereas case study 2 is more qualitative in terms of both case data collection and analysis, case study 1 draws more clearly on both qualitative and quantitative techniques.

3.2.2 *Survey approach*

Survey is essentially a quantitative method involving large samples and statistical analysis. It is especially useful for capturing cause-effect relationships between independent, dependent and extraneous variables (Ghauri & Grønhaug 2010: 118–125). Usually the more descriptive types of questions (what, how much, how many, who and where) are investigated through surveys and whereas case studies pursue analytic generalization, the quantitative survey aims for statistical generalization from the sample to a larger population (Saunders *et al.* 2009; Yin 2003).

A questionnaire – either self- or researcher-administered – is usually used in surveys, although other data collection techniques (such as structured observation) are available as well (Saunders *et al.* 2009). To prepare survey questionnaire requires a researcher to develop measurement scales which operationalize the concepts in focus. This involves making a review of extant literature in order to find

and utilize pre-tested scales. In fact, surveys are usually regarded as effective in situations when research on and knowledge of the topic already exists, which can then be utilized in the questionnaire. Given these conditions, a survey is usually deductive in nature. In this study, the survey and case study methodology are applied in combination to address research question (ii) about international experience in INVs (article B). The rationale for this choice is presented in Section 3.3.

3.2.3 *The mixed method approach*

A mixed method approach can be defined in different ways, but in general it can be regarded as some combination of different research strategies and/or methods. Following Creswell *et al.* (2003: 212), Hurmerinta-Peltomäki and Nummela (2006: 441) defined a mixed method study as

...one that combines qualitative data collection and/or analysis with quantitative data collection and/or analysis in a single study. The data may be collected concurrently or sequentially and combined at one or more stages in the research process (Hurmerinta-Peltomäki & Nummela 2006: 441).

It has been argued that the use of mixed methods provides benefits over a single method approach. Whereas qualitative and quantitative methods are each more compatible for answering certain types of questions, mixed methods enable the researcher to simultaneously address both “confirmatory and exploratory questions, and therefore verify and generate theory in the same study” (Teddlie & Tashakkori 2003: 15). This is perhaps a rather idealistic view of the capacity of the mixed method approach. However, using a mix of data collection and/or analysis methods is likely to increase validity through triangulation and to give a deeper, broader and more illustrative description of a phenomenon (Hurmerinta-Peltomäki & Nummela 2006). Such an approach does not come without challenges – the use of mixed methods implies a need for more resources and skills to use and integrate both qualitative and quantitative data collection and analysis methods.

There are several alternatives and different types of approaches to using multiple methods in a study (see e.g. Tashakkori & Teddlie 2003; Creswell 2003: 208–226). In this thesis, the combinations of quantitative and qualitative methods take different forms in the articles as will be described later in Sections 3.3 and 3.4. Mixed methods approach has often been associated with pragmatism (Patton 2002: 69). However, in this thesis it is assumed that mixed method approach might be adopted while still leaning on a specific, single scientific philosophical orientation. Hence, in this thesis the (critical) reality-oriented view has influenced and guided the mixed method approach and research endeavours undertaken.

3.3 Methodological justification

As reflected in the discussion above, the determination of research strategy, especially the methodological approach is based on different aspects. The two points of departure are the scientific philosophical orientation of the research and the nature of the research question itself. In addition, consideration should be given to the degree of control that the research has over events or issues to be investigated and the focus of the study on contemporary as opposed to historical phenomena. Especially when comparing the case study approach and quantitative survey method, the former is often justified when the objective is to answer ‘how’ or ‘why’ –questions, whereas a survey can reveal the ‘what’ and ‘how much’ aspects of relationships between different concepts. However, Yin (2003) argues that both survey and case study approaches are useful when researchers want to study contemporary events or phenomena over which they have little or no control.

Turning to this study, each research question in the thesis has been given special attention in one of the four articles and is thus primarily addressed with the methodology used in that specific article (see Table 1 in Section 1.2). As illustrated in Figure 7, none of the research questions were addressed by a survey method as a single approach. This decision was made, because the phenomenon under focus was rather emergent and, except for the individual concepts borrowed from other fields (such as entrepreneurship and international business), the general theoretical frameworks explaining INVs were still undeveloped in the field of IE. The decision is also justifiable in that the reviews conducted in the IE field (Coviello & Jones 2004; Rialp *et al.* 2005) do not encourage the use of quantitative methods alone.

Instead, a case study was selected as the primary research approach for investigating research questions (i) and (iv) and the results of these studies are reported in article A and D respectively. Research question (i) aimed to identify INV internationalization patterns and elaborate on these patterns from multiple perspectives. At the time of enquiry, it was thought appropriate to approach the issue by illustrating the variety with selected case firms. Whereas a quantitative survey methodology would have served especially the identification of common patterns and relationships, the case study is more appropriate for examination of the variety, contextuality and dynamism of the phenomenon. In relation to research question (iv), the concept of entrepreneurial marketing has been less researched in both the international context and extant IE research, suggesting that a quantitative approach would be premature. Using a qualitative, multiple case study approach, it was possible to identify the dimensions and elements of entrepreneurial marketing in INVs in an abductive manner, i.e. through the interplay between the data and

theory. The multiple case study approach was especially efficient also in analysing the change in the entrepreneurial marketing and the complex relationships between the entrepreneurial marketing and the growth of INVs, as well as in analysing the contingency influences determining the INV development. In relation to research question (i), the case study analysis in article B also generates knowledge about the prevalence of different types of internationalization patterns of INVs by discussing international experience in relation to the types of international new ventures. Article D also adds to the discussion of the internationalization patterns of INVs by examining the different types of INVs in terms of their global growth phase. Taking these different examinations together, the thesis responds to the call by Jones *et al.* (2011) and Zahra (2005) to elaborate on the types of INVs.

A mixed method approach was deemed appropriate for several reasons as a primary method especially for research question (ii). Firstly, the choice of a mixed method was based on the nature of the research question as well as on the existence of prior knowledge. Research question (ii) concerned the relationship between international experience and internationalization of new ventures and it can be interpreted as having both a quantitative and a qualitative tone. The aim was to investigate the experience by complementing the firm-level view on experience in the existing internationalization process theories (such as Johanson & Vahlne 1977) with the individual-level view from the management literature (such as the CEO and top-management team view in Reuber & Fischer 1994, 1997) in a new context, that of INVs.

As a result, the relationship between experience and internationalization of new ventures was first approached quantitatively, through a survey study, which allowed the utilization of the existing knowledge in the international business and entrepreneurship fields concerning internationalization and experience and the systematic testing of the relationship between the two concepts in a wider set of data. As discussed earlier, a prevailing premise among IE researchers is that the INV phenomenon is not explained by existing internationalization theories, partly because INVs internationalize to different countries simultaneously without having gained experience even in the domestic market. However, systematic research examining and substantiating that claim has been limited; a fact that suggests quantitative examination would be useful. Furthermore, compared to the other research questions in the thesis, research question (ii) addresses concepts which have perhaps been more developed in prior international business and entrepreneurship research and established measures could be identified in these two streams of literature, albeit their modification was needed when applying the concepts to the INV context.

However, the quantitative survey method only facilitates answering the research question by identifying the types and volume of experience the new ventures have, and by identifying the possible direct and indirect relationship between experience and internationalization of new ventures. Therefore, in order to examine how the international experience is related to INVs in more detail, further research through a case study was thought apposite. By using a case study to investigate this same relationship, it was possible to reveal the mechanisms behind the relationship of internationalization and experience. In other words, using case studies was intended to add depth, detail and meaning to the results of the survey study (Patton 2002: 192).

Research question (iii) differs from the other research questions in that it was primarily addressed with a conceptual study. This was deemed appropriate as the aim was to evaluate the concept of proactiveness and reactiveness in INVs and more generally in IE without limiting the examination to a narrowly detailed level of analysis (such as entry mode, market selection, or product strategy) but rather analyse the two concepts more extensively in the IE theory and the behaviour, strategic approaches and development of INVs. However, research question (iii) was also addressed by case studies 1 and 2, albeit in a secondary manner, and in this sense, a mixed method approach has been used in answering this research questions too. The case study results reported in article A offer results for research question (iii) concerning the proactive and reactive nature of motives in the internationalization development of INVs. Studying these same internationalization motives, the survey results in article B shed light on the proactiveness and reactiveness, although not explicitly focused upon in the analysis. Going further, the case study results in article D also cover research question (iii) by presenting an empirical analysis of the role of proactiveness and reactiveness in the strategic decision-making of INVs. Thus, while the conceptual study in article C concerns proactiveness and reactiveness on a more general level of IE and the internationalization development of INVs, the case study approach in article D deals with the concepts of proactiveness and reactiveness on the level of strategic market orientation and analyses them in relation to the development of the marketing strategies of INVs. The interaction between the research questions of the thesis, the articles and the empirical studies are illustrated in Figure 7. As depicted in this Figure 7, there is an overlap between the articles and their empirical studies in how they shed light on the research questions other than the one they are primarily assigned to.

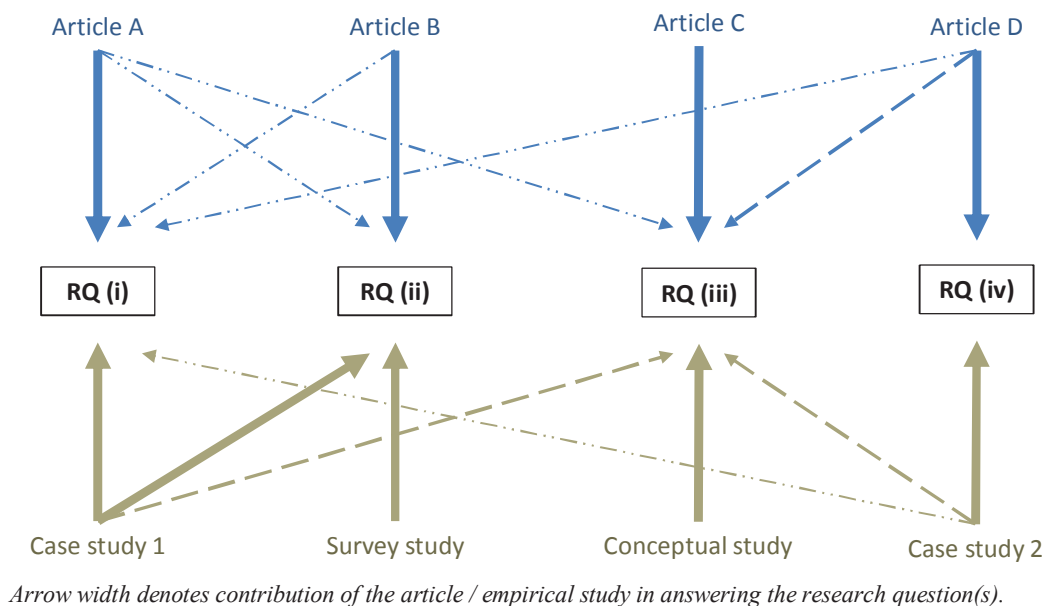


Figure 7. The interaction between the research questions, empirical studies and articles in the thesis.

3.4 Data collection and analysis methods

The data collection and analysis methods are next discussed in detail, focusing first on the case study approach and then on the mixed method approach.

3.4.1 *Multiple-case studies*

Data for case study 1 were collected primarily for the purposes of research questions (i) and (ii) and are analysed and reported in articles A and B. Case study 2 was conducted primarily for the purpose of addressing research question (iv) and it is analysed and reported in article D. In this subsection, the case selection procedures as well as data collection and analysis methods used in both case studies are presented in parallel, while trying to avoid duplicating the discussion in the articles.

Case selection procedure. Table 4 presents the criteria used in the selection of the cases in both case study 1 and case study 2. The case selection procedures used in the two studies resemble each other, as the rationale behind the selection is similar in many respects. The starting point for selection was the INV definition (Oviatt & McDougall 1994) that has been used for this study. Yet, in assessing the qualities of the firms in relation to the INV definition, the primary focus was on

the sales operations of the firms. They can be seen as the key defining dimension of INV internationalization (Oviatt & McDougall 1997) and a similar focus prevails in many prior INV studies as well.

In both studies an upper limit was set for the firm age (established after 1985 in case study 1 and after 1990 in case study 2) because it was considered that older data would have impeded data collection as well as decreased the reliability of the data. Still, to ensure that the firm development could be depicted, both younger and more established firms were considered, as long as they fitted within the age limit. Since this thesis is focused on INVs, it might be considered contradictory that the firms in the empirical data are not all newly established. However, the purpose of the study is to build understanding of the internationalization of INVs both in terms of their early development as well as of subsequent growth. Therefore limiting its purview to only newly established firms (new ventures) would not have enabled examination of the *development* of these firms. This argumentation logic is also evident in many other studies in the field of IE. While firm age is a common criterion in empirical INV studies, the studies rarely explicitly use the criterion of being a new or start-up firm (Coviello & Jones 2004).⁸ For those studies that do include such a criterion, “increasingly, it appears that 6 years is the cut-off used to define an international new venture” (Ibid: 492).

The case selection procedure in case study 1 and case study 2 differ slightly in respect of two initial screening criteria concerning firm foundation and ownership structure. In case study 1, the initial screening was restricted to firms where the majority of the firm was not owned by any single larger Finnish or foreign group. This criterion was employed to ensure the decision-making monitored was independent. In case study 2 that criterion was not applied, because the focus was on the global growth of INVs as defined both by size and sales and in that study a merger with a larger group was seen as a possible growth strategy of INVs. In case study 1, the focus was on international development, but not on the growth of firm size as such. Furthermore, in case study 2, an additional criterion was set to exclude firms that were founded as spin-offs of a larger firm. Even though in case study 1 this criterion was not explicitly set prior to data collection, none of the selected firms were spin-offs from larger firms. Instead, the university or research spin-offs were regarded as eligible potential case candidates in both case studies.

⁸ In the review of 55 empirical articles in the field of international entrepreneurship, Coviello & Jones (2004) found that while 18 of the studies used firm age as a criterion for sample collection only 3 of the studies used a criterion of being new or a start-up firm.

Table 4. Case selection criteria

CASE STUDY 1 (Articles A & B)	CASE STUDY 2 (Article D)
Initial screening criteria	
The firm matched the qualities of the INV definition by Oviatt & McDougall (1994)	The firm matched the qualities of the INV definition by Oviatt & McDougall (1994)
The firm derived at least 25% of sales from outside the domestic market within three years of its foundation, showed a growth trend in international sales (being at least 50% of the total sales in 2001), and conducted sales in at least six foreign countries	The firm derived at least 25% of sales from outside the domestic market within three years of its foundation
Firm was established after 1985	Firm was established after 1990
The majority of the firm was not owned by any single larger Finnish or foreign group	The firm was not established as a spin-off of a larger firm
The firm was a manufacturing firm selling physical products (pure software and service firms were disqualified)	The firm was a manufacturing firm selling physical products (pure software and service firms were disqualified)
The firm originated in Finland	The firm originated in Finland
Further theoretical selection criteria were applied to achieve consistency with the research purpose and correspondence to the theoretical concepts and relationships in focus, such as	
Case firms represent different types of firms in terms of their internationalization development	Cases represent different types in the continuum of global growth (as defined by globalization degree and firm size)
	Cases conform to the concept of entrepreneurial marketing and provide diverse examples of marketing strategy innovativeness and adaptation

As Table 4 illustrates, after the initial screening criteria employed to find INV cases, the further selection in both case studies was based on the logic of theoretical sampling. Theoretical considerations are very important in establishing valuable case studies. In multiple case studies, specific attention might be given to replication logic when selecting cases (Yin 2003). Indeed, the cases were carefully selected by considering their potential to provide either literal replication (by predicting similar patterns) or to provide theoretical replication (by predicting contrasting results but for predictable reasons). As an example, in article A, literal replication was sought when more than one case was selected to potentially illus-

trate a similar internationalization pattern and type of INV. The rationale for the theoretical criteria is further discussed in the respective articles.

Several databases were used to identify and select cases. The potential case candidates were first sought by screening earlier surveys which the author(s) had been involved and research databases held in the university, the lists of growth firms in Finnish business magazines (such as *Talouselämä*, *Kauppalehti*), and lists of firms that had received awards for their internationalization, growth or innovativeness (such as the Internationalization Award of the President of the Republic or the Innofinland Prize of the President of the Republic). Moreover, for case study 2, member lists of associations and organizations (such as Technopolis Ventures) were screened and interviews with experts from Finpro (a Finnish expert organization that provides non-financial support for internationalization) and TEKES (the Finnish Funding Agency for Technology and Innovation) were conducted to identify potential case firms. Altogether the thesis comprises case study data on 11 case firms. One firm (Vacon) is included in both case studies.

Data collection methods. To ensure data triangulation, various methods were used to collect data from the 11 firms included in the case studies. To ensure comparison across cases, semi-structured interviews were selected to be the primary data collection method. A semi-structured interview can be more standardized including both open and fixed-response questions, or it can be based on a loose guide that outlines the themes and primary broader questions to be covered. In this thesis, the interview form in case study 1 more closely resembles the former type of structure, whereas that in case study 2 falls into the latter category⁹. In both case studies the respondents were selected purposefully to gain access to the most relevant data, in that they retained firm history and decision-making influence (Coviello & Jones 2004). In each firm this meant a person who had knowledge of both the firm's early years and its later development and who held the position of either CEO or manager responsible for international business/marketing in the firm. Firm founders were interviewed when possible and in six firms the CEO or manager had also been one of the firm's founders.

In case study 1, the primary data was collected using a semi-structured questionnaire including both open questions and questions with ready response options. The data was collected through phone interviews and personal e-mail correspondence. Further data from one case firm (Vacon) was collected through face-to-face interview with the firm's founder-manager and included more open-ended questions. The phone and face-to-face interviews were recorded and transcribed. An-

⁹ The interview forms are available upon request.

other source of data in case study 1 was a survey to which each case firm had responded (see survey description in Section 3.5.2). Further secondary material was collected from annual and other financial reports, from firm brochures and presentations, as well as from press releases and other written documents (such as journal articles). In addition, secondary data was retrieved from earlier case study databases which I (see Pulkkinen 2002) and my co-author in article A (see Larimo 2003) had collected previously.

In case study 2, the primary method of data collection was face-to-face semi-structured interviews where the themes were approached starting with open questions. New probes and follow-up questions were brought up to complete the interview as it progressed. Each interview lasted approximately 2 to 3 hours and was recorded and transcribed. For case study 2, two individual interviews were conducted when possible (in three of the case firms, i.e. Vacon, Golla, Iqua). The secondary material for case study 2 was collected from company reports (annual reports, financial reports, brochures and other presentations), news releases, and other written documentation (such as databases of earlier surveys and case studies in which the authors had been involved).

Data analysis methods. A case study can include both quantitative and qualitative analysis methods (Eriksson & Kovalainen 2008). The analysis of case study 1 data was conducted through both qualitative and quantitative content analysis. After producing single case descriptions, the emphasis was on cross-case thematic categorization and analysis of the differences across cases. The typological framework adopted from Oviatt and McDougall (1994) formed the basis for the categorization of the firms into different types based on their internationalization development. The reasons for firms' initial positioning in the typology as well as for their development and changes were abductively retrieved from the data and categorized into themes. In case study 2, the analysis was based on an explanation-building technique (Yin 2003), entailing an iterative search of causal links through both single-case and cross-case analysis. The entrepreneurial marketing strategy elements were first retrieved from the data through coding and categorization process (Ghauri and Firth 2009). Then, the analysis proceeded by building an explanation about the first case and developing propositions about the relationships of the focal concepts in that case, by comparing and revising propositions with findings in the second, third and fourth case, and finally across cases until the saturation of the theory was achieved. The computer-assisted qualitative data analysis software NVivo was utilized in order to facilitate the research process and make the analysis more thorough, transparent and reliable (Ghauri & Firth 2009; Sinkovics, Penz & Ghauri 2008).

3.4.2 *The survey via self-administrated questionnaire*

A mail survey with a self-administered questionnaire was conducted to investigate and to test the hypotheses concerning the relationship between international experience and the internationalization development of new ventures in article B.

Questionnaire development. The questionnaire for the survey data was developed as a part of a larger research project involving three Finnish universities. The questionnaire covered the following topics: foreign operation modes (inward and export), international marketing strategies, firm competitiveness, international experience and international entrepreneurial orientation of the firm's management, the use of the internet in international business, and the firm's performance¹⁰. The questionnaire was developed in autumn 2001. The questionnaire items used in this thesis are presented in article B. All the concepts were operationalized based on previous research and ready measures were used when available. For international experience existing measures were found to be inadequate and thus new items were developed for this study by modifying and complementing existing measures (e.g. those of Bloodgood, Sapienza & Almeida 1996; Burgel & Murray 2000; Harveston *et al.* 2000; Reuber & Fischer 1997). The aim was to capture the level and types of international experience that both the entrepreneur and management team possessed and how influential that experience was in the firm (as evaluated by the respondent).

Sample and data collection. The survey was targeted at Finnish-based firms that met three criteria: 1) The firm was from the industrial or service (software, engineering and advertising) sector. At the time of data collection the trend towards early internationalization was emerging but such new patterns had not yet been documented as prevalent in Finnish firms. Thus, including multiple fields of business and manufacturing and service sectors was justifiable in order to ensure a sufficient number of INVs in the sample. 2) The firm employed at least 5 and a maximum of 500 people. This limitation was set by the project which focused primarily on smaller or medium-sized firms. Furthermore, the early internationalization was likely to occur more often in smaller than larger established firms, as the latter was widely reported in prior research to internationalize in a traditional, slow manner. 3) The firm was registered as having export operations. This criterion was employed, since the focus of the study is on international firms, not on comparing international with domestic firms for example. Furthermore, in this thesis only firms that had been established in 1985 or later were included in the analysis. The focus was to test the hypotheses between prior international experi-

¹⁰ The questionnaire is available upon request.

ence and internalization development during the first years of the venture. It was considered likely that knowledge on these two areas would be difficult to gain from older firms and that the reliability of such data would be reduced.

The target firms were identified from the YritysSuomi database, earlier surveys conducted at the university, articles in Finnish business magazines (Kauppalehti, Taloussanomat) and also from reports published by Finpro. This yielded 2856 firms. On closer examination, 202 firms were excluded because they did not fulfil the selection criteria, had gone bankrupt or because an address could not be confirmed. After these revisions the final target group was 2654 firms. Depending on the size of the firm, the questionnaire was sent either to the managing director (in small firms with less than 50 employees) or to the manager responsible for international operations (in medium-sized firms). Three survey rounds were conducted and 486 responses were received, which provided 473 usable responses. This indicated a response rate of 17.8 per cent. A higher response rate was not achieved perhaps partly because of the length of the questionnaire, which had to cover diverse areas in the research project. However, based on the analysis between responding and non-responding firms, no greater differences in terms of the number of employees, annual turnover and field of industry could be found. This would suggest that the non-response bias is not of major concern in the sample.

The mean establishment year of the participating firms was 1974 (mode value 1992), but 44.6 per cent of the firms were established in 1985 or after. Accordingly, 211 of total participating firms, are included in the analysis in this thesis. An analysis of the firms of different ages revealed that early internationalization occurred more often in younger firms than those established in 1985 or earlier, which makes it more interesting to study research question (ii) in this reduced sample (see Larimo & Pulkkinen 2002b). Descriptive statistics of the 211 firms are presented in article B. Of those firms 83.9 per cent are manufacturers whereas 16.1 per cent are from the service sectors. Both the mean and mode value for year of establishment of these firms was 1991. In the year 2001 the mean number of employees in the participating firms was 49.5 (median 23) and the mean annual turnover EUR 6.98 million (median €3.03m). In terms of the EU definition of firm size, the sample firms represent firms of different size. Whereas a majority of the firms are small firms (annual turnover less than or equal to €10 million and less than 50 employees), large firms are also present in the sample (annual turnover of more than €50 million and 250 employees or more).

Data analysis. The survey data was analysed through two main methods: correlational analysis and one way analysis of variance (ANOVA). To further investigate the differences found in the ANOVA, the Bonferroni-test was used. In the analysis of the survey data, a statistical analysis program, SPSS, was used.

3.5 Summary

Finally, a summary of the research strategies and methodologies of this thesis is presented in Table 5. In their review of empirical research conducted in IE field, Coviello and Jones (2004: 486) show how IE “studies tend to focus on aggregate level survey data or sector-specific qualitative data. As a result, complex processes are not captured, unless at a very narrow level”. In this thesis, the methodological choices imply that both survey study and multiple case studies on firms from different sectors are combined to examine the selected perspectives (concepts) and to increase the understanding of the INV phenomenon.

Table 5. Research strategies and methodologies in the articles

	Article A	Article B	Article C	Article D
Philosophical standpoint	Reality-orientation (Critical realism & post-positivism)			
Approach	Abductive	Deductive + Abductive	Abductive	Abductive
Main path Pathways*	Empirical S→M→C System-driven observations	Theoretical S→C→M System-driven hypotheses + observations	Empirical S→M→C System-driven observations	Empirical S→M→C System-driven observations
Research design	Multiple case study	Survey and mul- tiple case study	Conceptual study	Multiple case study
Data sources	8 Finnish-based INVs. Theoretical sampling.	211 Finnish- based exporting firms with 5–500 employees. 8 Finnish-based INVs. Theoretical sampling.	Literature.	4 Finnish-based INV firms. Theoretical sampling.
Methods of data collection	Interviews. Archival data.	Survey and inter- views. Archival data.	Key word search + selection of articles based on theoretical consideration.	Interviews. Archival data.
Methods of data analysis	Single-and cross- case analysis using thematic content analysis and categoriza- tion.	Correlation anal- ysis, ANOVA, Bonferroni test (survey data). Descriptive single- and cross- case analysis within themes (case data).	Content-analysis.	Single-case: thematic content analysis, iterative coding and categorization. Cross-case: explanation- building tech- nique.

* S=substantive domain, C=conceptual domain, M=methodological domain

4 SUMMARIES OF THE ARTICLES

4.1 Article A – summary

This article focuses on the heterogeneity in INVs and thereby challenges the prevailing tendency to approach INVs as a homogeneous group significantly different from traditional, gradually internationalizing firms or domestic firms. The objective of the article is to explore 1) *whether INVs are different from one another in terms of their international development of operation*, and 2) *if they are, how and why the differences are manifested in these firms*. The theoretical background for the article is a typological approach and centred on the international new venture theory (Oviatt & McDougall 1994) which introduces four types of INVs: export/import start-ups, multinational traders, geographically focused start-ups and global start-ups. The article seeks to understand the development paths of INVs by focusing on four themes: the background to the founding of the firm and the prevailing conditions at the time; the motives for initial internationalization; the characteristics of the entrepreneurs and decision-makers; and the resources, core competences and competitive advantages of the firms. In so doing, it integrates literature and adopts viewpoints from international business, entrepreneurship and marketing from which to approach the research questions. In methodological terms, the article adopts a multiple case study approach, where the empirical data is derived from eight INVs established 1988–1997 and originating in Finland.

The analysis of the internationalization development of the case firms was first based on the internationalization occurring within 6 years of their establishment, and then there being subsequent development in terms of two criteria corresponding to the axes of the INV-typology (Oviatt & McDougall 1994) (see Figure 2 in article A): 1) The international coordination of value chain activities: in addition to sales activities (including own exports, marketing cooperation, sales subsidiaries), whether they demonstrated fewer than or more than two of the other value chain activities (purchasing, manufacturing, R&D, and financing activities) coordinated across countries, and 2) The number of countries with value chain activities: sales activities in fewer than or more than 20 countries, a level of market concentration higher or lower than 60 per cent and the number of countries with activities other than sales.

Looking at activity within the first six years of development, the INVs were found to differ from one another in terms of the type of activities and commitment employed in the international operations. When studying their later evolution, no

typical paths of internationalization development could be identified. Going beyond typological analysis, the article identified some common characteristics of the INVs as well as factors which contributed to the differences in the coordination of value chain activities on an international level. The case firms resembled each other in some aspects of the foundation conditions (often linked to changes in another firm), the high international orientation and existence of previous industry experience of the founders and management, the nature of the target industry (globally spread niche markets targeted with a highly specialized offering), and the importance of certain proactive and reactive initial internationalization motives (a management interest in internationalization, management's international experience, inadequate domestic demand and the firm's view of the market). These common characteristics were not able to explain the variety evident in the forms of internationalization development. Instead, the factors that were able to differentiate the INVs from each other as well as to explain the internationalization development of value chain activities were related to the following: the role of innovation or an R&D project in the initial business idea; the functional diversity of the previous industry experience of the founders and management; the degree and nature of previous international experience of the founders and management (number of people with experience and the duration of that experience, as well as the functional area and industry in which the international experience was gained); the international networks and technology intensity of the industry, the emphasis on proactive versus reactive motives for internationalization, and the degree of mobility of the offering. However, although these characteristics were major determinants of the development of ventures and implied a connection to their internationalization, the variance displayed did not always fall in line with the typology, as was the case especially in terms of the internationalization motives and background of the foundation. The firms also varied in terms of whether they were competing in emerging, growth or mature industries; however, no clear connection with the internationalization development was identified. Therefore, the heterogeneity displayed and also the fast pace of development of the firms suggests that understanding INV internationalization requires a more dynamic theory capable of focusing beyond typological categorization. The difficulty in establishing an explanation for the differing internationalization paths of the INVs indicates that situational factors and contingencies merit attention in the development of INV theory.

Although INVs seem to enter a number of markets in a rapid manner, the results suggest that closer scrutiny of the geographic dispersal of the activities into different markets and the proximity of the countries entered, reveals a great variety in the market strategies employed by INVs. As an example, the share of sales derived from the firm's three main markets varied among the INVs by between

35 and 75 per cent and the share of sales outside the home continent exceeded 25 per cent only in two global start-ups. The internationalization development of the INVs examined seems to partly adhere to the basic premises in the traditional process theory of firm internationalization. According to traditional internationalization theories, the firm typically starts foreign operations by exporting to neighbouring countries or countries that are well known and with similar business practices (Bilkey & Tesar 1977; Johanson & Wiedersheim-Paul 1975; Johanson & Vahlne 1977) for example. Such a path is identifiable in some INVs, with the important exception that their speed of development is higher than is perhaps assumed by these theories (see also Pulkkinen & Larimo 2004). The initial outward operations of those INVs reflected the pattern of initially exporting, then finding co-operation partners for marketing and possibly establishing sales subsidiaries in the most important markets. Only three of the INVs had, at the time of enquiry, invested in their own sales subsidiaries and none of the firms had yet established its own production unit abroad. The first market entries are usually determined by proximity, although the choice of market might be strategic. Looking at the first market entries of the case firms, with one exception, the three first entries by the INVs were into other European countries and those markets geographically and psychically close such as Sweden and Germany are revealed to be important¹¹. Although market entry beyond Europe was carried out at nearly the same time or few years later, the share of sales from outside Europe remained low during the subsequent development of the firms. These findings suggest that in evaluating the internationalization development of the INV in light of existing theories as well as in developing the INV-theory, researchers should in future also address more clearly the geographic or psychic distance of the countries entered and the concentration versus diversification of operations in these countries.

In conclusion, the main contribution of the article is the identification of the heterogeneity among INVs and providing an understanding of the varieties found. The article is also one of the first to apply the Oviatt and McDougall (1994) framework to empirical analysis (for an exception, see Baum *et al.* 2011). In addition to this typological approach, the article adopts a longitudinal perspective by analysing the development of INVs starting from the background to their foundation and analysing their development from inception to their stage of development at the time of investigation. Finally, the findings of the article shed light on the development needs of new INV-theory as well as on the explanatory power of

¹¹ In six out of eight INVs, the close markets Sweden and Germany were among the three first markets entered by the firm (in four cases, the first foreign entry was to Sweden and in three cases to Germany).

existing internationalization theories. The further interest in the international experience was instigated in this article and it also introduced the issue of proactiveness and reactivity in INVs. The case firms also differed in terms of their financial performance and looking at the highest performing INVs permits several managerial implications to be drawn from the study. These are discussed in Section 5.3.2.

4.2 Article B – summary

The objective of this article was to *investigate the link between the international experience of the entrepreneur and top management team (TMT) and the internationalization of new ventures*. It offers insights into how experience relates to INVs. The article discusses the relationship between international experience and internationalization motives on the one hand; and the relationship between international experience and internationalization speed, market selection and entry commitment on the other. It is positioned at the interface between international business, entrepreneurship and management research traditions and the literature in the aforementioned research traditions that focused on decision-maker experience in the SME and new venture context formed the theoretical background for the study. Several gaps were identified in the prior research, either in terms of conceptual shortcomings or narrow measures adopted in the empirical studies (for example experience of a single decision-maker versus that of a management team and the types of experience included). The earlier results are somewhat conflicting and research *primarily* aiming to investigate the role of experience in INVs is very limited. The article particularly highlights the lack of reporting in earlier research on what kind of international experience and experiential capabilities discriminate the different internationalization behaviours of new ventures and how experience affects INV internationalization specifically.

Prior international experience of the entrepreneur and TMT is viewed in the article as a factor that might be related to the internationalization of new ventures and to the development of INVs by influencing the strategic decision making on internationalization. Four hypotheses are developed for the relationship between international experience and internationalization motives and speed. These are tested with a quantitative survey data of 211 industrial and service (software, engineering and advertising) firms originating from Finland. The firms included in the survey were established in or since 1985 and are (or were) engaged in exporting. To enhance the understanding of the relationship between international experience and INV internationalization motives, market selection and entry mode commitment, a multiple case study of eight Finnish-based INVs was conducted.

The INVs represent different types of firms in terms of the INV-typology (Oviatt & McDougall 1994) discussed in article A.

The results of the survey study indicated strong support for hypothesis 2, while partial support was received for hypotheses 1, 3 and 4. Concerning hypothesis 1, greater prior experience of international tasks in a Finnish internationally-operating firm was especially related to both a greater proportion of exports within three years of foundation and with the venture being younger at the time of its third foreign market entry. In addition, other international experience types were related to either one of these measures of the internationalization speed. As expected in hypothesis 2, in new ventures where the entrepreneur and TMT report high previous international experience, this experience is also tightly linked to the strategic decision-making, as it is of higher importance as a motive for deciding to initiate international operations. Moreover, the international experience has a positive relationship with other decision-making motives behind internationalization, such as management's international interest and view of the market. Concerning hypothesis 3, when initiation of international operations is strongly related to international experience as a motive behind the decision-making, speedier internationalization occurs for the new venture in terms of the export share within three years from inception. Also the success of competitors abroad, inadequate domestic demand and the management's view of the market were related positively and significantly with either one of the internationalization speed measures. The findings also suggest that internationalization motivated by the internationalization of a customer seems to increase the time between foundation and entry into new foreign territories.

The fourth hypotheses concerned the differences in prior experience between rapidly and slowly internationalizing new ventures. To test such differences, the sample was divided into four groups on the basis of a) the firm age at its third foreign market entry, and b) the share of foreign sales three years after foundation. Although two of the groups can be seen as meeting common INV criteria (i.e. having foreign sales of 25 per cent or more within three years of foundation), only one group was labelled INVs on the basis that these firms had also entered three or more countries within this timeframe (see the emphasis on multiple countries in the INV definition adopted in the thesis). The results of the ANOVA test indicate that the internationalization speed in the four groups of new ventures is significantly related to differences in the level of international experience in the management team in general; the experience of international work the entrepreneur and TMT gained in other Finnish internationally-operating firm; and the international work experience gained by the entrepreneur and TMT in a foreign firm. The previous international experience of the entrepreneur and TMT in both

Finnish-based and foreign firms was highest in INVs (group 4), whereas the respondents of the geographically focused new ventures (group 3) in general evaluated their management's international experience level highest in comparison to other groups. These geographically focused new ventures can, according to some studies, be regarded as INVs (at least 25 per cent export share within three years), although they have not entered new country markets as rapidly as group 4. The *post hoc* tests indicate that when comparing the groups pair-wise, INVs (group 4) differ significantly from local new ventures (group 1) in terms of international work experience in other Finnish internationally-operating firms and from marginally exporting new ventures (group 2) in terms of the language skills of the management. In conclusion, the survey results show that experience is a significant factor behind INVs. In particular, the experience in other internationally-operating firms that originate in the home country of the INV but also the experience in foreign firms, the language skills and the international experience in general of the management seem to explain the speed of internationalization.

The case studies suggest that within INVs, international experience relates particularly to the higher commitment operation modes, but also to the choice of markets to enter. The number of staff with experience, the duration of that experience, the functional area and the industry in which the experience is gained were rather decisive in discriminating between different types of INVs. The two global start-ups that coordinated many of their operations globally (e.g. purchasing, sales, R&D, marketing cooperation and financing) in a wide number of countries had founders and a management characterized by extremely wide international experience. In contrast, the firms with less internationally experienced entrepreneurs and management were more focused on exporting to few or many countries. Analysis of a global start-up case¹² shows how the international experience derived especially from a multinational company in the same field of business was an important determinant of the internationalization development of the INV. International industry experience increased the familiarity with the industry and provided ready contacts with foreign business partners, which then strongly directed the selection of market(s) and choice of distribution channels at the beginning. Moreover, market entry beyond the home continent and establishment of a brand-label contract and a joint venture outside Europe were linked to previous international experience and business contacts of the decision-makers. On the other hand, in a geographically focused start-up¹³, the decision-makers' previous international business experience was mainly derived from other fields of busi-

¹² Denoted as firm D in the article

¹³ Denoted as firm C in the article

ness, whereas in the industry in question, the international experience was limited to scientific research of the core technology. The internationalization of that firm was characterized by sophisticated cooperation with universities, research institutes, suppliers and opinion-leaders to develop the offering. However, sales in the early years were rather concentrated in a few markets using distributors as the main channel¹⁴. Expanding sales to new countries and also the establishment of new sales channel contacts and strategic alliances to strengthen marketing were the major concern in the subsequent international development of this geographically focused start-up.

Integrating the survey and case study results in light of the purpose of this thesis, several interesting points emerge. The level of management's international experience, and particularly the international experience gained from previous jobs, increases the speed of internationalization. Previous experience gained in international tasks in another firm in the home country is characteristic of INVs in general, while the previous international experience from working in a firm from the same industry is descriptive especially of more advanced INVs, such as global start-ups. International experience is related to INVs in that their managers regard the experience as an important factor and utilize it in decision-making. It is a significant motive behind early internationalization and the case studies suggest that it is also likely to influence the choice of markets and entry modes in INVs. The results imply some explanatory power of the traditional models of internationalization (Johanson & Vahlne 1977; Johanson & Wiedersheim-Paul 1975), as will be discussed in Chapter 5.

The main contribution of the article is to show how international experience is related to the internationalization development of INVs by contemplating the relationship from different perspectives in both theoretical and methodological terms. The article identifies what types of experience are related to the internationalization of new ventures and discusses how and why the international experience is related to the internationalization speed, market strategies as well as the motives behind internationalization. The article offers results from both a systematic survey study as well as from a multiple case study. The results in part challenge the prevailing premise about the inappropriateness of traditional internationalization theories to describe the INV phenomenon. In comparison to extant research, all these aspects form a significant contribution to INV-research.

¹⁴ At the time of enquiry the firm had sales in 13 countries, out of which three European countries formed 55% of all sales. The main foreign sales channel was through distributors (90%).

4.3 Article C – summary

Article C raises the question of whether there is a discrepancy in the underlying orientations of the two core theories of IE – international business and entrepreneurship – in terms of the role of proactiveness and reactivity. The objective of the article is to explore the role of proactiveness and reactivity in entrepreneurship and internationalization theories, and finally, in the international entrepreneurship theory. Through this exploration the article discusses how existing theories can strengthen IE theory and enhance the comprehension of new venture internationalization.

First, to provide a conceptual basis for the further analysis of the role of proactiveness and reactivity in the three fields, the article starts with a discussion of definitions of proactiveness and reactivity and related terminology, and then illustrates how that terminology is reflected in the entrepreneurship, internationalization and international entrepreneurship literature. Rather than offering a systematic review¹⁵ of the two concepts as they reappear in the three fields, article C reviews publications purposefully selected for their particular insight into the research objective. This procedure keeps the review to a reasonable length, since an attempt to conduct a systematic review of two concepts in three separate research traditions would have been overwhelming. Thus, the publications discussed from the entrepreneurship and international business fields are those that can either be seen as seminal works in the field themselves or as especially important from the IE viewpoint, as demonstrated by the citation of the publication in the IE literature, for example. The publications reviewed from the IE field are those that are either seminal works in the field or are regarded as insightful examples of how proactiveness and reactivity are manifested in the IE literature.

This review covers both theoretical and empirical studies published in books and peer-reviewed journals. In the review studies that did not use the exact terminology of proactiveness and reactivity were also included as long as they addressed closely related phenomena (such as alertness, venturesomeness, adaptiveness, opportunities, threats, market pioneering versus following, activeness versus passiveness). Furthermore, the concepts of proactiveness and reactivity are found to have their roots in the strategy literature, and consequently some of those studies were also discussed in this connection. The publications reviewed are analysed by focusing on three aspects: the context in which the terminology is applied, the

¹⁵ The term systematic review here refers to a procedure where all articles published between a predetermined time period in selected publications (journals, books etc.) are reviewed.

theoretical foundation, definition of the terminology, and the presence of words and phrases indicative of proactiveness and reactiveness in the publication. The review shows how proactiveness and reactiveness are discussed under a broad spectrum of terminology (see Table 1 in the article).

The article then proceeds to elaborate on the association observed in the entrepreneurship literature between entrepreneurship and proactiveness and reactiveness. This is followed by discussion of how proactiveness and reactiveness are reflected in the international business theories. The focus is limited to the behavioural school and the internationalization process theories and to the network approach to internationalization¹⁶, as these are seen as the main theoretical underpinnings in the new venture and small firm context, such as that of INVs. The article then shifts its focus to the IE field and elaborates on how proactiveness and reactiveness are connected to IE theory on the one hand and to new venture internationalization on the other.

The article concludes that entrepreneurship theories involve proactiveness by definition and the emphasis on proactiveness is rather explicit, whereas reactiveness has been associated with non-entrepreneurial ventures and thus it is discussed more rarely in the entrepreneurship literature. Reviewing the internationalization process literature, the article shows how the early theories (the Uppsala, Innovation and POM theories)¹⁷ explain internationalization in relatively reactive terms, emphasizing for example the reactive internationalization stimulators and adaptive learning as a consequence of adjusting to changing conditions as well as specifying the various barriers for advancing in the internationalization process. However, in the Innovation model, proactiveness is acknowledged when explaining the later stages of internationalization (Cavusgil 1980) and in the more recent developments of the Uppsala model (Johanson & Vahlne 2003b; 2006; 2009) both reactive and proactive aspects of internationalization are touched upon through a stronger emphasis on opportunities. In the network approach to internationalization, the behaviour can be seen as either reactive or proactive. However, the review indicates that much of the reasoning stems from the assumption that ventures internationalize since the business networks are cross-national and firms follow their network relationships, indicating a less proactive approach.

The article proceeds to highlight how the entrepreneurship and internationalization theories are connected and integrated to IE each in a different manner. IE is

¹⁶ The rationale for the limitation is presented in article C.

¹⁷ See article C for exact studies labelled as Uppsala, Innovation, or POM models of internationalization.

by definition based strongly on the entrepreneurship research tradition, whereas IE studies often draw on international business theories without trying to integrate theories from both fields (see Keupp & Gassmann 2009). As for the current status of IE theory, proactiveness and reactivity are found to be imbalanced in the IE literature. Researchers tend to build on the proactiveness inherent in entrepreneurship field as a natural foundation for IE, especially at a definitional level but also in describing the attitudes of INV decision makers. In the definition of IE, internationalization theories work rather as a context for behaviour, whereas concepts from internationalization theories are not integrated in a similar manner. It follows that reactivity inherent in internationalization theories is dealt with more implicitly in IE, without acknowledging it in the theory development. However, since INVs especially have often been studied from the internationalization theory perspective, this has elevated the importance of both proactiveness and reactivity, as reflected for example in the internationalization triggers (stimulus) and motives found for INVs.

Given that IE is viewed as an intersection between entrepreneurship and international business, and INVs are seen as a stream of IE research, the future development of IE theory requires a more profound integration of the two fields and parallel acknowledgement of both proactiveness and reactivity in IE. In light of the purpose of this thesis, such steps in the development of IE theory are crucial for the understanding of INVs. The article emphasizes how the parallel importance of proactiveness and reactivity in the internationalization strategy of INVs should be taken into account in the theoretical frameworks for INVs and that the two concepts should be examined on different levels. It is suggested that both proactive and reactive activities and approaches to strategic decision-making may take place simultaneously in INVs (Green, Covin & Slevin 2008) and INV internationalization could be seen as a fluctuation between reactive and proactive activities. At a strategic level, the article suggests that INVs may have both deliberate, long-term and emergent, short term strategic approaches which can be both reactive and proactive. The emphasis on either one is influenced by the contextual issues, such as the pressures, changes and unexpected events in the environment. This conclusion is supported by the results (*in articles A & D*) that show INV development to involve both proactive and reactive features in terms of internationalization motives and market orientation approach.

At the same time, the article points out that seeing IE as an interdisciplinary field implies the integration of assumptions from two rather large, mature and different (with regard to their views on proactiveness and reactivity) fields of research and that the development of IE as a research field is faced with a challenge brought up by the core theories' differing implications on proactiveness and reac-

tiveness. The article focuses explicitly on proactiveness and reactiveness as they reappear in the three fields and opens a discussion of what proactiveness and reactiveness are on a more general level as well.

4.4 Article D – summary

Article D investigates the development of INVs, but from another angle, as two development processes are studied in parallel, namely the development of marketing and global growth. Article D adopts an interface approach by integrating marketing with the entrepreneurship aspects (Fillis 2007; Hills & LaForge 1992) in studying the entrepreneurial marketing strategies of INVs as they evolve into global firms. The article raises a rather novel research issue, since the marketing strategies of INVs have been an understudied subject (Keupp & Gassmann 2009; Rialp *et al.* 2005; Styles & Seymour 2006) and studies that adopt entrepreneurial marketing as their conceptual underpinning for INVs are almost non-existent (for two exceptions, see Kocak & Abimbola 2009; Mort *et al.* 2012). However, the early internationalization of INVs poses great challenges for marketing and the knowledge of marketing strategies is an important aspect in the growth and success of these firms (Ripollés & Blesa 2011). In contributing to this research gap, the article questions the adequacy of conventional marketing theories for understanding INVs, since, as pointed out by many scholars, those theories emerged mainly from the focus on large, established companies, rather than young, small and/or entrepreneurial ventures (Carson & Cromie 1989; Carson & Gilmore 2000; Coviello, Brodie & Munro 2000). Entrepreneurial marketing in contrast is an approach to marketing under conditions such as environmental turbulence, complexity, and diminishing resources (Morris *et al.* 2002; Moffit & Chiagouris 2008), all of which makes entrepreneurial marketing a potentially fruitful approach to use in outlining the strategic marketing decision-making of INVs.

The two objectives set for the article are: 1) to build an understanding of how the entrepreneurial marketing strategies develop in INVs and to explore the contextual factors influencing their development; and 2) to analyse the relationship between the entrepreneurial marketing strategy and marketing performance in INVs. For INVs facing the liabilities of newness, smallness and foreignness (Zahra 2005), it is considered important to be able to offer innovative marketing and to adapt to local markets when competing against incumbents. By drawing on the previous entrepreneurial marketing (such as Morris *et al.* 2002; Chaston 2000) and international marketing, especially adaptation/standardization, literatures (such as Cavusgil *et al.* 1993, Jain 1989), the entrepreneurial marketing strategy

in INVs was defined as *the strategic choices concerning the innovativeness and adaptation of marketing to international markets*.

The empirical basis of the article is a multiple case study of four INVs originating in Finland. Based on interplay between earlier literature and an abductive, qualitative analysis of the case firms, the article identifies key dimensions of entrepreneurial marketing in INVs, namely innovativeness and adaptation, and elaborates on the defining elements of these dimensions. Specifically, three elements emerged as significant for the innovativeness dimension of INV entrepreneurial marketing: value innovation, co-creation of marketing, and adoption of low-cost marketing. The adaptation dimension of INV entrepreneurial marketing was found to occur in different parts of the marketing strategies employed and to vary in focus either on countries or large foreign customers.

To analyse how entrepreneurial marketing strategies develop as the firm evolves from an INV to global firm, the firms under scrutiny were classified based on their global growth phase as determined by the extent of globalization and firm size.¹⁸ Two of the case INVs were clearly in the early phase of global growth, one INV was approaching the latter phase, and one INV had developed into a large global firm and could thus be classified as being in the latter phase of growth. Entrepreneurial marketing strategies were found to evolve during the growth of INVs, yet at the same time the contextual issues underlie this development. More specifically, both innovativeness and adaptation seemed stronger in the early growth phase of the INVs than in the latter phase; however, the characteristics of the market orientation and external environment seemed to have an influence on the development. Whereas innovativeness was fostered by the INV having a proactive market orientation and reflects an era of environmental turbulence; adaptation of marketing strategies could be understood by the global diversity of the markets and customers as well as by the reactive market orientation of the INV. Irrespective of the growth phase the INVs were in, their marketing performance was found to be determined by the balance between the entrepreneurial marketing strategies and the internal and external contingencies of the firm.

In conclusion, the results show how the entrepreneurial marketing as a strategic approach relates to the internationalization development of INVs by analysing the entrepreneurial marketing in INVs that are in different stages of their internationalization and growth. Differing from the three other articles in the thesis, article D

¹⁸ Globalization of the firm was defined by the proportion of sales outside the home continent and the number of foreign subsidiaries established, whereas firm size was evaluated by the amount of total sales.

expands its focus from internationalization development to firm growth globally and assesses INV development in terms of foreign operations, firm size and strategic decision-making in relation to marketing. The article develops and extends the theory of INVs and, drawing on the results from the multiple case study, presents a conceptual model and four propositions which are then discussed in the light of extant research. Three propositions concern the development of entrepreneurial marketing as it relates to the market orientation, external environment and global growth phase of the INV. The fourth proposition introduces the concept of strategic fit in explaining the relationship between entrepreneurial marketing strategies and the marketing performance of INVs. It proposes that a high marketing performance in INVs results from the fit between the entrepreneurial marketing strategies (i.e. the degree of innovativeness and adaptation) and the internal and external context in which these strategies are implemented. Thus, the article brings forward the potential of the contingency approach for understanding both strategic decision-making and performance during the internationalization development and growth of INVs by elaborating on the contingency aspects in INVs in both descriptive and normative terms (Venkatraman 1990).

5 INTEGRATION AND CONCLUSION

The previous chapter discussed the findings of each article separately and the focus was on specifying and breaking down the contribution that the perspective applied in each respective article makes to the INV research. In this chapter, the findings of each article will be integrated and based on an empirical and theoretical synthesis, the chapter presents the contribution that these findings make to the understanding of INVs as a phenomenon. The first section addresses the research questions of the thesis in light of the integration of the findings. The next revisits the premises that were raised as a starting point of this thesis and then proceeds to discuss the value of the contingency approach to the understanding of INVs. By so doing, the chapter aims to answer the overall research purpose of the thesis. This is followed by the summary of the theoretical contribution and a discussion of managerial and public policy implications, which form an important part of the contribution as well. The chapter ends with an evaluation of the validity and reliability of the thesis, the discussion of limitations and suggestions for future research.

5.1 Integration of the findings

The main purpose of the study was to *develop a description and understanding of international new ventures as a research phenomenon and to provide insights into how the development of such firms could be understood by emphasizing the contingent nature of the phenomenon*. Four research questions were formulated, each of which represent different perspectives in examining the research gaps identified, that is, the prevailing premises that were identified in the research on INVs and IE. In so doing, addressing these research questions was expected to shed light on the possible contingencies in the development and behaviour of INVs and thereby to stimulate theory development in the area of international entrepreneurship. The findings of this thesis are here integrated and discussed in light of the research questions.

RQ (i) What are the internationalization development patterns that are distinctive to INVs and serve their identification?

The first research question was primarily addressed by a multiple case study in article A. The case studies show how it is not possible to generate any one internationalization pattern that is distinctive to INVs. On the contrary, there seem to be many different internationalization patterns among INVs, suggesting that INVs are a more versatile phenomenon than perhaps assumed in the literature. Although

INVs share many features – such as the early initial foreign entry and operations in a fairly high number of countries – closer scrutiny revealed that a variety of patterns is distinctive to both the early and subsequent internationalization development of INVs.

Drawing on the theoretical framework by Oviatt & McDougall (1994), the internationalization development of INVs was particularly explored in terms of the international coordination of value chain activities and the scope of markets with the value chain activities. Concerning the development of operations and their coordination, some INVs evolved to the point of conducting various operations (including marketing, purchasing, R&D, financing etc.) internationally, while others limited their international operations mainly to sales, marketing and logistics during their development. For outward operation modes, a gradual development was distinctive of the different INVs studied. Except for global start-ups, the INVs were slow in establishing subsidiaries and production abroad but rather relied on non-investment operations and partners. The INVs seem to enter a fairly high number of markets soon after establishment especially when sales activities are considered. Yet, activities other than sales were limited to noticeably fewer countries than was sales activity and this was the case even in the latter phase of development of the INVs. At the same time, the study identified differences in market entry patterns in terms of the geographical distribution, concentration and the proximity of countries where the INVs operated. As further illustrated by article D, global expansion is also an important dimension in understanding the internationalization development of different types of INVs.

The case firms could be classified into the four types suggested by Oviatt & McDougall (1994). Their typology serves particularly well as a cross-sectional illustration of different types of INVs and thereby supports their identification. However, although the four types could be regarded as illustrating different patterns of internationalization development among INVs, the development and changes involved in the INVs are not captured by typologies. The internationalization development of INVs may be confronted with fast paced changes and both the direction of change and speed of internationalization may alter over the course of time. On the other hand, while an INV may exhibit highly dynamic development by for example evolving from one type to another, there is also room for more stable development, as some INVs illustrated.

Especially when tracing the development of the INVs from the background to foundation until their early and subsequent international endeavours, the distinctive patterns of development were difficult to establish since each of the firms seemed to evolve in a different manner. Certain contextual factors were identified

as common in the INVs and some functioned as determinants of the differences in the internationalization patterns. These contextual issues are discussed further in the next section. Based on the case studies, no typical paths in the change from one to another type of INV could be identified (nor was this the aim with the case method). This suggests that when the INV development patterns are examined beyond the early phase, the types of INVs are multiplied. Based on these findings, it is suggested that rather than *general* or *typical* patterns, the INV internationalization development is to be defined by *situational* or *contextual* patterns.

However, in light of the research findings, four *patterns* in terms of the development of firms within the typology could be distinctive to INVs: 1) A stable pattern where the INV does not evolve greatly in terms of the market scope or coordination of different activities internationally.¹⁹ 2) A development pattern that is marked mainly by changes in the market scope after the early phase.²⁰ 3) A pattern entailing an increase of international commitment both in terms of the scope of markets and coordination of activities in the markets. 4) A more complex pattern characterized by back-and-forth evolution in the international activities and market scope. This might entail a temporary withdrawal and a refocusing of activities into certain markets.²¹

RQ(ii) How does international experience relate to the internationalization development of INVs?

Whereas article A introduced the international experience as an important characteristic of INVs, the second research question was more specifically focused upon in article B. The major conclusion to be drawn from these studies is that the international experience is related to the internationalization development of INVs in many ways when experience is conceptualized on an individual level, in other

¹⁹ Such as multinational traders or geographically focused start-ups which remained in such a focus also in the latter phase. The INVs that were global start-up since the early years did not evolve in later phase into another type of INV either.

²⁰ Such an evolution could be move from export start-up into a multinational trader, i.e. the increase of sales markets but limiting the international operations primarily to sales and logistics. Another pattern may be a move from geographically-focused start-up to a global player, i.e. the entry into many new markets and continuation of coordination of different value chain activities between markets.

²¹ Such as an INV initially classified as a multinational trader, but which later evolved into a geographically focused start-up and to a global player. Having established sales in a high number of countries in the early phase, the firm later focused on increasing operations in a smaller number of countries. Only after developing the different activities in these countries were new market entries preferred, eventually resulting in a global player type of INV.

words as a characteristic of the entrepreneur(s) and top management team of the INVs.

The results suggest that international experience is related to an actual higher speed of internationalization of new ventures. They further indicate that experience is related to the decision-making in the course of internationalization through its influence on internationalization motives and strategic decision-making concerning market selection and entry mode commitment. The survey results reported in article B suggest that particularly prior experience gained *on international tasks in other Finnish internationally-operating firms* is related positively to higher speed of internationalization of new ventures and it significantly distinguishes INVs from local new ventures. Furthermore, other international experience types were found to have a positive relationship either with higher export share in the early phase or with the firm being younger at the point of entering its third foreign market. The results also show that international experience is a significant element in the new venture decision-making concerning internationalization – in ventures that have highly experienced managers, the internationalization decision is more likely to be motivated by this experience and such a motive is likely to lead to a higher export share in the first three years.

However, although article B suggests that international experience is an important determinant of INVs and of speedier internationalization, the case study analyses in both articles A and B further illustrate how the nature of international experience still differentiates types of INVs from each other. Specifically, the international experience *in the industry* where the INV operates is related to the coordination of value chain activities across countries, but also to the market selection and global market coverage. Global start-ups and geographically focused start-ups were founded and/or managed by decision makers who had gained notable previous international experience in another firm or research organization in the same industry. These cases illustrate how such experience influenced the market selection and operations development abroad. In contrast, firms without such a level of experience to call upon were focused mainly on exporting (export start-up and multinational traders). The case studies also show that the decision-makers' international experience not only in technical and research functions but also in the marketing and business side of the industry are characteristic of global start-ups. When the findings are integrated, the survey results show that high levels of previous international experience (especially in international jobs in other firms in the home country) is related to higher speed of internationalization of new ventures (directly and also by being an important decision-making motive behind early internationalization), whereas the case studies further suggest that broad previous international experience *in other organizations in the industry* of the

INV was characteristic of advanced INVs such as global start-ups and influential in their decisions concerning internationalization.

RQ (iii) How are proactiveness and reactiveness associated with the internationalization development and strategic decision-making of INVs?

The third research question was the sole focus of article C in which it was addressed through a conceptual study. The empirical articles also illustrate proactiveness and reactiveness from two more specific viewpoints in INVs development, namely from the viewpoint of motives behind INV internationalization and the strategic approach in terms of market orientation. These empirical findings to the third research question are discussed first, after which they are integrated with the results of the conceptual study.

In article A, the internationalization of different types of INVs was found to be associated with both proactive and reactive types of motives and the INVs studied regarded both reactive and proactive motives as important for initial internationalization. Although these motives were not explicitly classified as either proactive or reactive in the article, most of the motives examined can be regarded based on their nature as either more proactive or more reactive. Such a division of motives is supported by the discussion of motives in earlier studies (see e.g. Leonidou *et al.* 2007) as well as discussion in article C (especially page 194). Studying these same internationalization motives, the survey results in article B also prompt such a conclusion relating to the parallel importance of both proactiveness and reactiveness in the internationalization development of INVs. In the survey data, both more proactive type of motives (such as the fact that the domestic market was never considered as the only market) and reactive motives (such as the success of competitors abroad and inadequate demand in the domestic market) were significant triggers for speedier internationalization of new ventures.

Besides the fact that reactiveness and proactiveness seem to describe the twofold nature of the motives behind INV internationalization and the speed of such internationalization, article D shows that proactiveness and reactiveness are also manifested in the strategic orientation of INVs. The two concepts were studied in particular in terms of market orientation – the firm's approach towards customers, competitors, and inter-functional coordination (Desphande & Farley 1989; Narver & Slater 1990). The case study results imply that both reactive and proactive market orientation is descriptive of INVs. As illustrated in the case firms, an INV may integrate both these approaches in its market orientation – or lean more strongly towards either a reactive or proactive approach to markets. Proactive and reactive market orientation may define an INV's strategic approach both in its early and latter phases of development. However, the market orientation of an

INV is also suggested to alter its character in terms of proactiveness and reactivity over time, and in some INVs proactive market orientation especially seemed to be a declining characteristic as the INV's global growth advanced. Proactiveness in market orientation was reflected in the focus on the latent, future needs of customers and in the ineffectiveness of conventional market research to capture the market potential. In the early phase of INVs, reactivity meant especially active, close dialogue with a few big customers whereas the latter phase of INV development was marked by the use of systematic, large scale market research and competitor analysis.

Furthermore, proactiveness and reactivity in market orientation seemed to underlie the development of entrepreneurial marketing strategies and that ultimately to influence the marketing performance of INVs. While proactiveness in orientation to markets fostered more innovative marketing strategies, reactivity was conducive to adapting marketing strategies. The role of proactive and reactive market orientation on the marketing performance of different types of INVs was dependent on the fit of the market orientation and also other contextual factors (the external environment or the INV's phase of development) with the marketing strategies employed.

Taking the empirical findings together, it can be concluded that both proactiveness and reactivity seem to be related to the internationalization development and strategic decision-making of INVs. Proactiveness and reactivity is manifested on different levels, such as internationalization motives and strategic market orientation. Both proactiveness and reactivity may determine the internationalization development pattern as well as the marketing strategies and performance of different types of INVs. Although they affect the decision-making on internationalization, it is not possible to differentiate types of INVs or their internationalization patterns based on the nature of motives. Instead, both proactive and reactive motives determine the internationalization of different types of INVs at the same time (article A). Earlier literature has tended to disregard the twofold nature of market orientation – however, the current research shows that this issue is important in understanding the development of INVs and of their marketing strategies, in particular (article D).

In relation to the third research question, the conceptual study further discusses how proactiveness and reactivity might manifest themselves in INVs and IE. Building on earlier literature, the main conclusion is that in INVs, proactive and reactive approaches to strategic decision-making may be pursued simultaneously and the INV internationalization entails a fluctuation between proactive and reactive features. Article C prompts a suggestion that understanding INVs requires

that both proactiveness and reactiveness are taken into account at the theoretical level of IE also. Proactiveness and reactiveness should be explicitly incorporated into the theoretical frameworks for INVs and their strategies and examined on different levels. The lack of this kind of parallel notion of the two concepts in the previous literature is suggested to relate to the imbalance of entrepreneurship and international business theories in IE. The definitions of IE and INVs are strongly based on the entrepreneurship research tradition, whereas IE studies, and especially those focusing on INVs, often draw on international business theories without trying to integrate theories from both fields. At the definitional level, IE and INV research is therefore rather linked to the proactiveness inherent in entrepreneurship, whereas the concepts and assumptions of the international business theories are not integrated in a similar manner and the reactiveness inherent in internationalization theories is dealt with more implicitly without integrating it to theory development.

RQ (iv) How does entrepreneurial marketing as a strategic approach relate to the internationalization development of INVs?

The fourth research question was the focus of article D. To understand this relation, the approach was first to analyse how entrepreneurial marketing encompasses different types of INVs. In light of the interplay between earlier literature and case study analysis, two dimensions – innovativeness and adaptation – are suggested to be central to the depiction of entrepreneurial marketing strategies of INVs during their internationalization development. The findings also suggest that for this research question it is important to consider the internationalization development of the INVs especially in terms of global growth.

In the INVs studied, three themes emerged as significant elements for the innovativeness dimension of entrepreneurial marketing: value innovation, co-creation of marketing, and adoption of low-cost marketing. For the second dimension, adaptation of marketing strategies, it entailed the adaptation of marketing strategy to customers on the one hand and to counties or regions on the other. Analysing these elements, the findings indicate that the development phase of the INV creates pressure for INVs to alter their entrepreneurial marketing strategies. Global expansion of sales, the increase of subsidiary operations and firms' overall growth prompted less innovative and less adapted marketing strategies. More innovative and more adapted marketing strategies were reflected in the INVs in their early phase of global growth than in the latter phase.

However, in light of the case study results, it is suggested that the nature of the relation between entrepreneurial marketing as a strategic approach and the internationalization development of INVs is also contingent on other contextual fac-

tors. Entrepreneurial marketing was reflected differently in INVs not only based on their global growth phase but also on the global diversity and turbulence of the external environment and the proactiveness and reactivity of the market orientation of the INV. An early phase INV operating in a less global scope might pursue less innovative or adapted marketing strategies, if the competitive environment is stable and the industry is globally integrated in terms of customer needs, logistics and so on. On the other hand, an INV that has developed into a larger global company may devote more effort to develop innovative marketing strategies and adapting to customer or country requirements, if the environmental context is more conducive to such behaviour owing to such things as turbulence and global diversity of the markets. Irrespective of the internationalization development and global growth phase of the INVs, proactive market orientation seemed to foster more innovative marketing strategies, whereas reactive market orientation prompted adaptation of marketing either to customers or countries.

5.2 Towards the contingency approach

Along with developing a description and understanding of INVs as a research phenomenon, the purpose of this study was also to *provide insights into how the development of these firms could be understood by emphasizing the contingent nature of the phenomenon*. The current chapter will discuss the research findings in relation to this purpose.

To begin with, the examination of the premises held in INV research is aimed to reflect the possible contingent nature of the development of INVs. Addressing the research questions offered an examination of the four premises which were discussed in Chapter 1. To shed light on the prevalence of these premises, the thesis viewed the INV phenomenon through the lenses of consistency versus variety, stability versus dynamism, and generality versus contextuality. The main conclusions that can be drawn from the thesis in relation to the premises are presented in Table 6. Examining the premises suggests that the INV phenomenon is multifaceted and that despite the characteristics that arise as general or constant in INVs, they are essentially a heterogeneous group of firms at the strategic level and in terms of their internationalization development. The development of entrepreneurial marketing strategies in the firms studied reveals that entrepreneurship is a less consistent feature of INVs. Furthermore, provided that proactiveness and innovativeness are proxies for the entrepreneurial nature of behaviour or decision-making (see e.g. Lumpkin & Dess 1996; Sundqvist *et al.* 2012), the findings support the previous conclusion as the two elements received a varying emphasis in the INVs studied.

Table 6. Revisiting the premises in INV research in light of the research findings

Premise I – INVs evolve in a manner that is inconsistent with the internationalization process theories.

The following findings suggest partial consistency of INV development with some underlying assumptions of the internationalization process theories:

- The important role of experience in the internationalization speed of new ventures, in the internationalization motives of rapidly internationalizing new ventures, and in the market selection and entry mode development of INVs (*articles A and B*)
- The importance of reactive motives of internationalization in INVs in general, the relationship between some reactive internationalization motives and a higher speed of internationalization (*articles A, B and C*)
- Some INVs seem to develop in stages, in terms of the proximity and geographical distribution of the markets entered and also in terms of the entry mode commitment. However, the speed of entering markets is likely to be rather high, a fact which is not acknowledged in the process theories. Whether the INV development is incremental in relation to market scope and entry mode development may be understood by internal and external contingencies. (*article A and supplementary analysis of the data in the thesis Section 4.1*)

Premise II – INVs are a distinct group of firms that share an internationalization pattern depicted by rapid parallel entries into multiple countries from inception.

The findings support the premise that INVs enter multiple countries rapidly from their inception. Yet the following points challenge this premise and point out the dynamism and variety of INV internationalization:

- Rapid internationalization is concerned with speed, which refers to time and direction. However, after initial entry into multiple countries in the early phase, INVs may not necessarily internationalize in a constantly rapid manner and nor does the INV internationalization necessarily occur in a linear direction. (*article A*)
- The internationalization paths of the case INVs suggest that it is difficult to generate universal patterns or characteristics encapsulating INVs' internationalization development. Although INVs enter many countries rapidly from the point of their inception, there is a great variety among INVs in terms of the geographical proximity and the concentration of operations among countries entered as well as in the development of value chain coordination across countries. The variety and dynamics in the internationalization development of INVs is determined by several internal and external situational/contextual factors; a finding that suggests the need for a contingency approach in INVs and IE in this firm context. (*articles A and C*)

Table 6 *continues****Premise III – INVs can be described and understood by the entrepreneurial nature of decision-making and strategic approaches.***

The following findings suggest that the association of entrepreneurship with the decision-making and strategic approaches of INVs depends on contingency factors. Therefore they cast doubt upon and intervene in the generality and consistency of this premise:

- Internationalization motives and the strategic approach to market orientation of INVs reflect both high and low levels of proactiveness and reactivity. Both proactiveness and reactivity are present in INVs but their manifestation and degree depends on contingencies. Thus, proactiveness (or reactivity) should not be approached as a dichotomous phenomenon. (*articles A, C and D*)
 - Both proactive and reactive motives increase the speed of internationalization
 - Both proactive and reactive market orientation may enhance marketing performance of INVs through influence on their marketing strategies and depending on their fit with other contingency factors.
 - Global growth of the INV induces less proactive market orientation
- The entrepreneurial approach to marketing in INVs is contingent on the nature of the external environment (industry turbulence and global diversity), the proactiveness and reactivity of the market orientation of the INV, and the phase of growth the INV is in. (*article D*)
 - Innovativeness at the marketing strategy level is a changing characteristic in INVs, varying from low to high levels of innovativeness of the different marketing strategy elements

Premise IV – The development of INVs is a product- and technology-centred process where the growth and performance is conditional on innovative products and technologies.

The following findings contradict this premise:

- The INV phenomenon is encountered in various sectors, both low and high-tech industries and service sectors (*articles A, B, D*)
- Product or technology innovativeness is only one element of innovativeness and it does not as such explain INVs, especially when we consider their growth and performance (*article D*)
- Innovativeness at the marketing strategy level is manifested in three elements: the value innovation, co-creation of marketing and adoption of low cost marketing strategies. (*article D*)
- Innovativeness in INVs varies from low to high level innovativeness and differs between INVs in terms of elements of marketing strategy innovativeness (*article D*)
- Whether higher innovativeness in marketing strategies enhances marketing performance depends on its strategic fit with the global growth phase, market orientation and external environment of the INV (*article D*)

The empirical research path (Bringberg & McGrath 1985) was adopted in this study owing to the nature of the research gaps identified and the research purpose consequently addressed. The empirical path was especially valid in shedding light on the contingent features of the INV phenomenon. On the basis of the interplay between earlier literature and the findings of this thesis, it is suggested that the holistic description of INVs as well as the understanding of their development and performance is enhanced by adopting a contingency approach. The contingency approach has often been seen as one rooted in or related to systems thinking. Arbnor & Bjerke (1997) describe the systems approach in a way which fits particularly well with the findings on INVs in this thesis:

The assumption behind the systems approach [---] is that reality is arranged in such a way that the whole differs from the sum of its parts. This means that not only the parts but also their relations are essential, as the latter will lead to plus or minus effects (synergy) (Arbnor & Bjerke 1997: 51).

The results suggest that while some features emerge as consistent in INVs, the firms vary greatly at the strategic level of their behaviour as well as in their performance. The INVs vary in terms of their internationalization especially when the market and operation strategies are considered (the proximity of markets, market concentration, global dispersion, operation mode commitment and coordination of value chain activities across countries). In addition, the INVs differ from each other in terms of their entrepreneurial marketing strategies. The time dimension even increases the diversity, as indicated by the exploration of case INVs during their evolvement from start-up to more established firms. In addition to offering a description of INVs, the findings in articles A and D show how INVs develop in the longer run. Different development paths were identified in article A, whereas article D showed the types of changes occurring in entrepreneurial marketing strategies as INVs develop. The results further suggest that certain contextual factors determine the development of INVs. However, these situational factors entail parallel variation and their interrelations are also influential. This suggests that typological approaches to INVs (Oviatt & McDougall 1994) are not best suited to capturing the differences at the strategic level and in the development of INVs. The results prompt a suggestion that it is less relevant to study which internationalization pattern(s) or strategic approach(es) are most typical or appropriate for (the types of) INVs, than it is to study the pattern or strategic approach most likely or effective *in a given situation* (see Hellriegel & Slocum 1974). It is suggested that there are different effective internationalization and strategic alternatives available to INVs.

As illustrated in Figure 8, the thesis shows that situational or contingency factors that are likely to determine the development of INVs can be found in different

levels. The framework depicted in this Figure is not intended to be comprehensive in that it would cover all the situational and contextual determinants of INV development. However, the framework aims to capture some of the relevant factors to be considered. The internal contingency determinants can be found in two levels: the individual and organizational level. At the individual level, the founders and top-management team of the INV are important determinants in the INV especially in terms of the international experience as discussed previously. At the organizational level, the INV's strategic approach (market orientation), its global growth phase and decision-making motives each function as contingencies for the development. In addition, the background to the firm's foundation, especially the nature of the business idea and product were identified as crucial determinants in the development. Finally, whereas the former factors relate to internal determinants of development, at the external level, the relevant contextual factors to consider are related to the characteristics of the environment in terms of market turbulence, global diversity and technology level of the industry. However, the INV development is not understood by the sum of these contingencies but by the parallel variation in the contingencies and the interrelationships between them. Obviously, when taken together, there are many possible constellations of these situational factors from the different levels.

The findings of this thesis provide an illustration of how these contingencies can manifest and influence the development of the INVs. Firstly, industry networks, the technology level of the industry and the firm, and broader and more versatile international experience were associated with higher coordination of activities in the early phase in the INVs studied. Secondly, more reactive motives to internationalize were associated with the export start-up type of INV than they were with global start-ups. On the other hand, these INVs also shared many similar motives for internationalization. Thirdly, firms that were characterized as global start-ups in their early phase were associated with more mobile offerings than export start-ups. They also appeared to have very broad and versatile international industry experience. On the other hand, INVs that were initially seen to have a less-global presence (a multinational trader or geographically focused start-up) but which later developed into a global player (with increases in both the number of markets and the coordination of value chain activities abroad), were characterized by the original business idea and the foundation of the firm stemming from an innovation or an R&D project and by the important role of patents granted. These firms did not necessarily share a similar background in terms of their international experience or mobility of their offerings with the INVs that were global start-ups in the early phase. Finally, the INV internationalization development in terms of global growth arose as an important contingency in the marketing strategy changes and marketing performance of the INVs. In particular, the results suggest that

whereas innovativeness is fostered by a proactive market orientation of the INV and reflects an era of environmental turbulence, adaptation of marketing strategies is understood by the global diversity and reactive market orientation of the INV. Finally, a normative perspective on the contingency influences was adopted in article D. The marketing performance of INVs appeared to depend on the strategic fit between the entrepreneurial marketing strategies of the INV, its global growth phase and market orientation, and global diversity and market turbulence of the environment.

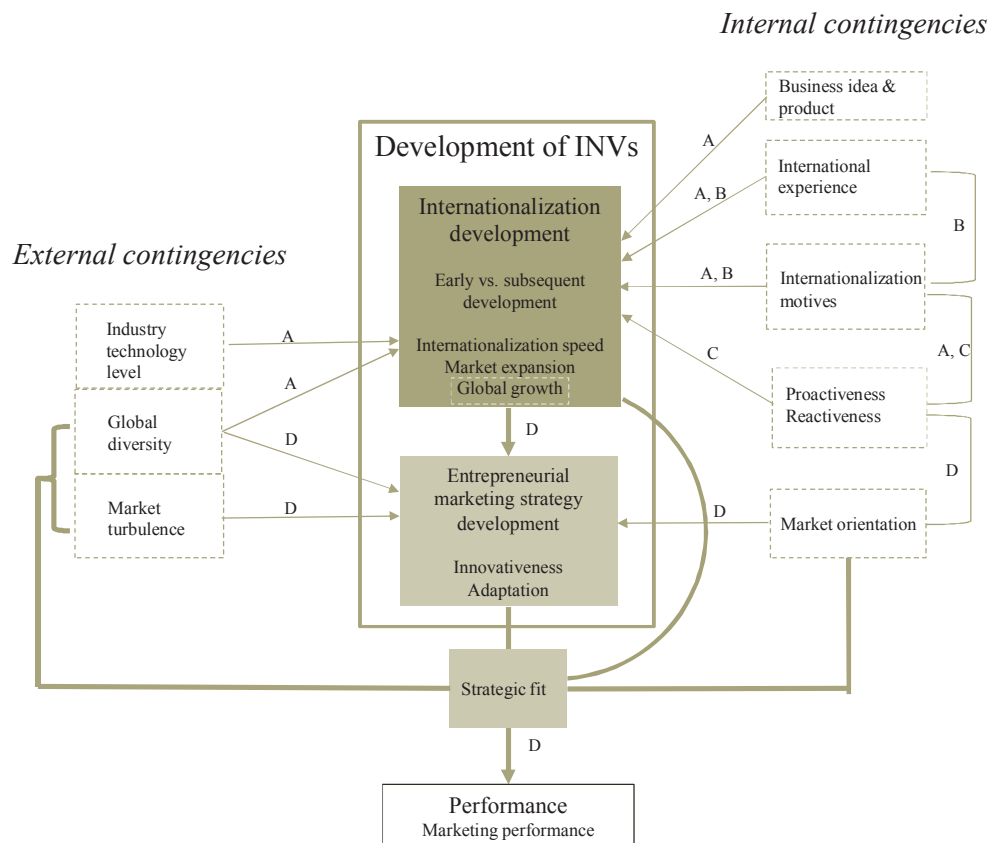


Figure 8. A contingency framework of international new venture development

5.3 Reflections on the contribution of the study

5.3.1 Theoretical contribution

The main contribution of this thesis is its advancement of a holistic understanding of the INV phenomenon. Whereas previous INV research has often been rather fragmented in nature, in this thesis specific perspectives were selected for exami-

nation to contribute to a more holistic understanding of the INV phenomenon. The thesis shows why and how the understanding of INVs is enhanced through adopting a contingency approach. It elaborates on which are the important contingencies that help to describe and understand the development of INVs. The study forms a contingent understanding of INVs foremost on a descriptive level but also on the normative level (*article D*) through a discussion of strategic fit in the creation of marketing performance in INVs.

This contribution is foremost addressed to the research field of IE, which has in the literature been regarded as the home of INVs. First, the thesis offers a description of the internationalization development patterns of INVs by adopting a longitudinal perspective, monitoring the development starting from the background of foundation and proceeding from the early phase patterns until the subsequent development of the firms. The study also illustrates the development of INVs in terms of the global growth phase. The development of INVs after their early phase has received limited attention and offering the understanding of later development and growth of the INVs is an important contribution. Secondly, through these different approaches, the thesis contributes to the literature of INVs and IE by focusing beyond the global start-up or born global types of INVs and by elaborating on the development and characteristics of many different types of INV (Zahra 2005; Jones *et al.* 2011). Thirdly, the thesis is also one of the first to apply and develop the INV-typology by Oviatt & McDougall (1994) within an empirical setting.

This study contributes also to the future development of the definition of INVs. The findings will be of importance when the researchers consider the definition of the phenomenon and the features that label INVs as distinct from other phenomena. In particular, the study suggests that the definition should incorporate the situational aspects and variety, and be contextual. It offers basis for including the concepts of market distance (see Lopez *et al.* 2009), international experience, gradual development (see Hashai & Almor 2004) and parallel strategic approaches in the future definition of INVs.

In addition to INV research, the thesis contributes to the wider field of IE by examining the premises held in the field concerning INVs, and by discussing IE in the context of INVs, so highlighting the inconsistencies of IE in relation to these firms as a research phenomenon in the field. Coviello, McDougall and Oviatt (2011) point out that while INVs are a stream of research in IE, international SMEs are a distinct phenomenon; SMEs may not incorporate entrepreneurship in their behaviour in the manner intended in IE, and in INVs thereof. However, in the light of the results of this thesis the generalizations on INVs as entrepreneurial

actors are not quite justified. The results of the thesis evidence how INVs are a multifaceted phenomenon with regard to their internationalization development and strategic decision-making. Accordingly, the thesis offers some insights into how such complexity sets challenges for the development of IE theory, given that INVs are seen and approached as a subset or divisions within IE.

Indeed, although the research focus on INVs eventually gave rise to a new research stream of IE, this thesis suggests that IE research has developed into a direction that established these two issues – INVs and IE – as different and not necessarily related phenomena. The IE research field is increasingly seen as a broad one that simply integrates international business and entrepreneurship views in its investigation of various research topics. Furthermore, the findings provided in this thesis support the views of some scholars who have pointed out that INVs may not be as distinct from other internationalizing firms as is assumed (Fan & Phan 2007; Lopez *et al.* 2009) and that they may be understood – at least partly – by existing theories and thus may not merit a totally new theory (Madsen & Servais 1997). Early and accelerated internationalization behaviour of firms and the emergence of INVs as a phenomenon has been suggested to offer room for new theoretical approaches within international business research rather than the establishment of IE as a field distinct from international business (Mathews & Zander 1997). In their review, Gamboa and Brouthers (2008) make a striking assertion that “IE research merely replicates IB and international strategy research, substituting smaller firms for larger ones” (p. 557). Interpreting the findings of this thesis, it is evident that the extant literature in the field of IE has tended to fail in actually integrating both fields of international business and entrepreneurship, but rather leaned on either one of these core theories of IE (see Coviello & Jones 2004; Keupp & Gassmann 2009). This is a challenge which still needs to be resolved in order to establish IE as a separate and self-contained field of study. To address this challenge, article C especially endeavours to provide basis for future research to more fully integrate entrepreneurship and international business into IE.

Notwithstanding the important contributions that IE can make to the understanding of INVs, this thesis suggests that an important aspect for the advancement of theory is to consider whether INVs should in future be rooted solely to IE theory or instead be treated as a phenomenon which can be conceptually and methodologically approached and understood from different theoretical perspectives and disciplines. In order to move into this direction, the current thesis examines INVs by integrating theory and concepts from three research traditions – international business, entrepreneurship and marketing – and adopts a mixed method approach to its enquiry. This interface approach generated new knowledge that can be uti-

lized beyond INV and IE research, specifically in the extant literature on internationalization of firms, international marketing, entrepreneurial marketing and entrepreneurial behaviour of firms.

More precisely, taking an approach which integrates theoretical perspectives from three research traditions can be regarded as a contribution beyond INV and IE research in the following ways. The concept of international experience was studied in INVs by integrating international business literature with the entrepreneurship and management research (*article B*). This contributed not only to INV and IE research, but also to the internationalization theory literature. The focus on the relationship between experience and INV internationalization development helps to evaluate the explanatory power of internationalization process theories as well the criticism of them in the literature. This is important in the further development of the INV and IE theories but it may also aid the further development of internationalization theories.

The results imply some explanatory power of the traditional models of internationalization (Johanson & Vahlne 1977; Johanson & Wiedersheim-Paul 1975) and in so doing address the debate concerning the need for new theories to explain INVs (e.g. Oviatt & McDougall 1997). According to the Uppsala model, exporting accumulates experience and knowledge of the foreign markets, culture and language and reduces uncertainty, thus encouraging firms to advance along their internationalization path (Johanson & Vahlne 1977). The decision-makers' prior international experience in the industry and in the international tasks of other Finnish firms operating internationally can be considered comparable to experience as it has been conceptualized in the Uppsala model²² for example (the accumulation of firm experience), except that it is conceptualized on a different level. The previous international experience of the entrepreneur and management team can be seen as the process of experiential learning that takes place at the level of the decision-makers and begins even before the establishment of the new venture. Thus, this thesis indicates that utilization of some of the basic assumptions and concepts of the internationalization process theories, especially the Uppsala model, seems a justifiable step for theory development in INVs and IE. The results of the thesis concerning the market entry and operation mode development in INVs also contribute knowledge about the explanatory power of the stepwise pattern emphasized in the internationalization process theories. The results suggest that INV internationalization often occurs in stages as well; however, the speed of development should be incorporated into the internationalization

²² See Chapter 2.3.1

process theories to more fully address the internationalization of different types of firms, including INVs.

The elaboration of proactiveness and reactiveness in INVs contributes to the INV research as well as to the wider discussion of proactiveness and reactiveness in IE, international business and entrepreneurship. It is hoped to add meaning to and shed light on some of the earlier findings about the diverse and contradictory role of proactiveness in INVs (e.g. Kuivalainen *et al.* 2007), but also to highlight reactiveness as an equally important concept in the INV theory. The examination of proactiveness and reactiveness offers new knowledge to international business and entrepreneurship literature by discussing what proactiveness and reactiveness are at a more general level and by comparing the approaches taken in these two streams to proactiveness and reactiveness. It is hoped this analysis will support the ongoing theory development and especially the integration of international business and entrepreneurship into IE. The results show that proactiveness and reactiveness have been studied in many contexts and under a multitude of terminology in these fields. They have been studied mainly as parts of other constructs, such as strategic orientations (entrepreneurial orientation and market orientation), motives for decision-making and triggers of or obstacles to behaviour, whereas this study examined the concepts also as core phenomena reappearing in three research fields.

Studying the entrepreneurial marketing in INVs contributed to the INV and IE research, which has not yet provided an understanding of entrepreneurial marketing in INVs and of how these strategies develop. Given that innovativeness has earlier been given a somewhat biased treatment in the INV literature (i.e. a view focusing mainly on product/technology innovativeness), this thesis also offers new knowledge about the versatile nature and role of innovativeness in INVs' marketing strategies. This interface approach adopted to study the entrepreneurial marketing in INVs also contributes to the marketing research, namely to the adaptation/standardization literature (Theodosiou & Leonidou 2003) and to the literature on entrepreneurial marketing (Morris *et al.* 2002). Furthermore, earlier literature has focused on marketing adaptation/standardization aspects and strategic fit (Gabrielsson *et al.* 2012), whereas this thesis also discusses the strategic fit in relation to marketing strategy innovativeness.

Finally, drawing on Patton (2002: 120), researchers in the field of IE suggest adopting systems thinking to achieve a more holistic understanding of IE and INVs (Coviello & Jones 2004). Yet, the contingency approach has rarely been adopted in the studies of IE and INVs (see e.g. Keupp & Gassmann 2009; Jones *et al.* 2011). Therefore this thesis and the findings regarding the important internal

and external contingency elements in INV development make a theoretical contribution to the extant research. The results support the conclusion that the IE research is still at a rather early stage and it seems premature to pursue parsimony in the theoretical frameworks or concepts (Bringberg & McGrath 1985). Instead, the holistic understanding in the thesis is intended to contribute to the theory development in INVs and IE.

5.3.2 *Managerial and public policy contribution*

This thesis applies both survey and case analysis of many different types of INVs, including INVs that focus primarily to exporting in few or many countries as well as those that conduct various operations in geographically focused area or even globally. The thesis provides knowledge of INVs in the early stages of development and the more established ones. Each of the articles has implications for managers as well as public policy decision-making but also integrating the results highlights some important practical implications.

The firms in the case study 1 (under scrutiny in articles A and B) varied greatly, not only in terms their internationalization development but also in terms of their financial performance. Looking at the highest performing INVs, some important implications for managers as well as for public policy can be found. In terms of the strategic decision-making, the foreign markets are in these firms based on earlier contacts of the management and strategic considerations of the R&D and marketing cooperation prospects. Although entry was regarded as strategic, it was strongly influenced and enhanced by the international experience of the entrepreneur(s) and top management team. Indeed, the international experience especially in other Finnish internationally operating firms in the similar industries is very important in the emergence and development of INVs. Furthermore, the use of partners is descriptive of these INVs, who leverage the resources of local distributors and brand label and OEM customers. The performance of INVs also seems to depend on the ability to broaden the product offering through modifications to the core product or technology and different optional adaptations.

Analysis of the four INVs in case study 2 (in article D) offers an important managerial contribution by discussing the decision-making and choices concerning marketing strategies during not only initiation but also the further growth of INVs. The results encourage INV managers to reckon in the conditions under which the marketing strategies are employed. This entails that the entrepreneurial marketing strategies of INVs need to be capable of change. The performance consequences of innovativeness and adaptation of marketing strategies are conditional on the firm's growth phase, but to achieve higher performance, entrepreneurial

marketing strategies need to correspond to the level of turbulence and global diversity of the environment, as well as the firm's market orientation too. The results suggest that INVs pursuing innovativeness should look beyond product and technology innovativeness and consider novel approaches in defining and developing the value proposition, in co-creating marketing strategies and in using low-cost marketing strategies. In light of the results, it is suggested that in adaptation decisions an INV manager needs to acknowledge not only the country differences, but also the need to meet the adaptation requirements of major foreign customers. Especially in the early phase, the acknowledgment of the adaptation requirements of big international customers is crucial.

Overall, the results of the thesis suggest that governmental support organizations need to take a more multifaceted approach to INVs. Firstly, INVs encompass firms following different internationalization paths. Owing to the contextual and situational forces and their intertwined influences on INV internationalization, it is difficult to identify INVs based on some predetermined set of criteria, such as innovative technology or originality of the business idea. On the contrary, the potential of an INV needs to be considered from a more holistic and contextual perspective. While results suggest that in general the faster internationalization requires highly internationally experienced managers, the growth and performance of INVs depends on the strategic fit between the contextual factors and these viewpoints should be taken into account when targeting the support.

Turning to why INVs internationalize in the first place, the subsidies received for export operations seem less relevant triggers for INVs. This might be related to the inappropriateness of the support in relation to the needs of INVs. The variety of INVs in terms of their entry and expansion operations calls for more versatile assistance from the government. In terms of government policy and decision-making, the findings of article D prompt the conclusion that support mechanisms need to move from their current product- and technology-centred focus and innovation-based programmes to more holistic support for developing marketing strategies in the course of the growth of INVs. Especially at the early phase, it is important that the innovativeness is pursued in several elements of marketing strategies. In addition to innovativeness, the management of marketing strategy adaptation/standardization becomes an important issue in the support of INV growth. Overall, the results of this thesis should encourage public policy decision-makers to acknowledge that the development, growth and performance of INVs is contingent on many issues in parallel.

5.4 On the quality assessment of the study

The quality of research can be evaluated by a number of means and criteria. The purpose of the study, the philosophical orientation underlying the enquiry as well as the methodologies used are all important aspects when one considers the quality and which means and criteria to emphasize in the evaluation. The empirical methodologies used in this thesis are case studies and a survey study, with the former being in a more central role, as it has been used in three of the articles to shed light on all of the four research questions of the thesis. Rather than representing the pursuit of subjective and interpretive pictures of the empirical world, the use of both qualitative and quantitative methodologies was more or less guided by reality-oriented thinking, especially by the critical realism and post-positivist approach. This scientific philosophical standpoint of the thesis encourages use of the traditional evaluation criteria such as validity, reliability and objectivity (Patton 2002: 93).

However, it is important to acknowledge that the traditional concepts of validity and reliability originate not only from positivistic thinking but also from quantitative research. Indeed, some researchers claim that they are not applicable or even relevant in qualitative research and therefore suggest other alternatives for evaluation (see discussion in e.g. Creswell 2007: 201–221; Sinkovics *et al.* 2008). Yet, many of these alternative criteria, such as credibility, transferability, dependability and confirmability reflect validity issues more suitable for qualitative research following a subjective orientation and constructive paradigm (Creswell & Miller 2000). Overall, although these other criteria are gaining in importance among qualitative researchers following such approaches, in the midst of many researchers validity and reliability have remained important and they are accepted as appropriate for qualitative studies too, especially case studies (Yin 2003). Following this tradition, the quality of the present thesis and its different methodologies is evaluated by emphasizing these two concepts. However, the underlying differences in the meaning of validity and reliability between survey and case study method are acknowledged. In relation to this, Healy and Perry (2000) offer a particularly insightful discussion on validity and reliability in reality-oriented and post-positivistic case studies and they might be relevant to consider in this type of international entrepreneurship research as well (Söderqvist 2011). From these foundations, I will now evaluate the quality of the thesis and methods used. A greater emphasis is on assessing the case studies, as they can be seen to comprise the main empirical method, indicated by their use in three of the articles. However, the survey study quality is also discussed and finally the quality of the whole research process too.

Reliability. Both validity and reliability can be approached from the points of view of the method and of the conclusions driven from the results. The reliability of a study has traditionally been assessed by the consistency and stability of the methods and results, indicated by whether another researcher could arrive at the same results and conclusions if the study is repeated in a similar setting and following the same procedure. Reliability in quantitative survey studies refers especially to repeatability and internal consistency (Metsämuuronen 2006: 64). It is often discussed in terms of random error and there are different procedures available to evaluate it. In this thesis, seven individual variables were used to measure international experience and one additional variable measured the impact of international experience in the decision to internationalize.²³ Using many variables to measure international experience is efficient in reducing random error and can thus be considered to improve the reliability of the measurement. The variables were based on earlier literature and can be regarded to reflect international experience as they were intended to. Nevertheless, even more variables could have been used to capture international experience and for example different international experience types could have been measured by using multi-item scales (see a study of large MNCs by Athanassiou & Nigh 2002). However, this would have made the questionnaire (which also covered other concepts) too lengthy and could have had a negative influence on the response rate.

Some researchers stress that the concept of reliability is especially problematic in qualitative studies and also in case studies. Applying the traditional parameters of reliability testing for a case study would mean that studying the same case again with the same methods would yield the same findings as in the original study. Such a result would be extremely difficult to establish. The very feature of case studies is their ability to reveal something in a context. Each case is unique and has its own, continuously changing context as well, so would it not be impossible to repeat the same case study? The reliability of post-positivistic case studies could be evaluated more appropriately by their methodological trustworthiness, that is, by the extent to which the research can be audited and appears trustworthy (Healy & Perry 2000). A relevant aspect of trustworthiness is the creation of a case study database (see discussion below). To increase trustworthiness, the study's Chapter 3 (and the articles) also reports the procedures of how the cases were selected, how the data collection was designed and how the interview and other data were collected. The interviews were conducted following interview guidelines that specified the themes and questions to be covered. As the case

²³ The questionnaire is available upon request.

study data collection (especially interviews) was mostly my responsibility, the risk that for example the interviews were conducted differently than intended in the design was minimized. Finally, to improve the transparency of analysis, the articles also include detailed data on the cases and, especially in article D, quotations from the interviews are used. These elements in the research process are considered important in minimizing the bias and errors and thereby improve the case study reliability in its more traditional meaning (Yin 2003).

Validity. Validity refers to whether the methods used really ‘measure’ what they are intended to and whether the results received are about what they should be and warrant the conclusions made. However, validity can also be understood in a broader sense when evaluating the research process (Brinberg & McGrath 1985).

In quantitative survey research, validity is often divided into internal and external validity (Metsämuuronen 2006: 55). The validity of self-reported measures indicates a limitation to validity in general. Yet, the validity of surveys is often evaluated by focusing on the measures and operationalization of concepts. The questionnaire used in article B was developed as a part of a larger research project. As a project researcher, I was involved in the identification of applicable instruments from previous studies as well as in developing new ones. The members of the project team contributed their experience on quantitative research in international business and the questionnaire was developed in close cooperation with the team. All the concepts were operationalized based on earlier literature and previously-tested measures were used when available and considered appropriate. It was, however, deemed necessary to develop a new set of measures for international experience by modifying items from previous research (such as Bloodgood *et al.* 1996; Burgel & Murray 2000; Harveston *et al.* 2000; Reuber & Fischer 1997). Previous studies that included measurements of international experience were often conducted in different research contexts and so were not applicable as such. In addition, the insights from the studies that focused on experience without the ‘international’ component were deemed important in the development of the variables and analysis methods in this thesis (Reuber & Fischer 1994; 1999). Overall, since the items used in this thesis were developed on the basis of a thorough literature review, their content validity should be considered good (Metsämuuronen 2006: 64).

Validity in case studies can be evaluated in different ways. Guba and Lincoln (1998) point out external validity (generalizability) and internal validity (isomorphism of findings) in the evaluation of post-positivistic qualitative research in general, but Yin (2003) also emphasizes the importance of construct validity in case studies. Construct validity refers to how the data collected measures the con-

struct being focused on. Construct validity of case studies can be enhanced by data triangulation, by use of prior theory and by establishing a chain of evidence (Yin 2003; Healy & Perry 2000).

The issue of construct validity was addressed by collecting the case study data from multiple sources to make the evidence comprehensive (data triangulation). The data were collected through interviews, documents, and survey data and from earlier case study databases (concerning two firms in case study 1 and one firm in case study 2). The data collection was preceded by a period of familiarization with prior literature and theory on the subject. The case study data was collected using thematic interview guides that were prepared on the basis of my (and my co-authors') theoretical exploration and knowledge of the subject in question.²⁴ Before this research endeavour, I had also already completed a Master's thesis focusing on INVs and was thereby familiar with the topic. For some concepts, a more deductive approach was adopted and the interviews were guided by more theory-driven questions, even including questions with ready response options (especially in case study 1). As an example, at the time of enquiry for case study 1, the integration of both open and fixed-response questions was considered appropriate to acquire knowledge of the different INV types that was comprehensive but also comparable. This was in part a response to the dialogue in the field about the conflicting definitions and operationalizations of INVs, both of which had caused problems in comparing the studies of different researchers and so hindered the advance of knowledge in the IE field.

Construct validity was also addressed using theory when drawing conclusions, that is, the interpretation of data was conducted by integrating results with theoretical concepts and developing conceptual categorizations in interplay with previous research. In article D, quotations from the interviews were used as the evidence of analysis and interpretation and to illustrate the link to the theoretical concepts adopted. While conducting the case analysis, the informants were invited to review the reports made on their respective firms. This procedure was followed whenever possible (i.e. with each case firm in case study 2 and a majority of those in case study 1). The feedback received was then taken into account in the interpretation of cross-case results and in finalizing the theoretical conclusions. Finally, to maintain the chain of evidence, the interview transcriptions and other case study data (such as single case reports, documentary data and NVivo-reports) was captured on a database as well.

²⁴ The interview forms are available upon request.

As the case studies were also used to study causal relationships and influence mechanisms, it is important to evaluate the internal validity (Yin 2003). That is about the ability to prove the legitimacy of claims about causal relationships. The use of pattern matching in the analysis of single-case and cross-case data is intended to increase the internal validity in this thesis. In case study 2, the analysis was conducted following the principles of explanation building, which is a specific form of pattern matching stated by Yin (2003). In relation to this, the multiple case studies also built on replication logic and aimed to reveal generative elements that function as influence mechanisms behind INV development. This was pursued particularly by describing the cases in their context and by analysing the contingency nature of the relationships between the concepts. These ‘tactics’ of using replication and a focus on describing the context address the internal validity (or contingent validity) in a manner more appropriate to the research orientation in question (Healy & Perry 2000). It was considered neither possible nor desirable here to pursue internal validity as understood in the positivism.

In case study research, external validity refers to the generalizability of the results beyond the immediate case study (Yin 2003). Considering the external validity, multiple case studies are considered more compelling and robust than single case studies (Yin 2003:46). However, case studies are not conducted to generalize to other cases or to achieve statistical generalization. Instead, they may provide analytic generalization in that the findings can be generalized to some theory (Ibid). A particularly important aspect here is the logic of replication. The cases in the thesis were also selected considering their potential for literal or theoretical replication. While Healy & Perry (2000) consider replication to provide contingent validity, they emphasize that external validity of case studies in terms of analytic generalization should be understood by the quality of theory building (not theory testing). The case studies in this thesis have not aimed so much to test but to develop theory on INVs. The cases are not representative in the traditional meaning of representativeness, but they illustrate theoretical relationships and, by using multiple cases, these theoretical relationships were replicated to see how they manifest themselves in each case. With the interplay of theoretical concepts, the case studies are used to explain why some characteristics or relationships manifest similarly in some case INVs (literal replication) and why they appear differently in other cases (theoretical replication) (see especially article D). Furthermore, the cases were not used to generalize how contingency factors influence INV development, but to develop theory by illustrating which contingency factors interact to determine INV development and how they do so in a given situation of these particular cases. The resulting illustration can be used in a wider theoretical discussion on the elements that make up INV development. However, these con-

tingency elements manifest differently in firms and the theoretical assertions are best left for later testing in other case studies and on wider samples.

As discussed in Section 1.3, Bringberg and McGrath (1985) stress that the validity of a research process should be based on different criteria depending on which of the three stages the research resides in. Considering the validity of this research in light of their discussion, special attention should be paid to the value and worth of the research subject, the importance and usefulness of the research. The study was driven by an empirical phenomenon of interest, not by concepts or methods. In this kind of substantive-driven research process the validity is based especially on the well-being and effectiveness of the system, on the cost/benefit aspects and feasibility of the research. How important is this study in the bigger picture of theory development or for the Finnish economy and firms? As discussed in the Introduction chapter, international competitiveness and growth entrepreneurship are central aims of the government's economic policy. Hence, the discussion of the theoretical contribution and of the managerial and public policy implications is intended to reflect the importance of this topic and the findings on a general level. In particular, the holistic understanding of the INV phenomenon pursued in this study increases its value as intended in the substantive-driven research. The validity of the actual empirical studies conducted in the article should be evaluated also by the correspondence or fit between the elements and relations selected from each of the domain. In other words, how do the selected concepts and methods fit with the research purpose and the phenomenon of INVs being studied? First, as a theoretical orientation, the systems thinking and the contingency approach can be regarded as particularly valid for establishing the holistic understanding this thesis aims to provide (Patton 2002: 120). Secondly, the concepts of experience, proactiveness and reactivity, innovativeness and adaptation, as well as the focus on development and growth, are all regarded as corresponding to the variety, dynamism and contextual features examined in the INV phenomenon. Third, advantages of using mixed methods in this thesis include that the use of a survey study and case studies to answer research question (ii) resulted in both broad and deep knowledge of experience and provided opportunity for divergent aspects of the same, potentially multifaceted phenomenon (Teddlie & Tashakkori 2003: 16).

The concepts of triangulation (or convergence) and replication are treated as a source of research robustness and considered important validity criteria for research that has advanced beyond the early stages (Bringberg & McGrath 1985). Thus, the triangulation and replication procedures in this thesis should be evaluated in relation to the fact that the study was still about searching out the concepts, elements and relations that are relevant in the depiction of INV development. In

future research, these should be validated by even more comprehensive triangulation and replication methods. In the substantive domain this idea of triangulation should be understood so that the findings of any study are limited to the samples that have been studied – thus, researchers should triangulate the findings across different facets, such as different set of INVs, study contexts or methods.

However, in line with post-positivist thinking, in this thesis the validity is regarded as being enhanced through triangulation (Creswell & Miller 2000). According to Denzin (1978, cited in Patton 2002: 247), there are four possible types of triangulation: theory and interdisciplinary triangulation, methodological triangulation, data triangulation or investigator triangulation. Taking an interface approach to studying the phenomenon indicated that instead of examining a single theory, the research questions have been studied through several theoretical lenses, that is through theoretical concepts drawn from entrepreneurship, international business and marketing. Method and data triangulation, i.e. the use of mixed methods and several datasets are relevant sources of validity for this research process as well. As described earlier in this chapter, the main purpose and research questions were approached using more than one method and drawing on the data from multiple case studies, a survey and a conceptual study. Also, the co-authored studies (article A, C and D) allowed for the use of investigator triangulation. Whereas in the conceptual study (article C), the investigator triangulation was reflected throughout the study, in articles A and D this particularly concerns the interpretation of the results, where both authors were involved.

5.5 Limitations and suggestions for future research

Acknowledgement of the limitations of a scientific inquiry is relevant as any researcher will have to choose the focus within a subject or method. This study is not without limitation either and the important theoretical, methodological and empirical limitations of this thesis will be discussed next. These limitations also highlight some possible areas for future research.

The research questions (i) and (iv) were studied through case study approach alone, whereas research question (ii) was also approached through the survey data and research question (iii) through a conceptual study and secondarily through the case and survey study. Empirical data that is based on a purposeful and theoretical sampling of cases does not allow statistical generalization across other cases. The results are limited to the cases studied. However, the multiple case studies applied theory in an abductive manner to produce findings and followed replication logic. The findings were thus intended to develop theory through analytical generaliza-

tion (Yin 2003). Yet, the amount and quality of replications is still open to criticism. Also the fact that this thesis entailed investigation of case INVs drawn from various manufacturing sectors can be considered as a limitation as well, but in the present research setting it was considered important to allow for industry variation in order to address the overall research purpose. Yet, whereas the survey study did include service firms, the service sector was not represented in the case studies. Overall, future INV research should devote more attention to the particularities of the phenomenon in the service sector.

Another important limitation is the fact that the enquiry as to the development of the INVs was not based on such a longitudinal setting that would permit the cases to be studied systematically at several points in time during their evolution since inception. While such a line of enquiry would have especially suited single case studies, it was considered too resource-demanding in multiple case studies. It would have also become rather overwhelming to do comparative analysis of such longitudinal data. Instead, the study relied on retrospective data. Also the context in which the empirical research was conducted should be regarded as a limitation. All the empirical data is from INVs originating in Finland. Therefore, when interpreting the contribution of the results, the specific nature of this context must be taken into account. The results are perhaps more valid in small and open economies than other types.

The thesis is also limited by the orientation that has underlain the enquiry. In other words, the thesis could have arrived at different conclusions if the research questions were approached from more subjective, interpretive and constructive standpoints. However, at the time such approaches were not regarded as appropriate for this research. In the future, research especially around the concepts of experience, proactiveness and reactiveness could gain significant insights by adopting a different type of orientation.

In theoretical terms, at least the following limitations are relevant. Firstly, in analysing the development of INVs, the focus is on the strategic, not operational level. Secondly, the undoubtedly broad concepts of proactiveness, reactiveness, innovativeness and adaptation are studied in this thesis by focusing on their manifestation in elements of a strategic approach or behaviour. Limiting the focus on proactiveness and innovativeness as proxies of entrepreneurial behaviour and strategic decision-making can be subject to criticism too and future research should study further the entrepreneurship in INVs. However, drawn together, the findings on proactiveness and innovativeness can be seen to provide some insights into two dominant streams in the entrepreneurship literature as in some studies proactiveness has been associated with Kirznerian entrepreneurial oriented

behaviour while innovativeness has been linked to Schumpeterian view of entrepreneurship (Sundqvist *et al.* 2012).

The contingency factors elaborated upon in this study are not intended to be comprehensive but reflect those issues considered most relevant on the basis of the results. Furthermore, the contingency relationships were discussed particularly at the descriptive level, whereas a more limited focus was given to the normative approach. The normative aspect to contingency approach in INVs was adopted especially in article D, which discussed the role of strategic fit with the performance of INVs. Furthermore, the analysis of performance was limited to the marketing performance of the INVs. However, the speed of internationalization and share of exports have in some studies also been regarded as proxies for (export) performance, suggesting that other parts of this thesis shed light on the contingency relationships in the performance of different types of INVs too. Finally, whereas this thesis succeeded in identifying relevant contingency factors, the examination of the interaction and parallel variation between these is less comprehensive.

While each article includes a discussion focusing on future research, the remaining part of this chapter concerns itself especially with the future research avenues opened by the thesis on a more general level. As already illustrated by the limitations discussed above, this thesis offers several such avenues.

The thesis provides an integrative theoretical framework of INV development in the light of the contingency approach. It is hoped that future research might investigate the relationships proposed in the framework further. Certain contingency factors were identified as important in the INVs studied, but theoretical sophistication would require validation of the findings in other contexts (such as other countries) and in larger samples of INVs. Future research could move this research on to the next stage by also researching the interaction between the contingency factors of the framework further. As an example the interaction between international experience and market orientation or between international experience and entrepreneurial marketing strategies in INVs deserves further attention, as they were not studied together in this thesis.

For contingency approach studies, both qualitative and quantitative approaches may be beneficial. The qualitative approaches are appropriate to identify and explore potential contingency elements and their complex interactions (Patton 2002: 120); however, there are also advanced quantitative methods available for researching the interaction and strategic fit between dependent, independent, mediating and moderating factors (Venkatraman 1989b). The framework entails factors that have attracted interest earlier in the management and international busi-

ness research and for many of them the operationalization can be built on the basis of previous research. However, the operationalization of the entrepreneurial marketing concept in particular deserves further attention. The framework proposes contingency factors to be considered of consequence to the internationalization development of INVs on the one hand and to the marketing strategy development and performance on the other. This integrative framework can be tested with empirical data in its entirety but future research could also benefit from focusing on selected relationships in the framework. Future research could also examine the strategic fit in relation to performance measures other than marketing performance and in relation to overall profitability.

With regard to theory development, future research could commit to developing the INV definition further. The results suggest that the definition of INVs should be more sophisticated in order to illustrate the variety of INV firms identified in this study. In particular, the thesis suggests that the future definition of INV concept should be contextual. Furthermore, this thesis contemplated whether and how entrepreneurship and international business fields are integrated into the theoretical frameworks of IE when it comes to the aspects of proactiveness and reactivity. There are also other common concepts in the two background fields, such as innovation (see Jones & Coviello 2005) and risk. Future researchers could examine the degree to which the IE research has succeeded in integrating the approaches to risk-taking prevailing in internationalization and entrepreneurship literature for example. These types of steps are likely to unify and enhance the value of IE in the future as well as clarify how INVs relate to this interesting research field.

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Variety in International New Ventures— Typological Analysis and Beyond

Johanna Hallbäck
Jorma Larimo

SUMMARY. Different from the earlier research with its tendency towards a rather homogenous view on International New Ventures (INVs), the contribution of this study is the identification and understanding of the possible variety among INVs. The study aims at exploring the following: (1) Are INVs different from one another in terms of their international development? and (2) If they are, how and why are the differences manifested in these firms? The pioneering INV-framework by Oviatt and McDougall (1994) is applied, accompanied by a long-term perspective on their development and inclusion of several factors as possible agents of the differences. Based on the analysis of eight INVs, the results highlight the importance of the founding conditions, the internationalization motives and the international experience of the founding managers on the INV's development in the early phase. Both initial and subsequent development of the INVs varied with regard to geographical breadth and type of operations abroad, and the results call for a framework that goes beyond typological categorization and includes various situational factors. The implications for theory and practice are provided. doi:10.1300/J037v16n01_04 [Article copies a from The Haworth Document Delivery Service: 1-8 haworthpress.com > Website: <http://www.haworthrightsreserved.>]

KEYWORDS. International new venture, international entrepreneurship, internationalization, born global

The research conducted during the last ten years shows new interesting patterns of international development of SMEs. Results in several studies indicate an increasing amount of young, small firms that initiate international operations soon after establishment. This phenomenon was identified in different parts of the world, especially in the last fifteen years

Johanna Hallbäck and Jorma Larimo are affiliated with the Department of Marketing, University of Vaasa.

Address correspondence to: Johanna Hallbäck, University of Vaasa, Department of Marketing, P.O. Box 700, 65101 Vaasa, Finland (E-mail: johanna.hallback@uwasa.fi or johal@uwasa.fi).

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(OECD, 1997; Moen, 2002). The first reference to the concept of “born global” was made by McKinsey and Co. (1993) but a few references to rapid internationalization were earlier made. While these mainly referred to *export oriented* international development among firms with for example high-tech, narrow niche or differentiation focus (Hedlund & Kverneland, 1985; Bonaccorsi, 1992), the overall reduction of the time-lag from the start-up of the firm to the start of export activity was clearly evidenced among Danish SMEs in the late 80s (Christensen, 1991). The firms confronted with the phenomenon of accelerated internationalization have been termed “born globals” (Rennie, 1993; Knight & Cavusgil, 1996), “international new ventures” (Oviatt & McDougall, 1994), “global start-ups” (Oviatt & McDougall, 1995) and “infant multinationals” (Lindqvist, 1991). While the literature on these firms is increasing fast, the variety of the terms and the inconsistency of the definitions employed are strongly present in the research (see the conceptual and methodological discussion by Coviello and Jones, 2004; and Hurmerinta-Peltomäki, 2004). In many instances, the high-technology character of the phenomenon was stressed (cf. concept high-technology start-ups), but researchers have identified increasing evidence of the phenomenon also in other industries (Madsen & Servais, 1997; Rialp, Rialp & Knight, 2005). In this study, the concept of international new ventures (INVs) is adopted to refer to firms characterized by early internationalization of business, with no industry limitations.

Several trends may be identified in the business environment as triggers for the phenomenon and new ways of internationalization among firms established after 1990s (see Knight & Cavusgil, 1996; Knight, 1997; Madsen & Servais, 1997; Shrader, Oviatt & McDougall, 2000).¹ In combination with these triggers, the inherent advantages of small firms (such as faster decision-making, quicker response time, adaptability and flexibility) increase the possibilities of internationalization among new, small firms. This type of development clearly calls for research, since creating an understanding of the firms confronted with the phenomenon, their economic role and of how to relate to them is of increasing importance.

Followed by the vast increase of research on these young, international enterprises (Rialp et al., 2005), also a research stream named international entrepreneurship has emerged (positioned somewhere between international business and entrepreneurship) (Dana, Etemad & Wright, 1999; Oviatt & McDougall, 2000). Earlier research has taken different approaches, from which the most general have been either to explore and explain the rational behind domestic versus international new ventures or to research the INVs in relation to traditional, gradually internationalizing firms (often larger firms). However, more research is needed to analyze the different types of INVs rather than to treat these as a homogenous group different only from the domestic or gradually internationalizing firms. Consequently, this paper is focused on exploring two research questions: (1) Are INVs different from one another in terms of their international development of operations? and (2) If they are, how and why are the differences manifested in these firms? Oviatt and McDougall's (1994) typological INV-framework serves as the basis for the analytical apparatus of the present research because it offers an appropriate starting point for the analysis of differences in this firm context. In order to understand the reasons behind possible differences, the features related to the founding conditions, initial internationalization motives, the early entrepreneurial and managerial characteristics as well as the core competencies of the ventures will be analyzed. The empirical analysis is based on eight illustrative cases of Finnish-based INVs. The contribution of the study is based on the identification and understanding of the variety among INVs as well as on the empirical application and development of the INV-framework by Oviatt and McDougall (1994). Despite their work being one of the pioneering and most cited ones in the INV and international entrepreneurship literature, it has rarely been applied to an empirical analysis. The application of the framework is accompanied by a dynamic, long-term view by analyzing the aspects of background characteristics of the foundation, the early-phase and subsequent international development of the firms. In the following, the article presents the theoretical background for the

study, the method and results of the empirical analysis. The article concludes with a discussion of the findings in terms of their theoretical and managerial implications.

THEORETICAL BACKGROUND

At the same time with significant opposition to the use of types and classifications in methodological and ideological discussion, different typological approaches have characterized a considerable part of the history of social sciences, including business studies (Tiryakian, 1968). Examples in business strategy literature are that of Porter's (1980) typology on generic strategies and Miles and Snow's (1978) typology on strategic orientations/business unit strategies. Similarly, examples of typologies that emerged in international business literature are the Perlmutter's (1969) typology on overseas marketing orientations and Bartlett and Ghoshal's (1991) organizational typology on organization forms of international business. While the risk of general modeling resides in the tendency to leave marginal firms and disparities aside, the relevance of typologies in the depiction of business phenomena is arguable taking account their significance in the literature. In the INV-context, few typological approaches may be identified (Madsen, Rasmussen & Servais, 2000; Servais & Rasmussen, 2000; Bell, McNaughton & Young, 2001; Knight & Cavusgil, 2005). In the present study the approach by Oviatt and McDougall (1994) is applied for its appropriateness of the objectives of this study and significance as a pioneering study in the field. The typologies introduced in later studies² do not comprehensively elaborate the understanding of INVs as a heterogeneous group of firms.

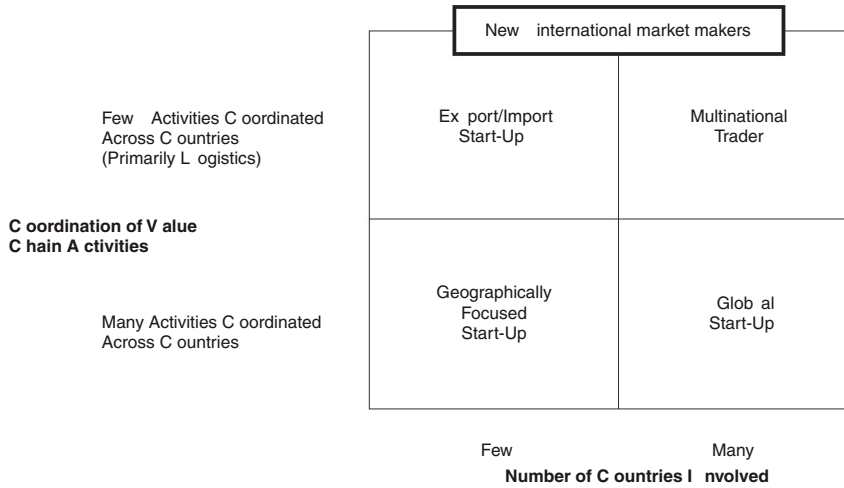
Early INV-framework by Oviatt and McDougall (1994) presents an alternative explanation to firm internationalization in the situation where technology, specific industry environments and firm capabilities contribute to a faster internationalization. The framework applies a multidimensional definition of INV as "a business organization, seeks to derive advantage from the us-

sale of outputs in (p. 49). 1

The underlying view is value added, not assets owned. In integrating two research streams, entrepreneurship and international business, the authors fused very different research interests . . . Oviatt's interest in transaction cost theory and organizational risk and McDougall's background in strategic management, new ventures and entrepreneurship (Oviatt & McDougall, 2005a). The authors name four necessary and sufficient elements for sustainable INVs but conclude that these elements manifest in the firms in different ways as indicated by the four types of INVs (see Figure 1).

The first element of sustainable INV, *internationalization of se* explains the formation of all organizations; organizations form within market imperfections. The second element, *reliance on alter* distinguishes the economic transactions of new ventures from those of other organizations. Since new ventures typically have limited resources to control assets by ownership, they have to take greater advantage of other ways of controlling such as licensing, franchising or even networking. While this may strengthen the focus on key competencies, it also brings along the risk of leakage. To separate an INV from the domestic counterpart, the authors introduce a third parameter, *the existence of for in i* transferring resources across national borders. The most probable alternative for INVs to overcome the disadvantages brought by trade barriers as well as the lack of knowledge of the language, laws and practices and to have an advantage over local firms is the possession of tacit knowledge. Due to advances in communication technology, knowledge can be transferred and reproduced easily and with a minimal marginal cost across countries (cf. the importance of knowledge-intensive industries in the research of INVs). Finally, competitive advantage through *unique re* differentiates a sustainable from the short-lived INV. Again, knowledge as a source of competitive advantage is emphasized. This may encounter challenges for sustainability due to the easy dissemination of knowledge and INV might rely on patents or copyrights, focus on the type of knowledge within imperfect imitability (such as management style), or the

FIGURE 1. Types of International New Ventures (Oviatt & McDougall, 1994:



From " Toward a Theory of International New Ventures" by B.M. Oviatt and P.P. McDougall, 1994, *Journal of International Business Studies* 25(1), p.59. Copyright 1994 by the Academy of International Business. Reprinted with permission of Palgrave Macmillan.

lize the network structure with high personal relations contributing to internal control of risk.

Based on the manifestation of above elements, Oviatt and McDougall (1994) formulate four INV types which differ from one another in terms of geographical scope of business and coordination of value chain activities (based on Porter, 1980). *New international market makers* are traditional firms concentrating their international activities primarily on exporting or importing either in few (*export/import*) or multiple countries (*multinational*). Whereas their key value chain activities (i.e., inbound and outbound logistics) tend to be internalized, other activities usually rely on alternative governance structures with the direct investments being minimized. Their location advantage lies in discovering resource and market price imbalances between countries, and sustainability in the ability to act on emerging opportunities as well as in knowledge of markets and suppliers. *Geographical* typically focus on serving a special need of narrow customer group located in a particular part of the world. In the geographical area in question, the value chain activities such as technology development, human resources and produc-

tion are highly coordinated across different nations. The tacit knowledge involved in the coordination and its difficult imitation may contribute to a competitive advantage over rivals. *Global* is characterized as "born global." These firms proactively utilize the market opportunities to acquire resources and sell products globally. They are likely to be the most sustainable, since they gain competitive advantage by a combination of highly inimitable resources, by coordinating multiple business activities across borders usually through close network alliances.

After the pioneering study, Oviatt and McDougall have published several articles in the INV and international entrepreneurship research, but so far they have not empirically applied the framework. Their later findings imply that the use of licensing and network alliances may be less common than expected (Shrader et al., 2000; Shrader, 2001), as well as that the role of the founder deserves more attention in the research of INVs (Oviatt & McDougall, 1995). Finally, striving to be more consistent with the emphasis of the entrepreneurship discipline on opportunity recognition, the recent definition of international entrepreneurship by Oviatt and McDougall (2005b) goes beyond

new venture internationalization by interpreting it in terms of “discovery, enactment, evaluation, and exploitation of opportunities—across national borders—to create future goods and services.”

A rapidly developing research trend began to rise around the phenomenon of accelerated internationalization after the mid 1990s (see Rialp et al., 2005). In spite of the emphasis on the variety of INVs in the pioneering framework as well as a few other studies, the majority of later inquiries have often treated INVs as more homogenous group in identifying their key characteristics in individual, organizational and environment/industry-level. While the framework of Oviatt and McDougall is conceptualized at the firm-level, the later studies have stressed the role of the entrepreneur and management team for explaining INVs (as will be discussed below). In their recent framework, for example, Jones and Coviello (2005) add the individual-level (entrepreneur) as a variable that influences the behavior and the internationalization process of INVs. Earlier research has placed only little attention to the wider understanding of the founding conditions of the new ventures as possible explanation behind internationalization.

F o u n d i n g c o n d i t i o n s refer to situational factors in the founding phase and the first operational years of the business, i.e., to the background of the business idea, the internationalization rate of the industry, as well as the state of development and knowledge- and technology intensity of the industry. Additionally, the characteristics of the founders and the early management are important internal conditions at the founding phase. In prior research, some implications of the founding phase entrepreneurial team, the resources and the technology for new venture survival in general have been reported (see, e.g., Aspelund, Berg-Utby & Skjævdal, 2005). However, earlier research has placed minor attention on these conditions in the context of new venture internationalization.

Regarding the business idea for the new venture, different alternatives may be identified (cf. the different entry wedges by Vesper, 1990). Business ideas stemming from innovation, R&D project, franchising, management-buyout or bankrupt of former employer are

likely to determine different trajectories of the venture development. Similarly, the venture established in an industry characterized by international-level networks and high internationalization rate may develop differently from the one established in an industry with more local networks in inward and outward operations. Also ventures entering competition in a different state of the industry development (at its introduction, growth, maturity or decline phase) have different kind of business environments to cope with. Finally, the technology-level and knowledge-intensity of the industry may impose different types of internationalization paths. Vast majority of INV research has focused on the high-technology and knowledge-intensive fields, often assuming a stronger link between the phenomenon and these particular industries (e.g., Burgel & Murray, 2000; Coviello & Munro, 1995, 1997; Crick & Jones, 2000; Jones, 1999; Lindqvist 1991). However, a growing number of later studies concentrated on other industries or had no industry limitations at all (e.g., Knight, 2000; Larimo & Pulkkinen, 2002; Madsen & Servais, 1997; Moen, 2002) and the results imply the increase of INVs both in manufacturing and service industries (Larimo & Pulkkinen, 2002), as well as in industries of both high and low knowledge-intensity (Knight, Bell & McNaughton, 2001). Little attention was paid so far to understanding the findings of these analyses. Going further on situational conditions, in the context of start-up growth, the results on metal-based manufacturing and business service SMEs suggest that the high-growth firms differ from the low-growth firms in their motivations for start-up (Littunen & Tohmo, 2003). Internationalization can be seen a strategy for firm growth and the firms pursuing rapid international growth may be expected to differ from local new ventures in their motivations regarding start-up establishment as well as internationalization.

E n t r e p r e n e u r (s) a n d I N V s have been characterized in several studies by strong international orientation. The issue was investigated through various aspects and concepts. The findings suggest the managers of INVs to be growth-oriented with a strong international vision, emphasize proactive approach and high commitment to interna-

tional markets as well as responsiveness to customers' needs, and to possess high competence in conducting international marketing activities (Rennie, 1993; Oviatt & McDougall, 1995; Knight, 1997; Nummela, Saarenketo & Puumalainen, 2004). For the new venture to deepen its international behavior, the ability to diffuse the international orientation throughout the organization is likely to become essential. Many authors also argue the earlier international experience and contacts of these decision-makers to be the crucial driving forces of accelerated internationalization and global mindset (e.g., Madsen & Servais, 1997; Oviatt & McDougall, 1995, 1997; Harveston et al., 2000; Pulkkinen, 2006). Oviatt and McDougall (1994) acknowledge the internationally experienced founding team as the most common condition for utilizing the network relationship for the protection of unique knowledge. Nevertheless, the research on this issue in INV context lacks profoundness and unified findings. INV as a *fi* is likely to go international before even having gained experience on the domestic market, and due to its small size it may lack financial resources to acquire external professional advice. The individual-level international experience gained for example through previous assignments increase the knowledge, abilities and the courage in international markets and may significantly affect the ability to formulate and implement strategies at international level. The experience in a similar industry may explain why for example the foreign sales do not necessarily start with just a few occasional export orders but are more regular from the beginning.

Firm-level criteria to the re- sources, competencies and the competitive advantages as well as the market and operation behavior of INVs. In line with the INV-framework, later findings indicate the core resources of an INV to be often intangible and knowledge-intensive with the competitive advantage deriving from the unique knowledge held by the firm's key personnel (Oviatt & McDougall, 1997; Rialp et al., 2005). These firms are argued to compete on differentiated products with regard to quality and value created through innovative technology, product design (Rennie, 1993; Knight, 1997) or marketing, with these usually exceeding the importance of price

in the competitiveness. Knight and Cavusgil (2005) found that INVs use differentiating, cost leadership as well as focus strategies, and that employing an appropriate set of the three strategies was likely to lead to higher performance abroad. INVs may differ from other types of SMEs especially displaying a higher technological advantage (ibid., Moen, 2002; Larimo & Pulkkinen, 2002). Based on the literature review, Rialp, Rialp and Knight (2005) also argue that the use of personal and business networks, market knowledge, the narrow customer groups with close relationships, and the flexibility towards changing external conditions are critical for INVs.

Previous research indicates INVs to target global niche markets (Rennie, 1993; McDougall, Shane & Oviatt, 1994; Knight, 1997; Moen, 2002). Employing such strategy, the resources can be devoted to serving markets in which the firm has special competence and to be more efficient than the competitors, which operate on broader markets. INVs are likely to expand simultaneously into several new countries (Lindqvist, 1991; Crick & Jones, 2000; Shrader et al., 2000), most commonly due to the niche strategy (Burgel & Murray, 2002; Moen, 2002). The essence of rapid internationalization is managing the risks of foreign entries in the light of the resource-restrictions of the firm as well as ensuring flexibility in the changing market conditions (Shrader et al., 2000). The most important entry modes are argued to be exporting through independent distributors and agents and direct exporting to end-customers (Lindqvist, 1991; Knight, 1997; Burgel & Murray, 2000; Burgel & Murray, Fier & Licht, 2000). The risk of technological leakage, the need to offer service close to the customer, or the high growth objectives may determine the use of firm-owned channels such as subsidiary, especially among medium-sized INVs (Lindqvist, 1991; Crick & Jones, 2000; Shrader et al., 2000). Besides that, the combination of different modes and use of co-operative arrangements has found to be significant (Crick & Jones, 2000), due to the limited possibilities for high investments, and justified by the need to acquire supplementary skills (Oviatt & McDougall, 1995). The use of modes such as R&D joint ventures or licensing has been

linked to high technology-level, substantial R&D efforts and short product life cycles (Lindqvist, 1991; Crick & Jones, 2000).

In the empirical part, the international development of the chosen firms will be analyzed applying the INV-framework by Oviatt and McDougall (1994) and taking into consideration the founding conditions, the initial internationalization motives and the individual- and firm-level factors as possible agents for development.

METHOD

The research methodology used in this study is a multiple case study of eight INVs. A comparative case-study approach and descriptive analysis within themes are adopted for the empirical data. Oviatt and McDougall (1997) suggest the key defining dimension of INVs to be the significant percentage of foreign sales, since obtaining international sales is likely to be more challenging than obtaining international inputs and most of the other international dimensions are usually associated with the initiation of sales (see also Lindqvist, 1991; Knight, 1997; Harveston et al., 2000). Altogether, the firms were required to meet the following criteria: (1) International sales three years after establishment to weight at least 25% of the total sales; (2) Growth tendency in international sales, being at least 50% of the total sales in 2001; (3) Sufficient number of foreign countries in which the firms have sales (at least six); (4) Firm establishment after 1985 (an earlier date would impede on the data collection of the early international development of the firm); (5) The majority of the selected firms is not owned by any single larger Finnish or foreign group (cf. independence of operations and decision-making).

Identifying the case firms started by screening the firms that participated in a large mail survey conducted in 2001-2002. Among 486 exporting Finnish SMEs only 25 firms fulfilled the above criteria. To further identify the case firms, the earlier surveys made by other authors and articles in Finnish business magazines were used. On a closer look, eight INVs representing different manufacturing industries were selected as appropriate for the empirical

study. In addition to the survey questionnaire, the information from the firms was collected through personal contacts by phone and e-mail using a semi-structured questionnaire as well as through documentary information and archival records (firm reports, newspaper and journal articles, also Larimo, 2003). The basic information of the selected firms is presented in Table 1. All of these sell products to industrial customers, except for Finnlamelli which has also end-consumers.

The INV-framework by Oviatt and McDougall (1994) is concerned with start-ups, while the case firms are established between 1988 and 1997, thus having an age range between 6 and 15. Consequently, as compared to the original framework, we have applied a more dynamic view, by first looking into the firm activities within the first six years of existence and then their subsequent development (the limit of six years has been used to define new venture also by Shrader et al., 2000). Finally, the fact that Oviatt and McDougall (1994) offer no operationalization of the typology impedes its application. The criteria used in this study are presented in the following.

TYPOLOGICAL ANALYSIS AND THE RESULTS BY INDUSTRY

The individual description of the case firms in terms of venture establishment, founders and early management as well as venture competitiveness are presented in Appendix 1.

Reviewing the results in internationalizing In applying the typology, we have used two main classification criteria: (1) The international coordination of value chain activities: in addition to sales activities (including own export, marketing co-operation, sales subsidiaries), less or more than two of the other value chain activities (purchasing, manufacturing, R&D activity, financing) coordinated across countries; and (2) The number of countries with value chain activities: sales activities in less or more than 20 countries, level of market concentration higher or lower than 60% and number of countries with activities other than sales. (For information used in the classification, see Appendix 2.) The development within first

TABLE 1. Basic Information on the Case Firms

Firm name	Founded	Main products	Number of personnel ¹	Turnover ²	Turnover change ⁴	Starting year of export	Share of exports ¹
Finnlamelli	1996	Laminated log houses	76	12,9 Meur	47,4%	1996	60% ³
Logset	1992	Light forest machines	50	12 Meur	18,9%	1992	75%
Stick Tech	1997	Fiber reinforcements	15	0,4 Meur	328,6%	1999	58% ³
Vacon	1993	Frequency converters	426	97,5 Meur	120,1%	1995	82% ³
Biohit	1988	Liquid handling, diagnostic tests	303	25,4 Meur	23,6%	1990	97%
Selka-Line	1992	Public space furniture	28	4,1 Meur	22,0%	1992	50%
Cross Wrap	1994	Square bale wrapping systems	13	1,4 Meur	50,0%	1994	95%
Nowo	1994	Machinery for textile industry	13	2,4 Meur	42,9%	1996	98%

Note. ¹in 2002; ²in 2001; ³in 2001-2002; ⁴growth of turnover between 1999-2002, except for Stick Tech and Cross Wrap between 1999-2001

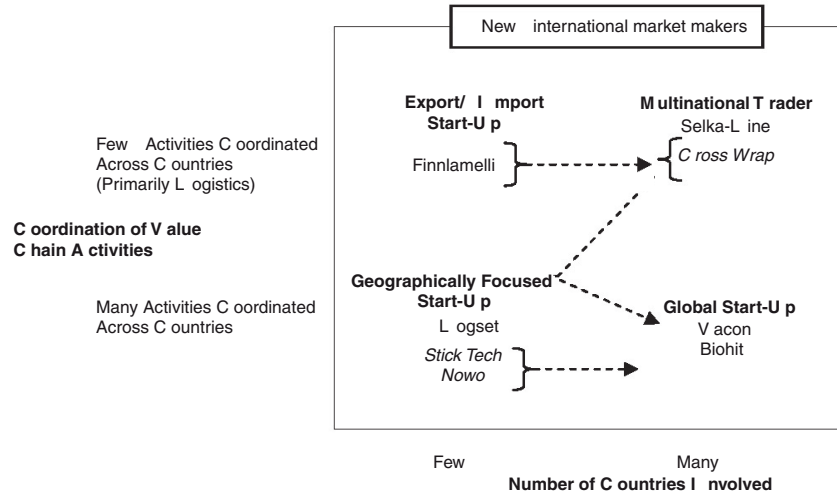
six years implies the initial positioning in the typology, whereas the development of firms within the typology after six years of operation is also illustrated (see Figure 2). In many respects the INV-framework and its arguments are well suitable for the characteristics of a small open economy such as Finland. This is especially valid considering the emphasis on unique knowledge and knowledge-intensity as a source of competitiveness both in the employed theory and in the Finnish business environment. The global competitiveness of the Finnish firms is increasingly relying on unique knowledge and in many cases advances on high-technology. In relation to the population, only in Japan, Germany and USA are more patent applications made than in Finland, which also receives world's most numerous patent applications on high-technology (National Board of Patents and Registration of Finland, 2002).

Looking at the operations within the first six years of the firms' existence, except for the export start-up and one multinational trader, six of them had, in addition to sales, also foreign supply partners right from the beginning. Seven firms had also conducted international R&D co-operation with customers, suppliers or other partners. This emerged characteristic especially of global and geographically focused cases. Instead in the multinational trader cases the operations in marketing, sales and logistics were coordinated internationally while the majority of inward operations were especially at start-up phase handled within the domestic market. As an example, Cross Wrap

was able to rapidly initiate sales in Europe, USA, Asia and Middle-East. However, while 75% of its production was outsourced, no foreign sub-contractors were used. Global and two geographically focused start-ups had brand label and/or Original Equipment Manufacturer (OEM)-customers, and especially in the global start-ups they had a significant role in the marketing and to some extent in the product development. The marketing of products was efficiently coordinated at international level right from the start. Not only traditional exports, but also different relationships were utilized and, for example, through distributor partners, joint venture partners, OEM-customers, and licensing (in Biohit), the firms were able to gain visibility and sales volume in many countries faster than would have been possible alone.

Only three of the firms had, until 2002, invested in their own sales subsidiaries. Furthermore, none of the firms had made its own manufacturing unit investments abroad.³ In many firms outsourcing played a critical role in the production. In two geographically focused start-ups a large part of the production was outsourced to the most efficient subcontractors in different locations of the world, while in other cases the production was largely concentrated in the hands of domestic subcontractors. All these results support Oviatt and McDougall's (1994) notion of usage of alternative governance structures and hybrid structures of ownership and control as distinctive characteristic of new ventures. While Oviatt and McDougall considered the licensing, fran-

FIGURE 2. The Positioning of Case Firms in the INV-Typology (Arrows Imply the Development After Six Years of Foundation)



From "Toward a Theory of International New Ventures" by B.M. Oviatt and P.P. McDougall, 1994, *Journal of International Business Studies* 25(1), p.59. Copyright 1994 by the Academy of International Business. Adapted with permission of Palgrave Macmillan.

chising and networking as important, the case results indicate the informal networking, R&D and marketing co-operation with various partners as well as outsourcing to be more poignant in illustrating the ways of operation in most of these INVs. Instead the more formal networking, alliances and JVs are typical in early years only in the global new ventures.

In line with the typology, the results on market strategies suggest that despite that all firms had sales in very different locations, the differences were structured in terms of geographical diversification vs. concentration. In five firms the majority of the sales was concentrated on a few key markets (varying from 55 to 75% of all sales). In global player and multinational trader cases there was more diversification (e.g., in the multinational trader the three main markets formed 35% of foreign sales). Notable is that the INV-typology does not elaborate the physic or psychic distance of the markets that the INV operates in. Later studies have emphasized the importance of differentiating between operations on for example the home continent from those on other continents in order to illustrate the in-

ternational or global level of activities (e.g., Gabrielsson, Sasi & Darling, 2004). All the case firms operated both on and outside the European continent, but the commitment in these entries and later operations varied. The entry in the market outside the home continent was carried out instantly in the establishment year in the case of most of the firms, except two that were characterized as geographically focused players in the first years of their existence.

Further results on the findings on background characteristics of the venture foundation and the early management, the industries involved, the initial internationalization motives, as well as the core competencies and the unique resources of the firms, allows us to go beyond the typological results and reveal some influence mechanisms behind the development paths.

Founding conditions prove to be rather determinant for the early development of the ventures and also to imply a clear connection to instant international operations. However, the variety does

not often fall in line with the typological results. In three INVs (representing different types) the foundation stems from inventions made by the founder(s). In turn, the background of two geographically focused start-ups and one multinational trader stems from the bankruptcy of the former employer of founders and managers in the same field. Of these firms, in the other geographically focused start-up the era of product and technology development with new subcontractors and partners was initiated and new product designs were introduced soon after establishment while on the other a new service and product category was added. In the later development of the ventures, the findings imply that those having innovation or strong R&D emphasis in the background of their founding (four such firms were identified) were more likely to develop into a global player. Biohit was characterized by global operations very soon after founding, while the other three companies were heading towards global type of ventures in their later phases of development. The two remaining companies exhibit, in spite of their very different international development, slightly similar foundation background. While the export start-up was founded by the former employees of a company in the field as it was sold and merged to a bigger corporation, the foundation of the global start-up traces back to a change in strategy of the former employer of the founders, as the entered business line was moved to another location.

In conclusion, none of the ventures were set up from scratch in the sense that the founders had some type of international networks established around the business idea. While in some cases these networks stemmed from research activity, in the other the networks were already partly established in the sales and/or purchasing side of their business. In most of the cases these latter types of relationships were based on the informal contacts established during the former work, but for example, in Logset they were more formally passed on from the former company in the buyout. In some other cases, where the former employer was from the same field and continued its business, establishing new contacts was more crucial.

Regarding the findings on the nature of the industry, the global start-ups as well as two geographically focused INVs were characterized by extremely international networks, whereas the networks in the industry of the export start-up were rather domestic. This finding indicates a connection with the international level coordination of value chain activities. Generally, the firms under scrutiny are operating on global niche markets, having a special type of products for the markets where the potential is narrowly spread across several countries. Three of the firms (global and two geographically-focused start-ups) were established in an industry characterized by extreme technology intensity, whereas two firms (export start-up and multinational trader) entered more traditional industries (see also results of product characteristics). The lower technology level of the industry was associated with lower coordination of inbound and outbound activities across countries both in the first years and later phases of their development. Finally, one firm was established within an industry at its mature phase. This geographically focused start-up had in later years developed into a global player. The maturing phase of the industry may partly explain the need for global expansion. Four of the firms, all characterized by different initial (and partly later) type of development were established in an industry at its growth phase. Two firms, sharing many similarities, entered the industry by pioneering in a new growth segment while the last firm part of our case studies entered the industry in its introduction state. These three firms, initially characterized by different types of development of international operations, were all in later phase representative of the global player in the typology.

Characteristics of the founding conditions and characteristics of the entrepreneurs and early management are in all cases interlinked and these backgrounds underline similarities as well as differences. In five of the firms under scrutiny, the international orientation was high, and in two global players it can be regarded as extremely high. The previous international experience and the established contacts of the founders and early management were extremely high in four and rather high in three

cases. Even in the case of the eighth firm, the founder had worked in the same field, but only for a shorter period. On a closer look, the industry experiences differ between firms in their functional areas, a finding which may be considered as an important factor behind certain—and different—types of development paths of the firms. Illustrative of this point is Stick Tech, a firm in which the industry experience was concentrated mainly on the R&D functions in the industry, whereas conducting marketing operations in the specific industry was almost an unknown area to the firm's personnel. The variety among cases was also rather strong, regarding the previous international experience of the focal actors. In all cases there was some earlier experience from working in international assignments home or abroad, from studying abroad or in some cases from the research field at international level. However, this experience varied significantly with regard to duration and number of persons involved. When considering both industry and international experience, the size of the enterprise and especially the founder/management team thus needs to be taken into account. Moreover, the nature of the key person's international experience in terms of its functional area and industry appears rather decisive to the firm's international development. In some cases the founders were former managers of multinational company in the same industry and thus familiar with the international business in the field. In other cases, such as one geographically focused player, the managers were also internationally experienced, but in different fields of business. In this case, the marketing side of the new enterprise was the primary problem due to the lack of beneficial experience and established sales contacts abroad. Different than the aforementioned, in firms with higher international industry experience, the management had established international customer relations and other contacts which helped the starting phase of international sales. In their case, of greater concern was to keep up with the technology and the product development in their respective industry.

I n t e r n a t i o n a l While the founding conditions and entrepreneurial and early management characteristics reflect some of

the reasons behind internationalization, the impact of other types of factors in the initiation of international operations in the selected firms is analyzed in the following, so that to gain a deeper understanding of the differences in internationalization (see Table 2). Some of the motives may be regarded as more proactive, while others imply more reactive behavior towards changes in the environment. In the case ventures both types of motives were considered to be important for initial internationalization. Except for an export start-up, the fact that the firm had never considered Finland as the only market was rather strongly supported by the managers. The non-exclusive view on the home market supports the finding that firm managers shared a global orientation towards business. Additionally, the management's prior international experience and interest towards internationalization, as well as the inadequate domestic demand were rather strong motives in all cases. The enquiries received from the foreign customers played an important role especially in the ventures that were focused on fewer countries.

The subsidies received for international operations, the contacts from export supporting organizations or the lack of subcontractors in the home market did not generally impact on the decision to initiate international operations. On the other hand, the access to competitive foreign subcontractors was an important internationalization motive only for two geographically focused INVs, which both have carried out major or international sourcing operations (40-50%) from the beginning. The connection between the international development and the variation of the remaining motives was more difficult to assess. The motives emphasized by the export start-up indicated a rather reactive behavior, whereas some reasons underlined as important by other types of INVs (e.g., managers' international experience and view on their respective market area) did not have a major impact on its internationalization decisions. The motives of one geographically focused INV and of one multinational trader were rather similar to the export start-up, with the notable exception that the emphasis was put on the global view on the market, while the competition on the home market was rendered unimportant. In conclusion, while some simi-

TABLE 2. Internal and External Varieties of Eight Finnish INVs

NAME OF THE FIRM	Finn-lamelli	Cross Wrap	Selka-Line	Logset	Stick Tech	Now o	Vacon	Biohit
INV-TYPE AT START-UP	Export Start-Up	Multinational	Start-Up	Geographically Focused	Start-Up	Global	Start-Up	Start-Up
FOUNDATION								
Innovation/R&D-project	-	++	-	-	++	+	-	++
Bankrupt/MBO	-	-	++	++	-	++	-	-
Within change of former employer	++	-	-	-	-	-	++	++
FOUNDER(S) & MGM								
International orientation	+f	+	+	+	+	+	++	++
International experience	+f	+f	+f	+	+	+	++	++
Industry experience	++	+	+f	++	+	+	++	++
Entrepreneur experience								
INDUSTRY								
International industry networks	-	+	+	++	++	+	++	++
High-technology	+f	+	-	+	++	++	++	+
Industry state of development	Growth	Introduct.	Growth	Growth	Growth ⁴	Maturity	Growth	Growth ⁴
MOTIVES FOR INITIATING INTERNATIONALIZATION								
Int'lization of customer	+	+f	-	-	-	++	+f	-
Int'lization of competitor	+	++	-	+	-	++	+f	-
Int'l success of competitors	++	+f	-	+	-	+f	-	-
MgM's interest in int'lization	++	+	++	++	+	++	-	++
MgM's int'l experience	+f	+	+f	++	+	++	+	++
Competitive foreign sub contractors	-	-	-	+	-	+	-	-
Inadequate domestic demand	+	+	++	+	++	++	++	++
Increasing domestic competition	++	-	+	+	-	+f	-	-
Foreign enquiry	++	+	+f	+	++	++	-	+f
Lack of domestic sub contractors	-	-	-	-	-	+f	-	-
Export/int'lization subsidies	-	-	+	+f	+f	-	-	-
The company has never considered its home market as the only market	+f	++	++	+	++	++	++	++
PRODUCT								
Product-service/software/education	+f	+	-	+	++	++	++	+
Physical product	++	++	++	++	+	++	+	+
High-technology (R&D costs)	+f	++	+f	+	++	+f	++	++
CORE COMPETENCE & COMPETITIVENESS								
Role of patents	-	++	+f	+f	++	++	-	++
Customer-adaptation	+	+	+	+	+f	+	++	+f
Product-based differentiation	+f	+	+	+f	++	++	+f	++
Marketing-based differentiation	-	+	++	+f	++	++	+	++
Global niche strategy	+	+	+	+	++	++	+	++
CO-OPERATION								
Role of strategic alliances	+f	+	+f	+	++	+	++	++
Role of outsourcing	+f	++	+	++	+	++	++	+
Role of OEM/Brand Label partners	-	-	-	+	+	-	++	+
MAJORITY OWNERSHIP								
	Eight persons	Family-owned	Family-owned	Three founders	Capital investors ³	Family-owned	Capital investors ¹	Family-owned ²

Note. ++ = extremely characteristic/very high role; + = characteristic/high role; +f = moderately characteristic/limited role; - = not present/no role

¹Public limited company since 2000, management holds about 10% ownership, 80% of employees hold an ownership

²Public limited company since 1999.

³Minority owned by private persons, including one firm manager.

⁴Growth segment in rather mature industry.

larities were found in the motives behind all ventures, there was also place for differences. The variances displayed did not often fall in line with the INV-typology. Nevertheless, the differences in the motives between the two opposite ventures (export vs. global start-ups) reveal some links between the motivational backgrounds and international development.

Product-related. The analysis suggests that in many of the firms the sustainability is ensured by patent rights protecting the unique knowledge on technology, production method, design or alike. Six of the firms possessed a few or several patents and one firm had design and utility model protections. In

four firms the patented innovations played a significant role in their overall competitiveness. In general, there was rather great emphasis on the R&D operations in all studied INVs, reflecting the salience of high-technology features among them. However, when looking at the R&D expenditure share of turnover in 2000-2002, five firms may be characterized as high-tech and two as more low-tech oriented. The latter firms were characterized by more home-oriented coordination of activities. These results, especially the role of patents support Oviatt and McDougall's (1994) emphasis on the private knowledge, and not the scale, as the source of foreign location advantage and unique resources. With great mobility, knowledge-intensive services and products are advantageous to internationalization. Oviatt and McDougall (1994) argue this to be valid in the case of ventures offering software-components. In general, the results of this study indicate the degree of *mobility* of the offering to be somewhat consequential to the level of international operations. The global players display a greater mobility in offerings while the export start-up is offering the less mobile products, although still based on high knowledge in production technology. However, the variety in the role of software was found greater. None of the firms offer purely software products. While some firms have products with software as their key component (e.g., Vacon), others offer products that are less mobile (e.g., Finnlamelli). Finally, in some cases the mobile component of the product consists of education or other type of service (e.g., Stick Tech) along with the product.

The uniqueness of the INVs either in their pioneering position in the industry⁴ or success in internationalization⁵ and growth⁶ is reflected in the numerous awards they were conferred. Despite common features the firms have achieved their growth in a variety of ways (see Table 2).

CONCLUSIONS

The aim of this study was to understand the possible heterogeneity among INVs by exploring two research questions: (1) Are INVs different from one another in terms of their in-

ternational development? and (2) If they are, how and why the differences are manifested in these firms? For this purpose, the study has analyzed the development paths of eight INVs from different manufacturing industries, monitoring them from their inception until to their current stage and assessing the founding conditions (background of foundation idea, industry nature), the founders and management team, initial internationalization motives and core competencies as possible agents for the differences in their international development. This study was among the first ones to offer an empirical application of the widely-cited⁷ INV-framework by Oviatt and McDougall (1994). In addition to concretization of the framework, it is accompanied by a long-term perspective to the analysis.

Looking at the operations and market strategies within the first six years of existence, the firms were classified into four different types. The ventures under scrutiny differed significantly from another in their operations in terms of the value chain activity types and level of commitment employed in the international level. Despite that all firms had activities in many different locations, the differences in the market strategies were structured in terms of geographical diversification vs. concentration. When studying their later evolution, no typical paths of development could be identified. The classification of ventures into types as suggested by Oviatt and McDougall (1994) was somewhat complex, due to the natural dynamism in the organizational and operational behaviour. Indeed, the fast pace of development and the differences in both early and later changes in at least some of these firms suggest that, as compared to the typology in the early INV-framework, a more dynamic theory for analyzing the different development paths of INVs is needed.

Going beyond typological analysis in using the theoretical description provided by Oviatt and McDougall's framework, the present study aimed to find which factors impact on the coordination of value chain activities on international level. The results imply some similarities with regard to the background of foundation (often linked to changes in another firm), the high international orientation and previous industry experience of the founders

and management, the nature of the product or service market (globally spread niche markets targeted with highly special offerings), and finally, the high use of patent rights to ensure the sustainability by protecting the knowledge on technology, production method, design or alike. However, further analysis identifies various influential factors behind international development. From the resource-perspective, the previous international experience varied significantly with regard to duration and number of persons involved. Besides that, the industry experience was found consequentially different with regard to functional areas. Although the background of foundation was often linked to change in another firm, some differences could be identified as well. The founding stemming from innovation or intensive R&D project indicated a more global development of all operations, especially in later phases of the firm. While some similarities were found in the motives for initiating international operations behind most ventures (management's international experience and interest towards internationalization, management's view on the venture's market area, inadequate domestic demand and enquiry from abroad as important motives, whilst subsidies received for international operations or lack of subcontractors in the home market as less important motives), there was also a significant variance among the triggering motives for the internationalization of the analyzed enterprises. Overall, this study identified the founding conditions of the venture (background of the foundation idea, internationalization and technology level of the industry entered), the entrepreneur and the management team characteristics (especially degree and functional area of the international industry experience), the nature of the initial internationalization motives (whether they were proactive vs. reactive and backward vs. forward oriented), and degree of mobility of the venture's offering as important influencing factors on the international firm-level development of the value chain activities. Although these characteristics were major determinants of development of the ventures and implied a clear connection to their internationalization behavior, the variances displayed (especially in the founding conditions and initial international-

ization motives) did not often fall in line with the typology. These results suggest that to grasp the complexity of the phenomenon—the different development paths and speed of changes in the development—the theoretical framework for INVs needs to go beyond typological categorization and include the various situational factors and influence mechanisms behind such level of complexity.

When dividing the firms in terms of the number of countries in which they are present, Oviatt and McDougall (1994) ignore the (physic and psychic) distance of the markets that the INVs operate in. As suggested by the results of this study, the INVs display a great difference from another in terms of geographical dispersion of the activities. To identify such differences, it is important to differentiate between firms operating in close markets and home continent and those operating in more distant markets (see Servais & Rasmussen, 2000; Gabrielsson et al., 2004). This study used both the number of countries and level of concentration into certain markets as indicators of the geographical expansion of the firms. The findings imply that except for one firm, the three first entries by INVs were into other European countries. Although all the firms expanded their operations also into other continents, in later phases only two global start-ups generated more than 25% of their sales from outside Europe.

Finally, assessing the usability of the framework provided, it can be noted that it has four dimensions. The first two are concerned with all new ventures (domestic and international), while the latter two especially with international new ventures. More emphasis and tools to analyze the last two dimensions, i.e., source of foreign location advantage and unique resources need to be developed. The framework does not elaborate why the new venture is either domestic or international, i.e., why there is a foreign location advantage, and more importantly why this advantage is seen and utilized varyingly as illustrated by the differences in the international operations, market entries and intensity of international activity of the INVs. For these factors to be understood, the research should identify the various influence mechanisms and their dynamics. For this purpose, this study has identified several impor-

tant situational factors in the industry-, firm- and individual level in both the foundation and subsequent phases of the venture development. The early framework is conceptualized at the firm-level, but in this study it is argued that in the case of small new firms, the question to be considered is “why *entrepreneurs* *do not see the advantage in foreign markets.*”

With regard to the managerial implications of this contribution, the growth of turnover and financial performance (such as annual net profit) varied considerably in the case firms. While this study revealed no single success formula for the market or operation modes, some important notes may be highlighted when looking at the highest performing ventures. Entry into new countries is in these firms based on earlier contacts of the firm managers (especially in the first entries) as well as on strategic issues rather than on “psychic proximity” (also Lindqvist, 1991; Crick & Jones, 2000). Along with the sales potential, also the R&D and marketing co-operation prospects in the markets play an important role in the entry decisions. The so called lead markets such as USA, Japan and Germany are of strategic importance to many knowledge-intensive INVs (see also Bell et al. 2001). In the case of a new venture with limited resources, the entry into these markets and the realization of their potential (in terms of sales and product development) might be best executed using various parallel sales channels and partners such as local distributors and OEM- and Brand Label-customers that have a strong presence in the market. The case firms were all focused on serving special niche markets that were narrowly spread across countries. While the operations were often based on one core product and/or technology idea, the range of offerings was widened through different modifications and adaptations of the core package (for example, through software). Regarding the policy implications, the subsidies received for export operations seem less relevant triggers for internationalization of new ventures. The variety of international entry and expansion operations calls for a more versatile assistance from the government.

FUTURE RESEARCH AVENUES

There are several possible ways to deepen the research agenda focusing on INVs. First, a more theoretical elaboration of the INV-concept and its related concepts is needed in order to unify the research field. The results discussed here highlight the importance of developing conceptually more sophisticated yet flexible definition of INVs, the one which includes the INVs' differences in the international level of value chain activities (Porter, 1980) (not limiting only to primary activities such as outward operations and logistics, but also procurement, R&D, financing and other support activities) and the geographical dispersion of these activities, as well as which takes a wider time horizon to incorporate and differentiate between the pre-founding, early and subsequent internationalization phases of the INV. Also the inclusion of the industry internationalization rate into the definition might serve some comparative purposes. However, some authors have claimed that it might prove difficult to employ, since many INVs are in fact operating in many industries at the same time.

Second, this study analyzed eight firms giving descriptive information of the internationalization paths of these INVs; a further step would entail a bigger sample size of the firms, so that to offer further information and more generalizable results about the development paths and difference in INVs as well as their impact to the INV-theory.

A third possible research avenue is a study of the impact of the industry. Different industries (such as manufacturing vs. service sectors, low vs. high-tech industries) might impact on the development paths of firms and results of the application of the INV-theory. Originating from different field of the industry and both high and low/medium technological industries, the case firms of the present study allow some research findings on this issue. However, all the analyzed firms were from the manufacturing sector so in the future the service firms could also be included in the analysis. Indeed, the INV and international entrepreneurship research has been argued to suffer from the lack of service sector research (Coviello & Jones, 2004).

Fourth, already in an early INV-framework (Oviatt & McDougall, 1994), the emphasis was put on controlling assets through alternative governance structures and networks, instead of owning them. The present research showed that controlling marketing, manufacturing and technology development through networks and different forms of co-operation (such as alliances, joint venture partners, OEM-partners and subcontractors) is an evident attribute of many INVs. However, for future research, as an interesting challenge remains to investigate the optimum formation of the INV organization (i.e., which resources are best utilized with the ownership and which resources through networking?).

Finally, the link to performance is of interest to a wide audience among researchers and practitioners. In the context of INVs, once internationalized the successful management of high growth sets a major challenge and has been less investigated. Knight and Cavusgil (2005) found faster internationalization to correlate with better ultimate performance in foreign markets. On the other hand, in the study by Oviatt and McDougall (1995), three out of twelve INVs have failed, one was in the process of ceasing operations, and an additional three were acquired by larger corporations. Similar stories exist in, for example, many high-tech fields such as ICT, which also are strongly characterized by increase in globalization and INVs. Consequently, it might be fruitful to investigate the factors that have contributed to successful international development and also to consider the factors that may have inhibited the sustainable development of some firms. In the previous research, the success has been defined differently and with different accuracy, depending on the approach. As the research has typically focused on successful internationalization, the success has often been linked to growth of percentual foreign sales, while other elements of success have been rather neglected.

NOTES

1. Such as the globalization of markets, increased niche markets, advances in process and communication technology, increased international mobility of people,

easier access to means of internationalization (knowledge, technology, tools, facilitating institutions) and wider range of supporting institutions (within, e.g., European Union) for internationalization of business and cooperation of SMEs, increased international financing opportunities, and trend towards international networks.

2. Madsen et al. (2000) suggest a typology that classifies firms and differentiates born globals from other types of exporters (such as experimental and traditionally evolved exporters). In a similar vein, Bell et al. (2001) propose a classification of international SMEs into born-global, born-again global and traditional ones. The typology by Servais and Rasmussen (2000) classifies INVs based on the year of foundation and number of employees and is thus different from the INV-framework by Oviatt and McDougall (1994) which focuses on analyzing INVs in relation to their differences in international operations, while the size of the firm is rendered irrelevant. The results by Servais and Rasmussen (2000) imply that the majority of Danish INVs (born globals) do not in fact grow in terms of employees. Finally, Knight and Cavusgil (2005) developed a taxonomy, where four clusters of US-based born-globals were identified on the basis of entrepreneurial orientation, technological leaderships and Porter's (1980) generic strategies. The firms in one cluster initiated exports more than four years after foundation, thus being less representative of the born globals. The differences between the clusters were analyzed in terms of the firm performance abroad, while the differences in internationalization paths among clusters were not reported.

3. Until 2005, only one case firm (Vacon) had invested in own manufacturing unit abroad.

4. Stick Tech received in 2002 the INNOFINLAND Award from the President of Finland and Biohit in 2002 was awarded by the National Board of Patents and Registration of Finland for having most domestic patents in the country.

5. Biohit (in 1994) and Vacon (in 1998) were awarded by the President of Finland with the Finnish Export Award.

6. Between 1998-2000 Finnlamelli, Vacon, Biohit and Nowo were listed (once or twice) among the 50 fastest growing Finnish firms in Finland's leading business magazine and in 2000 Vacon already achieved a position among the 500 biggest Finnish firms; in 1999 Cross Wrap and Stick Tech were acknowledged by another Finnish business magazine as among the ten domestic high-tech growth firms with possibilities to multiply their turnover in the near future.

7. The significance is also illustrated by the *Journal of International Business Studies* award conferred to the aforementioned study in 2004.

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APPENDIX 1. Individual Descriptions of the Case Firms

<p>Finnlamelli is manufacturing laminated log houses. The firm is located in the Western part of Finland, in an area in the industry. Finnlamelli was established in 1996 by former employees of another log construction firm as it was bigger corporation. At the time of foundation, the markets were slightly recovering from the recession and the industry phase. The founders and managers possessed long experience and tradition in the field and many were experienced assignments in the former firm. The main competitors of Finnlamelli are other domestic manufacturers, consisting of about a quarter being industrial manufacturers. Finnlamelli is among the four biggest competitors in the country. Finnish competencies lie in production and technology know-how as well as knowledge of the industry. In December 1999, using a new radio frequency gluing line, which is the first one of its kind in Finland dimensioned for the product.</p>
<p>Selka-Line is specialized in public space furniture and components. The Selka-Line concept is a product of nearly 30 development work, since the firm was established in 1992 to market the products of another furniture firm, Selka-Line marketing material and public space furniture. The founder had gained previous experience from working in Europe, Canada. In addition, the firm manager possessed previous experience from working as a CEO in the firm from founded. Two years later, Selka-Line was bankrupted and Selka-Line acquired its activities and moved to the ownership of family. The core competencies of Selka-Line are efficient coordination of operations and good knowledge of the industry. The firm's main competitors are from foreign countries.</p>
<p>Cross Wrap specialized in square bale-wrapping systems and waste handling equipment. The firm was established by family, followed by the invention of new square bale waste handling method. The founder innovator was experienced in selling to international markets and knew the customers. Instead of existing round bale wrapping lines, the invented new square bale-wrapping product. Initial market potential for the product was located to Europe and New Zealand of the product development and first marketing operations were conducted in the foundation year. The firm has wide well as good knowledge of the customers and the industry—all reflecting the strong role of the founder's background. Method innovation is difficult to imitate and widely protected by patent right. Also due to the EU-directive on waste future prospects in Europe are positive.</p>
<p>Logsets specialized in light forest machines (harvesters and forwarders). It was founded in 1992 as the three main forest company bought its assets and product rights and continued its forest machine manufacturing operations. The firm has been among the three biggest players in the Finnish market, with these firms possessing over 90% of the market operating with one-third of the former workforce and broadened its operations in repair and sale of second-hand forest managers possessed vast industry experience and knowledge on conducting international business in the field. One worked abroad. The firm has approximately five domestic and ten foreign competitors. As compared to main large foreign-owned, the firm's forest machines are light-structured and environmental friendly. In addition to technology, the firm possesses good knowledge of the customers and industry as well as two patents.</p>
<p>Stick Tech established in 1997, is specialized in fiber reinforcement products. The firm evolved from the biomaterials the university. After years of intensive research the project resulted to invention of new, patented fiber reinforcement, now the basis of Stick Tech's operation and its pioneering position in the new, growing industry segment. In addition to the project included one founder member and few employees of Stick Tech. Altogether the firm management consisted of educated members, with most of them possessing earlier international experience from business, research or education despite experience in research of fiber reinforcement technology, none of them had been active in marketing in distributor and customer, as well as supply contacts, had to be built from the start. The commercialization was product was new for the practices of the customers. Every market entry is indeed preceded by co-operation in research and technicians to use the new technology. The competitiveness of the firm is based on its technology, cost resistance, customer friendliness and application ability.</p>
<p>Nowo (Textile Machinery) established in 1994 for designing and manufacturing textile machinery (bale openers, pillow filling, quilting lines, etc.). In the background of Nowo is bankruptcy of another firm, which had been marketed for purposes since 1990 but failed its key product development project. The new firm was founded by one manager and two former employees continuing in the new firm. In addition to industry experience, the management had gained from working in domestic and foreign firms. At the time of foundation the industry markets were already rather mature for modern and more efficient production technology was identifiable in the industry and Nowo's strategy was to target markets. The firm started with new subcontractor partners and launched new designs for the market. It is Europe's leading manufacturer of pillow filling machine markets and is among the three biggest competitors in the other products. The firm's technological know-how, efficient coordination of operations and knowledge of the industry. In 1998 the firm patented machines, having altogether four patents.</p>
<p>Vaconis a manufacturer of frequency converters. The world market consists of about 80 competitors, with the biggest of the market. The biggest player, ABB, has 13% share and Vacon 2,3% share. The firm was established in 1993 managers of ABB followed by its strategic change and move of its frequency converter business to another location. Positive prospects for starting the business with technological knowledge, over 150 man-years' business experience international network with customers, suppliers, financiers and other parties as well as advantages of smaller organization distinguishing feature of Vacon is the efficient coordination of global activities, utilization of the network structure and forward integration. Tight co-operation with the firm's interdependent supplier network allows it to concentrate on the parts of production and to exploit new technologies faster.</p>
<p>Biohit manufactures liquid handling products and accessories and develops diagnostic test systems for use in research industrial laboratories. It has a 60% share of the global electronic pipettor markets and about 1,5% share of disposable mechanical pipettor markets it is the fourth largest producer in the world. Biohit was founded in 1988, mainly by researcher and innovator in the field. The background stems from another firm established by him in 1971, special pipettors and laboratory equipment. The founder was also the chairman, president and main innovator of Biohit, that Finnish-American joint venture firm. During 1971-1986 the firms had some 100 inventions and over 200 patents in the mid-80s already about 700 employees, over 35 million euros turnover and 10 foreign subsidiaries. In late 1986 the firm after which the founder left them, followed by several trials on the rights and compensations. The firm was mainly dedicated to product development. The introduction of a new electronic pipettor was made in 1990, followed by new types of pipettors in the next few years. New innovations and patents have had a key role in the competitive</p>

APPENDIX 2. International Development of the INVs

	Finlammeli	Selka-Line	Cross Wrap	Logset	Stick Tech	Now o	Vacon	Biohit
T ime lag from foundation to initiation of foreign operations (years)								
Sales	< 1	< 1	< 1	< 1	2	2	2	2
P urchasing	Not initiated	Not initiated	Not initiated	After ex ports	3	2	1	2
C o-operation^d	Within 6 years	Within 6 years	2	Within 6 years	2	Within 6 years	3	3
I nternational level of value chain activities								
I nternational operations within first 6 years	See below	Sales, purchasing (5%), marketing co-operation (distributors)	Sales, marketing and R&D co-operation with customers	Sales, purchasing (40%), one R&D partner, seven marketing partners	See below	Sales (direct ex ports foreign agents), four European marketing partners, purchasing (50%), pilot plant	Sales (direct ex ports distributors, JV -sub sidary, sub sidaries, OEM, b rand lab el), purchasing, R&D co-operation	Sales, four sub sidaries, licensing, JV in Japan, purchasing (5%)
I nternational operations in 2001-2002	Sales (direct ex ports 30 distributors (importers)), R&D co-operation in Japan (earlier), marketing co-operation (design & sales) in Germany and France	Sales (some direct ex ports, 80 purchasing (5%), R&D co-operation with customers and suppliers, marketing co-operation (sales)	Sales (direct ex ports distributors, one sales sub sidary in Austria), product development with customers, universities and research institutes, marketing co-operation (sales)	Sales (some direct ex ports, distributors, one sales sub sidary in Great Britain), purchasing (40-50%), product technology development with one customer and one supplier	Sales (distributors, b rand lab el, via Internet), purchasing (5%), R&D and training co-operation with research institutes, opinion leaders, customers and suppliers, alliances in USA and Japan, financing	Sales (direct ex ports foreign agents), marketing co-operation, purchasing (34%), product & technology co-operation with customers. Planning a JV in India.	Sales (direct ex ports distributors, 15 sub sidaries, OEM, b rand lab el), some purchasing, R&D co-operation with suppliers and customers, JV s, financing	Sales (direct ex ports > 60 distributors, seven sub sidaries, private lab el, licensing), JV in Japan, purchasing (5%), acquisitions in Russia and USA (2000), product development co-operation
Foreign sales in (1) in the six th year (2) in 2001-2002	60% 60%	50% 50%	98% 95%	70% 75%	— 50%	97% 98%	82% 82%	94% 97%
Foreign purchasing (1) in the six th year (2) in 2001-2002	0% 0%	5% 5-10%	0% 0%	40% 50%	5% 5%	50% 34%	< 20% NA	5% 5%

Geographical dispersion of value chain activities									
First export countries	Germany, Netherlands, Japan	Germany, Sweden, Great Britain	Great Britain, Germany, the Netherlands	Germany, Great Britain, Sweden	Sweden, Great Britain, Denmark	Sweden, Germany, Portugal	Sweden, Germany, Switzerland	Sweden, Denmark, Norway	
Entry outside Europe	1996	1992	1996	1995	1997	1997	1996	1992	
Sales market concentration									
Three key countries	Germany, Japan, France	Russia, Great Britain, Sweden	Italy, Norway, the Netherlands	Germany, Great Britain, France	Denmark, Italy, Great Britain	Italy, Poland, Germany	USA, Germany, Italy	USA, France, Great Britain	
Share of three key countries	75%	35%	55%	60%	55%	65%	40%	50%	
Share of sales outside Europe	≤ 25%	≤ 25%	≤ 25%	≤ 25%	≤ 25%	≤ 25%	> 25%	> 25%	
No. of foreign countries (beginning → 2001-2002)									
Sales	17	20-25 → 20-25	16 → 22	11 → 13	13	25 → 30	Several → 100	Several → 70	
Purchasing	No	5 → 5	0 → 0	4 → 6	2	7 → 7	Few → 6	Several	
Other operations	3	NA	8 → Several	7 → NA	Several	7	Several	Several	
Future expectations									
Foreign sales	No change	Increase (10%)	No change	Increase (5%)	Increase (15%)	Slight increase	Increase (10%)	No change	
Foreign sales countries	Increase (2)	Increase (2)	Increase (5)	Decrease (2)	Increase (4)	Increase (2)	Increase	No change	

Note. ¹ Marketing, R&D and/or production co-operation

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Managing Complexity and Change in SMEs

Frontiers in European Research

Edited by

Poul Rind Christensen

Aarhus School of Business, Denmark

Flemming Poulfelt

Copenhagen Business School, Denmark

Edward Elgar

Cheltenham, UK • Northampton, MA, USA

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10. Internationalization of new ventures: mediating role of entrepreneur and top management team experience*

Johanna Pulkkinen

INTRODUCTION

The interest for this study has emerged from the increasing references made in research to the firms that internationalize very soon after establishment and consequently, from their emphasis on the importance of understanding these firms' behaviour. These firms have been termed for example 'international new ventures', 'born globals', 'global start-ups' and 'infant multinationals'. In many studies, the high-technology character of the phenomenon has been stressed, as reflected by the concepts such as high-technology start-ups. In this chapter no industrial-wise limitations are made and the term 'international new venture' (INV) is adopted. In many studies of INV phenomenon, criticism is raised against the traditional internationalization theories (such as stage models). The research conducted so far points out that an increasing amount of firms do not internationalize according to the stages and that the time lag between firm foundation and internationalization has diminished. Existing theories of internationalization have been claimed to fail in explaining these firms not only because they assume a slow gradual development of firms and thus emphasize larger mature firms, but also because they focus too much on the firm level, ignoring the individual level (McDougall et al., 1994). In these theories the focus of studying the role of experience has often been on the firm-level experience, researching the firm's previous experience and development of internationalization (for example subsequent entry mode choice), especially among manufacturing firms but also among service firms (for example Erramilli, 1991). At the same time the time lag between internationalization and previous international exposure of the entrepreneur and management of the firm has been rather ignored (see the discussion by Wickramasekera and Bamberly, 2001 and their emphasis on the

length of the learning process by management). The so-called Uppsala model of firm internationalization (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977) emphasizes experiential learning but it has been criticized for the fact that it does not specify whose experience is being focused on (Oviatt and McDougall, 1997).

However, the INV as a firm typically goes international before having gained (firm-level) business experience even in the domestic market. Due to their small size they often also lack financial resources to acquire external professional advice on international entry. In this respect, the experience perceived as a characteristic of the entrepreneur and top management team (TMT) of firms, not as a characteristic of the firm, could be of importance. The experience as such might not explain the speed of internationalization, but through capabilities based on experience the mediating factors such as commitment and implementation of needed strategies to internationalize successfully might be more rapidly put into use. As expressed by Reid (1981), the individual characteristics such as foreign nationality, language skills, extent of foreign travelling, and education seem to be associated (as antecedents) with the decision-maker's existing stock of knowledge, his or her attitudes, and effective preferences concerning export marketing. Consequently, in this chapter experience is perceived as a characteristic of the entrepreneur and management team of firms (see for example Reuber and Fischer, 1997), not as a characteristic of firms as viewed in some key early studies on internationalization (for example Johanson and Vahlne, 1977).

The aim of the chapter is to research the link between the international experience of the entrepreneur and the TMT and the internationalization of new ventures. The experience is approached as a possible mediator of INV development through influence on specific decisions and use of strategies that might explain these firms' development. From the possible strategies, the strategy followed by the new venture is expected to be filtered and largely selected by the decision-makers' experience. Finally, the experience is expected to be related to the degree of internationalization through the impact on the time lag of international entry and strategic decisions regarding entry modes and markets and their geographical breadth. The theoretical base of the chapter is built by combining approaches in international business, management and entrepreneurship fields, with special focus on SME research as INVs are here regarded as a special type of SMEs.

The chapter is structured into six main sections. After defining the key concepts of the study, I present previous literature followed by identification of the research gap and presentation of the hypotheses for the empirical study. The methodology is discussed in the next section, followed by the findings of the empirical study. The chapter finishes with a discussion of the

findings and suggestions for the next steps in research. This chapter covers work in progress, presenting the first part of the intended full study. The contribution of the final study will be that it will link together the international experience and new venture internationalization by bridging together individual-level experience, the expertise acquired through experience, and consequences of internationalization decisions.

KEY CONCEPTS

In this study INVs are referred to as firms that have been confronted with fast internationalization soon after establishment. The concept of internationalization has many definitions, but in general it can be regarded as a process through which the firm's international level of operations increases. This increase may be identified in both the inward and the outward operations of the firm. According to Kutschker et al. (1997), there is no such thing as 'the' internationalization process of the firm, but there exist several parallel processes in different layers of the firm, one of which is at the individual level and others at group or department level, or the whole company. These processes may differ in the speed and duration of change as well as their relevance for the organization. This study attempts to take into account and address these many dimensions of internationalization.

To acknowledge the multidimensionality of internationalization, the definition by Oviatt and McDougall (1994) of international new venture as 'a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries' is adopted in this chapter. This definition is also most cited in the literature and can thus be used to support comparability across studies. However, while internationalization refers to both inward and outward operations, the key defining dimension of INVs is in this study regarded to be related to foreign sales. Obtaining foreign sales is likely to be more challenging than for example obtaining foreign inputs, and most of the other international dimensions are somehow associated with the initiation of foreign sales (see Oviatt and McDougall, 1997). The limitation of concentrating on sales operations has been made in the majority of earlier INV studies as well as can be seen from the operational definitions of the INVs (the internationalization of sales has often been named as the minimum criterion). In addition to many names given to these firms, the empirical definitions of INV, however, still differ. The scale of operational definitions is large; criteria are based on for example share of exports, and time lag between establishment and initiation of exports (varying from two to six or even more years). Some researchers also exclusively focus on

younger firms, thus including the criterion of timing of establishment (for example Burgel and Murray, 2000; Zahra et al., 2000; Shrader et al., 2000; Moen, 2002). Few definitions include criteria such as international orientation or vision (for example Luostarinen and Gabrielsson, 2002). Examples of different operational definitions are those by Knight in 1997 (establishment after 1976, and share of exports at least 25 per cent), Harveston et al. in 2000 (engaged in foreign activities accounting for 25 per cent of all sales within three years of founding), and Moen in 2002 (establishment after 1990 and share of exports at least 25 per cent). The more definite operational definition of this study is presented in the methodology section.

Two meanings could be given for the term 'experience': (1) 'direct observation of or participation in events: an encountering, undergoing, or living through things'; and (2) 'knowledge, skill or practice derived from direct observation of or participation in events: practical wisdom resulting from what one has encountered, undergone or lived through' (Gove, 1981, p. 800 in Reuber et al., 1990). While experience may be of both kinds, as in the second meaning the relevant experience is regarded as 'experiential expertise' (Reuber, 1997) that has been gained through participation in events. With events, this study specifically relates to those in the international context. The expertise (knowledge and skills) may be of various kinds, but in this context the most relevant is that related to foreign markets and internationalization of business operations. When researching the link between experience and new venture internationalization, of special interest here is the international experience that the managers have gained before managing the new venture or during the venture's domestic period. This experience may derive from earlier business assignments at the international level, studying abroad, or from other experience abroad. The experience may vary in duration as well as in regional breadth, and in the case of business experience it may be from a similar or different industry (see Siegel et al., 1993) and vary in terms of functional breadth.

LITERATURE REVIEW AND HYPOTHESES

In this section the previous studies on experience of the decision-makers (manager, founder, owner or TMT) and internationalization are discussed under two sub-sections. As the new venture is here regarded as a special type of SME, the section will first review the research done on the experience-internationalization link in the context of SMEs. After this the focus will be on the research that has been carried out especially in the INV context. Finally, the research gap and hypotheses are presented the third sub-section.

International Experience and SME Internationalization

Dichtl et al. (1990) studied the role of the manager's foreign orientation variables (manager's experience of psychic distance, manager's age, education level, proficiency in foreign languages, travelling, risk-averseness, willingness to change, expectations of overseas job experience on career and family, attitude towards exporting) as a precondition for exporting in industrial SMEs from five different countries (182 exporters vs. 171 non-exporters). The command of foreign languages, vacations spent abroad, longer stays abroad as well as number of previous employers were on average higher among managers of exporting firms (except in Japan the number of previous employers and in South Korea longer stays abroad were slightly higher among non-exporter managers). Even one-third of the non-exporters or occasional exporters had future export potential, but due to deficiencies in the manager's characteristics (low foreign market orientation), did not export. The major problem in initiating export activity seemed to relate to language proficiency and availability of qualified personnel.

In a study of 58 Indian-based exporting firms (27 firms with less than 500 employees and 28 larger firms from seven industries), three managerial characteristics – years in the current position, whether the manager had past exporting experience and whether they had lived or worked abroad – were found as discriminating factors between unsuccessful and successful exporters as classified by export share from total sales (Das, 1994). Other discriminating factors between the groups were product nature, firm's years in business, country of the buyer and nature of the industry. As compared to these latter factors, managerial characteristics had lower discriminant loadings, and surprisingly the export experience of the manager was lower in firms with a higher export share (20 per cent or more) and living or working abroad experience was almost similar in both groups of firms. Success classified as growth in export volume during the past five years yielded three discriminating factors: living or working abroad, years in current position and product nature. Of all the firms, nearly 70 per cent had over 20 years' business experience and 74 per cent over ten years of export experience. As with many other studies, this study did not differentiate between individual experience prior to the export operations of the current firm and the experience gained during the current firm's operations. The export managers in successful firms in fact had over nine years' experience in their current job.

Also many other SME studies have touched upon the relationship between exporting or internationalization and managers' other international skills in different parts of the world. In most of these associated

studies, the managerial characteristics are age, education and language skills. Obben and Magagula (2003) tested the links between some managerial and firm-related variables and the export propensity of SMEs in Swaziland, a small developing country in Africa. When comparing 20 exporters and 20 non-exporters, foreign language skills and business-related foreign trips of the managers were very highly significant explanatory factors of export propensity. On the other hand, in a sample of 158 exporting and 105 non-exporting Maine manufacturing firms, Cavusgil and Naor (1987) found three decision-maker characteristics – age, education and language skills – to be poor or insignificant differentiating variables between exporters and non-exporters. Although slightly higher education and level or amount of foreign language skills were related to export marketers, the relationships between these characteristics and export marketing were weak. As compared to other studies, the firm size of the sample firms was larger (employing less than 1000 people).

Reuber and Fischer have studied experience and its relationship to SME internationalization (1997), firm performance (Dyke et al., 1992) and also analysed the dimensions affecting experience (such as time) (Reuber and Fischer, 1999) as well as the role of owner's export experience as a criteria when targeting export support (instead of for example the stage of internationalization) (Fischer and Reuber, 2003). In Reuber and Fischer's study in 1997, the focus was on the experience of both the CEO and the management team, with an empirical sample of 49 small Canadian software product firms. International experience was measured with two measures: whether, before joining or founding the firm, the CEO had ever worked outside Canada and whether any of the management team members had experience in selling outside Canada. In 55 per cent of all the firms, the management team had gained foreign experience. The average timelag from firm foundation to initiation of foreign sales was 5.10 years and over 70 per cent of the firms also sold their products outside North America. However, while 10 per cent had no foreign sales, 51 per cent had at most one foreign partner. According to the findings, the international experience affected positively on the use of partnerships and negatively on the delay from start-up to initiation of foreign sales. In addition, firm age was also found to have a negative effect on the delay of foreign sales and the firm's number of employees was found to affect negatively on the level of TMT's international selling experience. International experience was a significant predictor of the degree of firm internationalization. Both the use of partners and delay in foreign sales mediate the effect of international experience on the degree of firm internationalization.

International Experience and INVs

Pioneering authors Oviatt and McDougall (1995, 1997) and McDougall et al. (1994) have stressed the importance of founder characteristics in researching and explaining INVs. While much of their research has had significant theoretical value, the empirical manifestations of these are fewer, except for the author's own case studies. Based on case studies of 24 INVs, McDougall et al. (1994) state: 'founders of INVs are individuals who see opportunities for earning high returns for establishing businesses that operate across national borders. These entrepreneurs see opportunities that others do not see because of the competencies (networks, knowledge, and background) that are unique to them' (p. 483). Based on 12 case studies, Oviatt and McDougall (1995) identified seven characteristics associated with the survival and growth of new ventures, one of which was internationally experienced managers. In the follow-up study of the same companies, this characteristic (along with global vision and strong international business networks) was found in all the ventures, and it was concluded to be a critical characteristic at the founding phase of the ventures. An interesting finding was, however, that three of the companies had failed and one was in the process of ceasing operations at the time of the progress report.

Many studies in the INV context have studied different experience types as discriminators of internationalization propensity. In most of these studies, the experience has been studied as one of many other explaining variables such as firm or external variables. As an example, Knight (1997) found in a US-based sample that as compared to traditional firms ($n = 168$), a higher proportion of 'born-global' firms ($n = 122$) had managers that had lived overseas for a substantial period of time. According to findings by Harveston et al. (2000) on US-based high-technology firms, the managers of INVs ($n = 60$) reported significantly more extensive international experience (travelling, vacations and holidays, work and education) as compared to managers of gradually globalizing firms ($n = 146$). In the study of 106 Australia-based exporting wineries (Wickramasekera and Bamberly, 2001), significant differences between managers of firms could be found in that higher numbers of born-globals had export or marketing managers that had previously worked for an exporting company (62 per cent vs. 37 per cent). Whereas the mean values for overseas work experience were the same in both groups of firms, the mean values for training in export matters and fluency in languages were slightly higher in the non born-global firms. In the study by Kunda and Katz (2003) among new firms in the Indian software industry, the education of CEOs predicted higher export performance (export growth and export share) but international experience of CEOs in different regions was significantly higher in highly

exporting firms only when measured by export share. The foreign expertise of employees was also tested as a firm-level resource but it gained only marginal support as a predictor of higher export performance (namely export growth). Unlike in many researches, this study used a more profound theory-based approach.

In qualitative studies similar relationships have been studied. In the study by Knight et al. (2001), 16 out of 24 firms in the New Zealand seafood industry were established to serve international markets with no prior domestic sales. Most of these INVs were either established or purchased by persons having international industry links built up through previous work. Based on a case study of 22 New Zealand exporting manufacturing and service firms (nine born-globals) from different industries, Chetty and Campbell-Hunt (2003) found that the founder's prior international and work experience is important in establishing a rapid development path of internationalization.

Another approach in the research has been the link between experience and strategic internationalization choices such as market selection and choice of entry mode. In the study of small, technology-based Swedish firms (Lindqvist, 1991), the findings of 15 pilot case studies indicated that in firms having experienced managers (for example in the same industry as the current firm), the internationalization was characterized by more rapid foreign entry and a less traditional market selection pattern. The experience also helped in identifying foreign representatives. In other cases, acting as a subcontractor to large original equipment manufacturer (OEM) customers had led to rapid indirect spread to many foreign markets. In the survey of 95 sample firms (Lindqvist, 1991), the firms with management having previous industry experience and established contacts with representatives were significantly younger at the time of first foreign entry. However, the number of years required to enter five foreign markets did not vary with previous experience. The author also found that many of the sample firms which had established a subsidiary in a certain market did not possess earlier, lower commitment experience in that market. Rather surprisingly, another finding was that firms that could benefit from the manager's established representative contacts were less successful in export than others.

Bloodgood et al. (1996) studied 61 US-based venture capital supported firms (21 INVs). The degree of internationalization at the time of initial public offering (IPO) was directly related to product differentiation, previous international work experience of the top management, and firm size at the point of IPO. The international education of the management was not significantly related to the extent of internationalization of the firms. The degree of internationalization was measured as whether the firm was engaged on a foreign continent in each of Porter's five primary activities: inbound and outbound logistics, operations, marketing and sales, and

service. The management-related variables were not directly related to firm performance (sales growth and earnings before interest and taxes) two years after IPO, but the internationalization degree in total was positively related to later earnings.

In the study by Shrader et al. (2000) of 212 foreign market entries by 87 US-based new ventures, the level of management experience (international, marketing and prior new venture experience) was positively associated with politically and economically riskier countries and more committed entry modes. Also, the larger management team size was associated with higher entry mode commitment. Among 246 high-technology UK start-ups, managers who had lived abroad were more likely to sell abroad without middlemen whereas prior international work experience did not impact on export decisions (Burgel and Murray, 2000). The interpretation was that these managers simply do not need the assistance (market knowledge, commercial network) of distributors, but can rely on their own established networks and knowledge.

According to findings in another UK-based sample (82 biopharmaceutical INVs), the TMT members do not have a major affect on the initiation of international activities, but this decision is primarily driven by the structure of this particular industry (Gurau and Ranchhod, 2003). Using cross-tabulations, the findings suggest a significant relationship between the proportion of the TMT members with international experience and number of world regions of TMT's experience, and the internationalization level of the firm. The medium-sized firms had more TMT members with international experience as compared to small firms. Also, the more developed the firm was in terms of its development stage (from building competitive advantage to being fully operational), the higher proportion of managers there were with international experience. There was no significant relationship between listed or unlisted firms or type of firm activity (platform technology or product development) and the proportion of experienced managers. Furthermore, the experience of TMT in certain world regions was a statistically significant determinant of the presence of the firm in that same region. The relationship between the type of professional expertise (in entry modes) and predominant foreign entry mode was positive and significant in the case of licensing, distribution and strategic alliances, that is, TMT member expertise of for example licensing and use of licensing as the predominant mode.

Research Gap and Hypotheses Development

The literature review indicates that the majority of the research on entrepreneur and management experience has not been linked with firm

internationalization but rather with firm performance, strategy, growth and so on in general (see for example Dyke et al., 1992; Reuber and Fischer, 1994, 1999; Eisenhardt and Schoonhoven, 1990). In these studies different experience types have been investigated (for example experience in previous firms, previous start-ups or firm establishments as well as educational, management, ownership, small and large business and industry experience), but often no internationality of experience or internationalization consequences have been included as a measure. Most studies focusing on the relationship between experience and SME internationalization have exclusively explored the experience of a single decision-maker (founder or managing director), while a smaller number of studies have included the whole management team (see the discussion in Reuber and Fischer, 1997). In the context of INV research, only a few researches with the main focus being this issue can be listed (for example Harveston et al., 2000). In both SME and INV research, many of the studies focus on decision-maker and top management-level experience, while some studies have also been made on 'lower-level' experience such as expatriate experiences or international experience of the employees (for example Kunda and Katz, 2003). In many of these studies, the gained experience has been measured at the time of investigation, whereas fewer researches have focused solely on the experience that the decision-maker has gained prior to the current firm's establishment or internationalization.

While research has shown some evidence suggesting a link between the experience and the INV type of development path of the SME, much is still to be evidenced. Conflicting results seem to remain strong as researchers have also found either negative or no relationship between different internationalization and international experience variables (Cavusgil and Naor, 1987; Lindqvist, 1991; Das, 1994; Oviatt and McDougall, 1995; Bloodgood et al., 1996; Burgel and Murray, 2000; Wickramasekera and Bamberry, 2001; Gurau and Ranchhod, 2003; Kunda and Katz, 2003). One reason for this may be related to conceptual ambiguity in the present research. In previous research on founder and manager experience and internationalization (or firm performance, growth) the term 'international experience' has received rather less conceptual attention. Often the experience has been defined through different empirical operationalizations (such as years of export-related work experience, foreign education, number of foreign trips) without more general theoretical definition. Also the concepts 'international orientation' and 'international experience' have sometimes been used as synonyms (Gurau and Ranchhod, 2003). For definitions, see Table 10.1.

Furthermore, as earlier research has tended to focus on analysing the direct link between experience and (international) firm performance, it remains unclear in what manner the experience impacts upon internationalization

Table 10.1 Experience-related measures of entrepreneur, CEO and management in SME internationalization and INV research

SME literature	Empirical data	Level	Experience-related measures
Cavusgil & Naor (1987)	Survey	Chief executive	Age, level/place of education, knowledge of Spanish and German. Perceived management expertise in marketing, finance, production, planning.
Dichtl, Koeglmayer & Mueller (1990)	Structured interviews	Manager	Experience of psychic distance, age, education level, proficiency in foreign languages, traveling, risk-averseness, willingness to change, expects of overseas job-experience on career and family, attitude towards exporting.
Das (1994)	Survey	Manager	Export-related training, past exporting experience, foreign living/working experience, foreign travel in present job; attitude towards exporting; educational level; knowledge of foreign languages; age, years of service in firm, years in current position.
Reuber & Fischer (1994)	Survey	Owner	Prior management, industry, small firm and large firm experience Evaluation of the current expertise areas relative to other CEOs in the industry.
Reuber & Fischer (1997)	Survey	CEO TMT	Prior working abroad Experience in foreign sales.
Obben & Magagula (2003)	Survey	Manager	Age, level of education, proficiency in foreign languages, business-related trips to foreign countries, and perception of exporting on the profitability, riskness and cost of the business.

INV literature	Empirical data	Level	Experience-related measures
Lindqvist (1991)	Case studies, survey	CEO	Whether the firm has been able to use previous industry experience (agent/distributor contacts and industry experience) or local experience (local market knowledge) during internationalization.
Bloodgood, Sapienza & Almeida (1996)	Survey	TMT	No. of directors with previous work experience and schooling abroad.
Knight (1997)	Case studies, survey	Top 3 executives	Living outside the USA and Canada for at least 6 months.
Harveston, Kedia & Davis (2000)	Survey	Manager	Evaluation of the extent of respondent's experience in international traveling, education with international component, international vacations and work.
Shrader, Oviatt & McDougall (2000)	Survey	TMT	Years of international, technical and marketing work experience; new venture experience (prior new ventures started by TMT); TMT size
Burgel & Murray (2000)	Case studies, survey	Founder	Adopted from Bloodgood et al. (1996): Whether the founders had lived abroad/had worked for internationally operating companies before starting the present business.
Wickramasekera & Bamberg (2001)	Survey	Manager	Education, foreign work, export training, worked for exporting company, fluency in foreign languages; country of birth.
Gurau & Ranchhod (2003)	Survey	TMT	International experience (foreign education, work, previous position with international responsibilities); the proportion of TMT with international experience; world regions of experience; areas of professional expertise.
Kunda & Katz (2003)	Survey	CEO	Technical education, international experience (years of experience in foreign regions), technological innovativeness, strategic orientation.
		Employees	Foreign expertise.

behaviour more specifically, such as strategies employed. Additionally, the kinds of international experience and experientially acquired capabilities that are discriminators of different internationalization paths of firms are yet to be researched. Most of the previous studies indeed have deficiencies regarding this matter as they have taken rather narrow and superficial measures of international experience. Most studies do not differentiate between the two sides of experience discussed earlier (experience as such, and expertise acquired through experience), which causes problems (for example assuming that knowledge acquisition is directly proportional to the length of prior participation is maybe not well argued) (Reuber et al., 1990). Reuber and Fischer (1997) emphasize the importance of exploring more specifically what kind of knowledge, skills and abilities are acquired experientially, and their consequences for firm behaviour. Following this discussion, two areas for further research are identified:

- The direct impact of international experience of the entrepreneur and TMT on the internationalization motive and degree (speed of internationalization, market selection, entry mode commitment) of new ventures.
- The indirect impact of international experience on the internationalization behaviour and degree of new ventures, that is, what kind of knowledge, skills or expertise are acquired experientially by internationally experienced entrepreneurs and TMT, and what kind of impact these have on the internationalization of new ventures.

At this point, the aim of the empirical research is to contribute to the first area, which is arguable also by the nature of experience–expertise link. Consequently, it is first important to know the types of experiences that are related to new venture internationalization in the first place, after which the experiential expertise may be added to the context to deepen the understanding of the consequences of experience on internationalization. Based on discussion presented above, the following hypotheses are set:

Hypothesis 1: New ventures with higher prior international experience of the entrepreneur and TMT will have a higher degree of internationalization.

Hypothesis 2: In new ventures with higher prior international experience of the entrepreneur and TMT this experience will be of higher importance as a motive for deciding to initiate international operations.

Hypothesis 3: New ventures whose prior international experience of the entrepreneur and TMT is of higher importance as a motive for deciding to

initiate international operations will have a higher degree of internationalization.

Hypothesis 4: Higher prior international experience level of the entrepreneur and TMT and higher importance of this experience as a motive for deciding to initiate international operations discriminate the rapidly internationalized new ventures from the slowly internationalized new ventures.

METHODOLOGY

The empirical data are based on a survey study of exporting Finnish SMEs and a qualitative case study of eight Finnish small- and medium-sized INVs. While the survey data is used to test the hypotheses on international experience and internationalization motives and speed, the case data is aimed at providing further information about the impact of experience on internationalization degree with regard to decisions concerning market selection and entry mode commitment.

Survey

The questionnaire was targeted at Finnish-based industrial and service (software, engineering and advertising) SMEs that were employing 5–500 people and informed to have performed export operations. Including multiple industries is arguable in order to ensure a sufficient number of international new ventures in the sample. In identifying the target companies the Yritys Suomi 2000 database as well as earlier surveys and articles in Finnish business magazines were used. On the basis of these sources, the total target group consisted of 2856 companies. After excluding 48 bankrupted firms, 154 firms that did not fulfill the selection criteria and firms whose address could not be identified, the final target group decreased to 2654 firms.

Altogether 486 responses were received, from which 473 were usable (response rate 17.8 per cent). However, only companies founded in 1985 or after are included in this study, since knowledge of the early years of older firms and their decision-makers' prior experience is more difficult to gain, and the reliability of such data is likely to be lower. Thus, from a total of 473 companies 211 are analysed. Descriptive statistics of these firms are shown in Table 10.2. Based on the number of employees, annual turnover and field of industry, there seemed not to be any great differences between responding and non-responding companies.

The survey was conducted between November 2001 and March 2002. The survey was part of a larger survey and the questions covered foreign

Table 10.2 Descriptive statistics of survey firms ($n = 211$)

Variable	Mean	S.D.	Range		Median
			Min	Max	
Foundation	1991	3.99	1985	2001	1991
Number of personnel in 2001	49.5	72.63	3	500	23
Turnover in 2001	6.98	11.35	0.12	90.52	3.03
Starting year of export	1993	4.08	1985	2001	1993
Share of exports in 2000–2001	40.4%	31.84	0	100	30.0%
Company form			Field of industry		
Family-owned	45.3%		Manufacturing		83.9%
Independent limited liability	31.2%		Service		16.1%
Part of larger group	23.5%				

purchasing, foreign sales, firm strategy in international business, performance, future prospects, and key figures, as well as other background information of the firms. The respondents of the questionnaire were either the managing director (in small firms employing less than 50 people) or the manager responsible for international operations (in medium-sized firms). The international experience measure concerned the characteristics of the TMT and was measured through the following questions: (1) whether the management members (none/one of the managers/many of the managers) had gained (a) business experience in international assignments in a domestic firm, (b) business experience in international assignments in a foreign firm, (c) educational experience abroad, or (d) other experience abroad before the current firm started international operations. (2) The competitiveness level of the management's (a) international experience, (b) education and (c) language skills (Likert scale 1–5). A subjective measure of the impact of experience in internationalization-related decision-making was measured through the variable 'to what extent the manager evaluates the international experience of the management to have impacted on the firm's decision to start operating internationally' (Likert scale 1–5). Whereas the first question can be regarded as rather objective, the two latter ones are respondents' evaluations of the TMT characteristics and decision-making motives. Concerning the TMT as a focus of experience, the management team of the venture in the inception, survival and growth phases is generally concerned to involve the founders of the venture and to be more entrepreneurial. In later stages of development, that is, in the expansion stage of

the venture, the management is likely to involve more professional managers whereas the founders may step aside from the TMT (see for example Scott and Bruce, 1987). As measured by the number of employees, the size of the sample firms is rather small and the majority of the firms are family-owned (only 23 per cent belong to a larger group) (Table 10.2). Reflecting these factors, the owner-entrepreneur is likely to be highly present in the management of these ventures and thus be an acting member of the TMT.

Concerning the operationalization of experience, the experience measures are aimed to provide information on the level and types of experience of both the entrepreneur and the whole management team. As can be seen in the summary Table 10.1, the experience of the whole TMT has been included as a measure only in three earlier INV studies and one SME study. In two of these studies the measures of experience have been rather general, with specifying only one (Reuber and Fisher, 1997: 'experience in selling to foreign markets') or two (Bloodgood et al., 1997: 'international schooling or work experience') types of experience. The study by Shrader et al. (2000) is focused on issues other than experience, which in itself has also been measured more superficially and without specifying whether the experience has been gained prior to or during the current venture's internationalization. Regarding the experience types included in this study, four objective measures were included in order to give more specified information than in earlier studies. In addition, international work experience in domestic firms is included as one separate type, unlike in many earlier studies which tend to focus on 'working experience abroad' or 'foreign experience'. However, experience in a domestic firm that operates internationally is likely to be similarly or even more important than experience in foreign companies. This is because it adds to the experience of how to go abroad and do international business from this particular country and thus may be utilized in the new venture founded in the same country (as is the case in this study). There may be great differences between countries with regard to international trade policies and practices. Finally, regarding the subjective measure of experience used in this study, it is informative and unique to previous studies in the sense that it specifies how the CEO or international sales manager evaluates the competitiveness of the TMT's experience based on his or her knowledge of their experiences and does not just focus on the years of experience or number of persons having experience.

In the survey study, the degree of internationalization is only measured through speed of internationalization. As mentioned earlier, the entry mode commitment and market selection pattern are analysed in the case study part of the chapter. The degree (later referred to as speed) of internationalization of the new venture was operationalized as: (1) the share of foreign sales in the firm's turnover three years after the firm's foundation

(classified as no foreign sales, < 10 per cent, 10–24 per cent, 25–49 per cent or > 50 per cent); and (2) years required until three foreign countries were entered with sales (age at entry in the third foreign entry). For the purpose of analysing hypothesis 4, the new ventures were classified into four groups on the basis of two variables: (1) share of foreign sales three years after firm foundation (being more or less than 25 per cent): and (2) firm age at its third foreign market entry (being more or less than three years) (see Figure 10.1). The 25 per cent has been used as the minimum share of foreign sales in INV criteria in studies for example by Knight (1997), Harveston et al. (2000) and Moen (2002). Three years has been used as a cut year between INVs and local new ventures for example by Harveston et al. (2000), Rasmussen et al. (2001) and Gurau and Ranchhod (2003). Most of the earlier studies only include export share soon after establishment as criteria of INVs, and thus neglect the actual international dispersion of activities. This latter factor is, however, an essential part of defining INVs and of discriminating them from very locally geographically focused new ventures. Thus, in this study years required to enter three foreign countries was used as another criterion to define the internationalization speed of new ventures.

To test the relationships in the first three hypotheses, two-tailed correlational analysis was used. This way the relationships between different types of experience and internationalization decision-making motives and speed can be analysed, and the relative strength of the relations between experience and internationalization versus decision-making motives and internationalization can be reported. To test the differences in four types of new ventures in hypothesis 4, one-way analysis of variance was employed together with the Bonferroni test to further investigate the differences found.

Case Study

The case studies were identified from 486 exporting Finnish SMEs that had participated in the mail survey as well as using other sources (earlier surveys and Finnish business magazines). Selection criteria included the following items: international sales three years after establishment at least 25 per cent of total sales; international sales at least 50 per cent of total sales in 2001; at least six foreign countries in which the company had sales in 2001; company establishment in 1985 or later (see argument above); the majority of the company not owned by any single larger Finnish or foreign group (to ensure the independence of early operations and decision-making). The basic information of the selected eight companies is presented in Table 10.3. The firms represent different industries and six of the companies are categorized as high-tech (R&D costs at least three per cent of turnover)

Share of foreign sales 3 years after foundation	$\geq 25\%$	Group 3 Geographically focused	Group 4 International
	$< 25\%$	Group 1 Local	Group 2 Marginally exporting
		> 3 years	≤ 3 years
Firm age at 3rd foreign market entry			

Figure 10.1 Classification of new ventures into four groups

Table 10.3 Basic information of the case companies

Company	Founded	Main products	Number of personnel ¹	Turnover ¹	Starting year of export	Share of exports ¹
A	1996	Laminated log houses	76	12.9 Meur	1996	60% ³
B	1992	Light forest machines	50	12.0 Meur	1992	75%
C	1997	Fibre reinforcements	15	0.4 Meur ²	1999	58% ³
D	1993	Frequency converters	426	97.5 Meur	1995	82% ³
E	1988	Liquid handling, diagnostic tests	303	25.4 Meur	1990	97%
F	1992	Public space furniture	28	4.1 Meur	1992	50%
G	1994	Square bale wrapping systems	13	1.4 Meur	1994	95%
H	1994	Machinery for textile industry	13	2.4 Meur	1996	98%

Notes: ¹ in 2002, ² in 2001, ³ in 2001–2002.

and two as low-tech. Accordingly with the research focus of the study, case firms vary in terms of experience and internationalization degree.

The data of the case firms was collected through the above survey questionnaire, personal contacts (using a semi-structured questionnaire) and firm reports (annual and other reports), newspaper and journal articles. More profound information has been gained from one case company by in-depth interview. In addition to international experience variables (included in the survey), the managers of eight INVs in the case study were also asked to specify whether one or several of the founders and/or early management team members had gained previous industry experience and whether this experience was short- or longer-term (less or more than three years). Also the background of the establishment was identified (another company, bankruptcy of another company, MBO – management buy art, research project and so on). The semi-structured questionnaire also included questions of international operations (operation modes used, countries entered and so on) in the beginning phase of firm existence (first six years) and currently.

RESULTS

Survey: International Experience and Speed of Internationalization

The analysis of survey data is focused on the link between international experience and speed of internationalization variables as well as the motives behind the internationalization initiation. The distribution of firms with regard to experience of different types is shown in Table 10.4. All these experiences were gained before the current firm had started international operations. As can be seen from the table, in a large proportion of the firms there is actually no international studying experience or work experience in foreign companies, a fact that weakens the usability of these variables in further analysis. With the subjective measures, on average the respondents rated the level of management's international experience in the firm as 3.45, of education 3.66 and of language skills 3.67 (on a scale of 1 = extremely low to 5 = extremely high).

The mean values, standard deviations, range and medians of the international experience, internationalization motive and speed of internationalization variables are shown in Table 10.5. The correlations between (hypothesis 1) seven experience measures and two internationalization speed measures and (hypothesis 2) seven experience measures and one measure of the impact of experience as a motive impacting upon the decision to initiate international operations are shown in Table 10.7.

Table 10.4 The distribution of previous international experience variables in sample firms ($n = 211$)

Variable	None of the managers	One of the managers	Many of the managers	Missing
Int'l living	55.90%	24.60%	12.30%	7.10%
Int'l studying	69.20%	15.20%	8.10%	7.60%
Int'l work in domestic firm	35.10%	28%	29.50%	7.60%
Int'l work in foreign firm	72.50%	10.40%	9.50%	7.60%

When measuring the link between (hypothesis 1) earlier international experience of managers and speed of internationalization, the following results were found. The higher share of foreign sales three years after foundation correlated significantly and positively with managers' experience in international work in a domestic company as well as the respondents' evaluation of their firm's managers' international experience level. This finding suggests that companies having management team members with prior experience of this type are likely to have a higher share of foreign sales soon after establishment. As expected, significant negative correlation could be found with international experience and years from firm establishment to three foreign entries. Specifically, the age at third foreign entry was lower among companies having managers with experience of studying abroad, and international work in a domestic company and a foreign company. Correlations with other experience measures and age at entry were negative but not at the significant level. The correlations with international experience of studying and living abroad and of working in a foreign firm must however be interpreted with the fact that the experience of these types were less evenly distributed as they were rather low in all the sample firms. Thus, overall partial support for hypothesis 1 was obtained.

In addition to the above measures, this study uses subjective measures of the impact of 13 different firm and environment-related factors on internationalization initiation motives. The means, standard deviations, range and medians of the measures are shown in Table 10.6 and correlations between the 13 measures of the motives behind the decision to initiate international operations and two internationalization speed measures in Table 10.8. The mean value for the impact of international experience of the management on the firm's decision to start operating internationally was 3.02 (on a scale of 1 = extremely minor impact to 5 = extremely major impact). The manager's own evaluation of the

Table 10.5 Means, standard deviations, range and medians of the experience and internationalization speed variables (n = 211)

Variable	Mean	S.D.	Range		Median
			Minimum	Maximum	
1. Mgm int'l living	0.5	0.72	0	2	0.0
2. Mgm int'l studying	0.3	0.63	0	2	0.0
3. Mgm int'l work in domestic firm	0.9	0.84	0	2	1.0
4. Mgm int'l work in foreign firm	0.3	0.65	0	2	0.0
5. Level of mgm int'l experience ¹	3.5	1.04	1	5	4.0
6. Level of mgm education ¹	3.7	0.89	1	5	4.0
7. Level of mgm language skills ¹	3.7	0.98	1	5	4.0
8. Impact of mgm int'l experience on int'lization initiation ¹	3.0	1.23	1	5	3.0
9. Share of foreign sales 3 years after foundation ²	1.7	1.47	0	4	1.0
10. Firm age at 3rd foreign market entry (years)	4.2	3.87	0	15	3.0

Notes:

¹ The variables 5–8 are respondent's evaluations of the impact/level.

² Scale: 0 = no foreign sales, 1 = less than 10%, 2 = 10–24%, 3 = 25–50%, 4 = more than 50%.

Table 10.6 Means, standard deviations, range and medians of the internationalization motive variables ($n = 211$)

Variable	Mean	S.D.	Range		Median
			Minimum	Maximum	
1. Int'lization of customer	2,6	1,45	1	5	2
2. Int'lization of competitors	2,4	1,28	1	5	2
3. Success of competitors in int'l markets	2,4	1,23	1	5	2
4. Mgm interest in int'lization	4,0	0,92	1	5	4
5. Mgm int'l experience	3,0	1,23	1	5	3
6. Competitive foreign sub-contractors	2,2	1,27	1	5	2
7. Inadequate demand in the home market	3,7	1,28	1	5	4
8. Increasing competition in the home market	2,9	1,30	1	5	3
9. Foreign enquiry	3,7	1,09	1	5	4
10. Lack of sub-contractors in the home market	1,7	0,99	1	5	1
11. The firm has never considered its home market as the only market	3,5	1,38	1	5	4
12. Export subsidies	2,1	1,09	1	5	2
13. Contact from the chamber of commerce or related organization	1,6	0,89	1	5	1

Table 10.7 Pearson correlations of the experience and internationalization speed variables

Variable	1	2	3	4	5	6	7	8	9	10
1. Mgm int'l living	1									
2. Mgm int'l studying	0.528(**)	1								
3. Mgm int'l work in domestic firm	0.249(**)	0.166(*)	1							
4. Mgm int'l work in foreign firm	0.528(**)	0.388(**)	0.273(**)	1						
5. Level of mgm int'l experience	0.240(**)	0.200(**)	0.409(**)	0.211(**)	1					
6. Level of mgm education	0.165(*)	0.104	0.194(**)	0.098	0.602(**)	1				
7. Level of mgm language skills	0.170(*)	0.193(**)	0.200(**)	0.088	0.613(**)	0.665(**)	1			
8. Impact of mgm int'l experience on int'lization initiation	0.244(**)	0.207(**)	0.482(**)	0.170(*)	0.539(**)	0.300(**)	0.351(**)	1		
9. Share of foreign sales 3 years after foundation	0.118	-0.009	0.229(**)	0.108	0.166(*)	0.120	0.078	0.218(**)	1	
10. Firm age at 3rd foreign market entry (years)	-0.104	-0.172(*)	-0.259(**)	-0.221(**)	-0.152	-0.051	-0.013	-0.160	-0.529(**)	1

Notes:

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed)

Table 10.8 Pearson correlations of the internationalization motive and internationalization speed variables

Variable	1	2	3	4	5
1. Int'lization of customer	1				
2. Int'lization of competitors	0.381(**)	1			
3. Success of competitors in int'l markets	0.181(*)	0.747(**)	1		
4. Mgm interest in int'lization	-0.034	0.13	0.189(*)	1	
5. Mgm int'l experience	0.098	0.134	0.115	0.238(**)	1
6. Competitive foreign sub-contractors	0.227(**)	0.268(**)	0.252(**)	0.1	0.122
7. Inadequate demand in the home market	-0.03	0.129	0.124	0.221(**)	0.205(**)
8. Increasing competition in the home market	0.084	0.259(**)	0.329(**)	0.181(*)	0.075
9. Foreign enquiry	0.002	0.099	0.106	0.147(*)	0.062
10. Lack of sub-contractors in the home market	0.236(**)	0.253(**)	0.214(**)	0.163(*)	0.062
11. The firm has never considered its home market as the only market	-0.033	0.088	0.056	0.190(**)	0.322(**)
12. Export subsidies	0.021	0.122	0.132	0.253(**)	0.031
13. Contact from the chamber of commerce or related organization	-0.004	0.285(**)	0.267(**)	0.266(**)	0.079
14. Share of foreign sales 3 years after foundation	-0.106	0.118	0.162(*)	-0.018	0.218(**)
15. Firm age 3rd foreign market entry	0.198(*)	-0.03	-0.118	-0.002	-0.16

Notes:

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

impact of management's international experience on the decision to start operating internationally correlated positively and significantly with all the variables measuring the amount of international experience of management (hypothesis 2). Thus, the findings give strong support for hypothesis 2. Three experience variables (studying experience, subjective evaluation of management international experience and language skills) correlated positively and significantly with the management international interest as a stimulus for internationalization. Five variables (living experience, international work in domestic firms, and subjective evaluation of management international experience, education level, and language skills) correlated positively and significantly with the internationalization stimulus of the management having never considered its home market as the only market.

	6	7	8	9	10	11	12	13	14	15
1										
-0.083	1									
0.167(*)	0.302(**)	1								
0.096	-0.045	0.113	1							
0.557(**)	0.023	0.111	0.045	1						
-0.066	0.251(**)	-0.186(*)	0.119	0.005	1					
0.161(*)	0.165(*)	0.057	0.087	0.115	0.162(*)	1				
0.224(**)	0.133	0.254(**)	0.168(*)	0.236(**)	0.02	0.488(**)	1			
-0.071	0.242(**)	-0.079	-0.019	-0.084	0.429(**)	0.063	-0.034	1		
-0.023	-0.264(**)	-0.031	0.007	0.06	-0.314(**)	-0.077	0.04	-0.529(**)	1	

The evaluated impact also correlated positively with the actual share of foreign sales three years after foundation (hypothesis 3). The correlation with age at third entry was negative as expected, but weaker. This finding gives partial support for hypothesis 3. Other significant correlations could be found with the share of foreign sales three years after foundation and three other stimuli: success of competitors in international markets, inadequate demand in the home market, and the fact that firm had never considered its home market as the only market. The age at third foreign entry seemed to correlate negatively at a significant level with inadequate demand in the home market and firm never having considered its home market as the only market. Surprisingly, a significant positive correlation was found with the age at entry and internationalization of customers as a stimulus for internationalization.

Hypothesis 4 was employed to further research the role of individual-level experience in explaining the differences between the initial internationalization behaviour of new ventures. Thus, the possible differences in the mean

Table 10.9 Differences in experience variables between the groups

	Group 1 a < 25% b > 3 years	Group 2 a < 25% b ≤ 3 years	Group 3 a ≥ 25% b > 3 years	Group 4 a ≥ 25% b ≤ 3 years	Total	Sig. level
N	64	38	10	46	158	
1. Mgm int'l living	0.43	0.59	0.78	0.63	0.55	0.377
2. Mgm int'l studying	0.22	0.41	0.22	0.36	0.31	0.423
3. Mgm int'l work in domestic firm	0.80	1.00	1.00	1.25	0.99	0.058*
4. Mgm int'l work in foreign firm	0.23	0.41	0.00	0.55	0.35	0.043**
5. Level of mgm int'l experience	3.45	3.37	3.89	3.84	3.57	0.079*
6. Level of mgm education	3.70	3.55	4.00	3.87	3.73	0.283
7. Level of mgm language skills	3.75	3.39	3.70	3.89	3.70	0.108*!
8. Impact of mgm int'l experience on int'lization initiation	2.85	2.94	3.13	3.33	3.03	0.248

Notes:

Analysis of variance, test of group means, * < 0.1, ** < 0.05.

Grouping variables: (a) share of exports 3 years after foundation; and (b) firm age at 3rd foreign market entry. ! is included to note that the result is nearly significant.

values of decision-makers' prior experience between international, geographically-focused, marginally but geographically widely exporting and local types of new ventures (see classification in the methodology section) were tested using one-way analysis of variance. The results of the analyses are shown in the Table 10.9. In four of the experience measures – international work experience in domestic firm, international work experience in foreign firm, level of language skills, and impact of international experience on the decision to start operating internationally – the highest mean values were found in group 4, that is, the firms that had at least 25 per cent of initial export share and had sales operations in at least three foreign countries three years after foundation. Comparing the groups, the mean values in three of the variables – living experience abroad, the level of manager's international experience as evaluated by the CEO or international sales manager and level of education as evaluated by the CEO or international sales manager – were highest in the third group of new ventures, that is, those that had an initial export share over 25 per cent but were more than three years old when entering the third foreign market with sales. In one variable, the studying experience abroad, the highest mean value was found in group 2.

Significant group differences were found in three variables – international working experience of the entrepreneur and managers in a domestic firm, international working experience in foreign firms, and level of international experience as evaluated by the CEO or international sales manager – whereas in the variable measuring the level of language skills as evaluated by the CEO or international sales manager nearly significant differences between the group mean values were found ($p = 0.108$). Using the Bonferroni test to investigate further the group differences, only two significant results were found however. First, the international work experience in domestic firms of group 4 was significantly higher than in group 1. Second, the evaluated level of language skills of group 4 was significantly higher to that of group 2. In the variable of international work experience in a foreign firm, a nearly significant difference in the expected direction was found between groups 1 and 4 ($p = 0.120$). Thus, hypothesis 4 received partial support in the analysis. The uneven distribution of variables of studying experience and working in foreign firms, however, has to be noted when interpreting the results.

Case Study: International Experience and Internationalization Decisions

The function of the case studies is to give more information on the link between experience and internationalization decisions concerning entry mode commitment and market selection strategies. In the case study firms, variety with regard to prior international experience of focal actors could

be identified. In all cases there existed earlier experience from working on international assignments at home or abroad, from studying abroad or in some cases from the research field at international level, but this experience varied significantly with regard to duration and number of persons having the experience. The case study results suggest a link between previous international experience of management and degree of internationalization, especially with entry mode commitment but also with market strategy of the current venture. Higher international coordination of operations (such as purchasing, sales, R&D cooperation, marketing cooperation and financing) soon after establishment was met with firms having decision-makers with higher previous international experience. Two of the most globalized companies – as determined by internationalization level of different business operations as well as number and breadth of countries with international operations – were characterized by extremely high previous international experience of the TMT. Three other companies characterized by high previous experience of the decision-makers were also coordinating the majority of operations internationally, but instead concentrating on fewer countries. Results on companies that were characterized by moderate or low international experience by the entrepreneur and TMT support this conclusion. Three companies had managers with less previous international experience as compared to other cases. The international operations of these three firms were mainly restricted to exporting, except for some R&D and marketing cooperation with customers and distributors and marginal purchasing from abroad by one company. Regarding market strategies in the beginning, one of the three companies gained 75 per cent of exports from three markets, while the two other companies were less geographically concentrated.

In terms of industry-related experience, the previous industry experience and the contacts of the founders and early management team established during this experience were high in three firms and extremely high in four of the firms. In the eighth case company the founder had worked in the same field, but only for a shorter period. In half of the cases, the background of foundation was linked to change in another company (such as bankruptcy or sell-off of a business unit).

Direct links between international experience and more specific internationalization behaviours and decisions are further illustrated with firm D (see Table 10.3). This firm is one of the two most globalized companies. Firm D is regarded as appropriate for further discussion, since it can in all respects most strongly be defined as an INV. First, the company is presented in terms of its international development, after which the impact of the international experience on market entry strategies is discussed.

Firm D is operating in the electrotechnical industry and manufacturing frequency converters. The first two years after establishment in 1993 were dedicated to product development. The first foreign distributor contract was already established before the product launch in 1994 at an international exhibition, followed by establishment of many more distributor contracts, subsidiaries (joint and wholly-owned) and a brand label contract in the next year. The share of exports reached 80 per cent three years after foundation. In 2002 the company's products were sold to over 100 countries. About 67 per cent of the sales are to Europe, 18 per cent to North America and 12 per cent to Australia and Asia. The main market is the USA, accounting for a quarter of exports. The company aims at increasing its presence in South-East Asia, the Middle East, Eastern Europe, South America and Africa. Also, supply and R&D have from the beginning been conducted with worldwide partners, and capital is raised from investors outside Finland. Since 2000, firm D has been a public company.

The company was established in 1993 by former managers and employees of a multinational corporation (MNC), which decided to move its division to another location. The core people wanted to continue in the old location and were encouraged by the positive prospects due to their advanced technological knowledge, international experience in doing business in the field, and the advantages of smaller organization. The success of firm D is strongly linked to the background of the foundation and management team having vast international-level industry experience and thereby contacts to customers, suppliers, financiers and other parties. In the beginning the TMT consisted of three experienced persons: the CEO had worked as a top manager and R&D manager of the frequency converter division of the MNC, the executive vice-president was experienced in many manager positions in different divisions of the MNC (being responsible for sales, purchasing and material operations), and the third person had worked as a business controller of the MNC, and also gained international education experience through an MBA degree. The persons joining the TMT in the following years added to the stock of international industry experience as well as experience in other internationally operating companies. The international dimension of business was also familiar to many of the firm's employees, having high experience of international assignments in domestic and foreign companies as well as of studying abroad.

Together with inadequate domestic demand and international orientation, the international experience of the founder managers was an important internationalization trigger for the firm. The TMT members' former assignment in the multinational company in the same field resulted in important knowledge and familiarity of the international business in the field. In later phases, in addition to TMT-level experience, the firm

also benefited from the employees' earlier international experience and the company's own expatriates, especially in the form of foreign market and industry knowledge. The foreign sales were initiated in 1995 in Sweden, Germany, Austria, the UK and Spain. The first foreign markets were selected primarily on the basis of managers' established contacts and facilitated by the managers' reputation in the midst of the distributors and customers with whom they had become acquainted during former assignments. As a small company, it was crucial that the managers were known from the earlier assignments. The prior experience also impacted on the entry modes employed in the beginning. In the first country the sales were through the distributor, in the second country through the firm's own sales subsidiary and in the third country through brand label contract. All these entries were linked to a relationship that was established prior to the current venture and thus to previous assignments in the field. One of the main markets of firm D today is the USA. Originally the company had decided not to enter this market as it was regarded as too resource-demanding for a small company. However, following the local interest for the firm's technology, the company signed brand label contracts with large MNCs in the market. Through these arrangements the firm could lower the resource requirements and risk of doing business in this large, distant country. Going behind the contracts again raises the earlier experience of the decision-makers – the contracts were largely facilitated by the strong personal relationships that the managers had gained based on previous experience with persons in these MNCs.

In summary, these case studies suggest a relationship between international experience and decision-making concerning entry modes and market selection. Whether the international experience is from the same or another field of industry seems to be decisive.

CONCLUSIONS

The aim of this chapter was to research the link between the international experience of the entrepreneur and TMT, and the internationalization of new ventures. The experience was approached as a possible mediator of INV development through influence on specific decisions that might explain these firms' development and the consequent internationalization degree. After reviewing previous findings on this issue, the research gap was identified and two areas in need of further empirical research were presented. This chapter presents findings for the first area, that is, the direct impact of international experience of the entrepreneur and TMT on internationalization motives and degree (speed of internationalization,

entry mode commitment and market selection). The empirical findings are based on survey data of 211 exporting Finnish SMEs established in 1985 or after, and a qualitative case study of eight Finnish-based INVs. Four hypotheses of the links were developed for the empirical research and tested with methods of correlational analysis and ANOVA (together with the Bonferroni test), followed by further elaboration of the results of the case study.

To test the three first hypotheses concerning the relationship between experience and internationalization, two-tailed correlations were made. Except for one of the seven variables, all the experience types were related to speed of internationalization in the expected direction and the results reveal many significant relationships between experience and internationalization. Especially, prior experience in international work in domestic firms is related to faster internationalization in the beginning phase of the new venture, that is, in terms of market entries and export share. The higher overall international experience level of the TMT is related to gaining a higher share of sales from foreign markets soon after establishment. Studying experience abroad as well as prior international work in foreign firms is significantly related to firms' faster entry into many countries. Thus, these results give partial support to hypothesis 1.

Hypothesis 2 was concerned with relationships between the level of prior international experience of the entrepreneur and TMT, and the importance of this experience as a motive in the decision to start international operations. In new ventures having the entrepreneur and TMT characterized by high experience as measured by all the seven variables, the decision to start internationalization also seems to be more strongly affected by this experience. Thus, the results support hypothesis 2. Finally, in hypothesis 3 a positive relationship was expected between the importance of experience as a motive for initiating international operations and the actual internationalization degree of the new venture. The decision to start to internationalize with decision-maker experience as a strong motive indeed correlated positively with speed of internationalization and significantly with obtaining a higher share of foreign sales soon after establishment. Thus, partial support for the third hypothesis was obtained.

To test the discriminating role of experience between highly internationalized new ventures and their counterparts, one-way analysis of variance was performed. The highest experience values could be found in half of the variables in group 4, that is, firms that can most be characterized as international new ventures. Three experience types – living abroad, level of overall international experience and education – were highest in group 3, that is, firms that after three years of foundation gained over a quarter of total sales from a few foreign countries. As a surprising finding,

international studying experience was highest in group 2. Further analyses, however, suggest that, as compared to marginally exporting new ventures, the international new ventures (group 4) have significantly higher scores only on two types of experience: language skill level of the TMT and international working experience in domestic firms. Thus, only partial support for hypothesis 4 was found in the survey sample.

As in the above tests only speed of internationalization was used as a determinant of internationalization degree, the case studies were used to give more information about the possible links between experience and international market and entry strategies. In the case study firms different management-related attributes were found to be important explanatory factors for internationalization behaviour. International experience was highest in firms especially characterized by the employment of several different foreign operation modes soon after establishment, whereas in firms with less experienced managers the international operating was mainly restricted to exporting. In addition, industry experience gained through prior assignments was important when looking at the international development of the companies. This finding is in line with Siegel et al. (1993) who found that the experience in a similar industry is a key discriminator of high- and low-growth ventures. Thus, the case results support the survey findings concerning the mediating role of experience in decision-making, and furthermore, they deepen the understanding of the link of decision-maker experience to specific foreign market entry operations and related decisions.

When reflecting upon the findings with regard to their theoretical implications, the following conclusions can be made. Overall the survey findings would suggest certain consequences of experience on decision-making motives concerning internationalization as well as on the actual degree of internationalization. The survey results indicate that the experience level in itself is directly related to the degree of internationalization of the ventures. They also reveal that in firms where the management has gained prior international experience, this capital has been used in decision-making concerning the initiation of international operations of the current venture, thus being an important motive behind internationalization. Going further, the use of experience in decision-making is related to the higher degree of internationalization of the venture. As compared to other factors in the decision-making, from 11 factors only inadequate domestic demand and the fact that the firm had never considered its home market as the only market had stronger correlations than experience with the speed of internationalization. The latter motive (view of the market) may indeed be a consequence of the international experience and thus more internationally oriented managers running the firm, as is reflected by the

significant positive correlation between five experience-level measures and this particular internationalization motive measure.

The link between experience level and internationalization speed is also supported by some previous studies. However, as compared to previous studies, the findings of this study on the impact of experience on internationalization through internationalization motives and operational decisions provide important new information for the theory and certainly also call for more research about the indirect impacts of experience. In the INV context Madsen and Servais (1997) for example emphasize the consequences of past experience of new venture founders, for example on the lower perceived uncertainty, increased market knowledge and thereby increased market commitment of the firm's operations. However, empirical researches on the links between these issues published so far are few, and thus the case study findings reported here are also important for theory building.

The findings also have managerial value, especially in the case of new ventures with narrow globally spread markets. These types of cases are growing in number in many high-tech or highly specialized low-tech industries. As an example, the findings are of use from the point of view of the managers preparing financing applications for the ventures and of financiers evaluating them. It is general that in financing decisions of new ventures the financiers emphasize the skills and background of the management (for example McKinsey & Company, 1999). This study shows that when evaluating the success and growth possibilities of new ventures whose product markets are spread globally over country borders, the critical management experience is that related to international business and other international activities. The financiers should pay special attention to both the entrepreneur's and TMT's international experience level and its nature (especially prior work experience, but also other experience types seem consequential). As the findings of this study indicate, international experience of different types does have an effect on the decision-making of the new venture as well as on its actual international growth. Following this, the findings of this study may be of use when recruiting the management team of a new venture. The different types of experience backgrounds of the possible managers are to be appreciated if the new venture seeks rapid international growth.

Future Research

Although this study revealed many relationships between experience and new venture behaviour, it also calls for deepening this knowledge: A rather unexplored area is the mechanism behind experience influences, that is, how experience impacts behaviour before leading to a higher degree of internationalization. This study revealed the indirect link of experience

through decision-making motives used in behaviour, but more knowledge on the influence mechanisms of experience is needed. An important area of future research will also be to seek understanding of the question as to why the decision-maker's experience does not always lead to certain consequences in the firm behaviour. This is reflected by the many conflicting results in research. The previous research has usually been based on the assumption that people having international experience have also been able to learn from their experience with a similar intensity. However, the knowledge, skills and expertise of people with similar types (and durations) of experience are likely to vary and thus indicate different consequences on the new ventures that these people manage later. Possibly, the experience may not lead to an increase in relevant knowledge in the context of INV that the person is managing, the experience and related expertise may not be utilized or the experience may lead to a decrease in interest towards internationalization. In the context of new ventures, focusing on the level of expertise that the entrepreneurs and TMT have gained through experience could reveal more consistent relationships between experience and internationalization than has been achieved so far (see Reuber and Fischer, 1994). Related to this indirect link of experience to internationalization (through knowledge, skills and expertise), the areas of expertise relevant for internationalization of a (new) venture need to be identified (see Athanassiou and Nigh, 2002) as well as the factors that impact upon the expertise that one gains through experiences and the utilization of this expertise when managing the new venture.

The issue of experience is also closely linked to relationships and networks and their social capital. Firstly, the networks that are spread over country borders increase the international experience of the decision-makers involved in the network. Second, the networks are important means of diffusion of the experience-based knowledge across persons and companies. Third, the experience is often in the form of business networks, that is, business contacts formed in the previous assignments which may be significant factors in explaining for example the market and entry mode choices and the rapid establishment of regular sales abroad. According to Riddle and Gillespie (2003), the founders of new ventures in the Turkish clothing export industry 'seem to be aware of the importance of employing all of the social contact resources (such as friends and relatives) they have at their disposal, particularly when seeking information about technological innovations and buyers' (p. 112). Likewise, the business contacts held by the founder and TMT may have a crucial affect. The personal relations may act as an impulse and first contact to new international business, and also strengthen and broaden it (Halinen-Kaila and Salmi, 2001). Going further, in several studies it is also mentioned that the managers of INVs can be characterized by strong international orientation or global mindset. Earlier

findings suggest that the managers of INVs or born-global firms typically are growth-oriented, tend to have strong international vision, emphasize a proactive approach and high commitment to international markets, are responsive to customers' needs, and possess high competence in conducting international marketing activities (for example Rennie, 1993; Oviatt and McDougall, 1995; Knight, 1997; Nummela et al., 2002). Researching the link between experience and international orientation could produce important results (more specifically, whether there exists a positive impact of international experience on the level of international orientation).

This study revealed the role of many internal and external motives in initiating international operations and also revealed that, except for inadequate demand, the external motives were less important than the internal (decision-maker experience and interest) motives. However, the industry nature as well as situational factors in venture internationalization (such as internationalization of the customer) deserve more attention in the future. The small sample size, and especially the small number of INVs in this study, did not allow differentiation between service and manufacturing firms or limiting the research to one industry.

Finally, as was noted in this study, experience has been measured differently in previous research, and more comprehensive measures and multidimensional research of the relationships are needed.

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NOTE

- * This chapter is based on the article by Johanna Pulkkinen (2005), Die Internationalisierung von Jungunternehmen: Die Mittlerrolle der Erfahrung von Unternehmern und Top-Management Teams, *Zeitschrift für KMU und Entrepreneurship*, 53(3): 208–38.

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The Role of Proactiveness and Reactiveness in International Entrepreneurship – A Conceptual Review

Johanna Hallbäck
University of Vaasa

Eriikka Paavilainen-Mäntymäki
Turku School of Economics

Anette Söderqvist
Hanken School of Economics

McGill International Entrepreneurship Conference Series

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The Role of Proactiveness and Reactiveness in International Entrepreneurship – A Conceptual Review

Research on internationalisation of new ventures has been ongoing for decades and a research stream named international entrepreneurship (IE) has emerged as an intersection of international business and entrepreneurship theories. When integrating two different research streams, it becomes relevant to explore how the underlying assumptions of the streams fit with each other. For this purpose this conceptual study examines the background theories of IE in more detail and from a new viewpoint, by identifying whether a discrepancy in the underlying orientations of the core theories of IE can be identified regarding the role of proactiveness and reactivity. This is approached by exploring the role of proactiveness and reactivity in entrepreneurship and internationalisation theories, and finally in the international entrepreneurship theory. Through this exploration the aim is to discuss how existing theories can strengthen IE theory and enhance our comprehension of new venture internationalisation.

Based on this discussion, suggestions for theory development are drawn. Despite the field of IE is getting established, the literature review conducted in this study suggests that its further development is faced with a challenge brought about by the core theories' differing implications about proactiveness and reactivity. Currently, these are imbalanced in IE, as proactiveness is adopted as a natural foundation of IE theory on the definitional level. The integration of internationalisation and entrepreneurship theories on IE theory and the understanding of new venture internationalisation require parallel acknowledgement of proactiveness and reactivity. Implications for further research are also provided. The contribution of this paper is mainly theoretical and falls into the paradigm of international entrepreneurship.

Key words: Proactiveness, reactivity, new ventures, internationalisation, entrepreneurship, international entrepreneurship

Introduction

Research on new ventures and internationalisation has been going on for several decades. During the past 20 years a research stream named international entrepreneurship (IE) has developed through increased evidence of fast and early internationalising ventures (McDougall 1989; Rialp, Rialp and Knight 2005; Keupp and Gassmann 2009). IE has been described as an intersection of two research traditions: international business and entrepreneurship (Dana, Etemad and Wright 1999; McDougall and Oviatt 2000). Despite the field of IE is getting increasingly established, there are still issues to be studied and further consolidation of the field is still in place. Keupp and Gassman (2009) raise evidence for the fact that this far contributions to the field of IE have failed to integrate the core theories and, consequently, they call for increased attention to this issue. When integrating two different research streams, it becomes relevant to explore how the underlying assumptions of the streams fit with each other, and how they can be utilised in a complementary manner to enhance a new theory. This can be done by exploring

common themes in the theories. A widely-cited definition of IE has been provided by McDougall and Oviatt (2000:903), according to which international entrepreneurship is “a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organizations”. The three concepts of innovative, proactive and risk-seeking behaviour directly originate from entrepreneurship theories and follow the way Covin and Slevin (1989) define entrepreneurial orientation. Thus, the question arises how these three concepts coincide with the international business theories. Jones and Coviello (2005) identify innovation to be a common characteristic for both entrepreneurship and international business theories in their article on entrepreneurial internationalisation behaviour. Also risk-seeking is discussed in international business theories where an increase in resource commitment abroad is seen as an increase in risk-taking. In addition, the concept of risk-averseness is identifiable in internationalisation theories.

In traditional internationalisation theories mainly the counterpart of proactiveness, i.e. reactivity, has been discussed as internationalisation is seen as a venture's reaction to stimulus (e.g. Johanson and Vahlne 1977). For example, the internationalisation process has traditionally been regarded to begin with reacting to unsolicited orders (e.g. Johanson and Vahlne 1977, 2006; Bilkey and Tesar 1977; Cavusgil 1980; Reid 1981; Czinkota 1982). In entrepreneurship, the venture is in turn described as a proactive actor where the entrepreneur's active observation of an overlooked opportunity creates business (e.g. Schumpeter 1934; Kirzner 1973). Based on these notions we have chosen to focus on the concepts of proactiveness and reactivity (cf. Miller and Friesen 1977) and the coincidence of the possible implicit or explicit assumptions on these in the core theories of IE. The question to be studied in this conceptual paper is, *if a discrepancy in the underlying orientations of the core theories of IE can be identified regarding the role of proactiveness and reactivity*. To address the research question the main objective of the paper is to *explore the role of proactiveness and reactivity in entrepreneurship and internationalisation theories, and finally, in the international entrepreneurship theory*. Through this exploration it is discussed *how existing theories can strengthen IE theory and enhance our comprehension of new venture internationalisation*.

The paper is organised as follows. First, to provide a conceptual basis for the study, the definitions of proactiveness and reactivity and other closely related terminology used in the three streams are reviewed, accompanied with a literature table. Next, the study goes deeper into previous entrepreneurship research and elaborates the association observed in the discipline between entrepreneurship on one hand and proactiveness as well as reactivity on the other. After that, it dis-

cusses proactiveness and reactiveness from a viewpoint of international business theories. Focus is laid on theories used in the context of smaller ventures, i.e. behavioural internationalisation theories as the stage models and the network-approach. Finally, the study reviews the international entrepreneurship literature in light of proactiveness and reactiveness. The study ends with conclusions and implications for further research.

Proactiveness and reactiveness – reflections from theory

Proactiveness and reactiveness can be defined in a number of ways. In the Oxford English Dictionary (1989, Vol. XII 533, Vol. XIII 256), proactiveness refers to a person or an organisation that "...creates or controls a situation by taking the initiative or by anticipating events (as opp. to responding to them); also...innovative, tending to make things happen.", so it deals with pre-emptive problem identification and solving, as well as opportunity exploration and exploitation. Reactiveness, in turn, is defined as "To act, or display some form of energy, in response to a stimulus; to undergo a change under some influence." or "To act in opposition to some force.", thus it deals with responding afterwards to something that has already taken place. Opportunities and threats are strongly related to proactiveness and reactiveness (Dutton and Jackson 1987; Chattopadhyay, Glick and Huber 2001, 939). *Ventures can behave either reactively or proactively toward opportunities and threats originating from within the venture or its external environment.*

In table 1, the proactiveness and reactiveness related terminology used in entrepreneurship, internationalisation, and international entrepreneurship literature is reviewed. The literature review was conducted on both theoretical and empirical studies published in books and peer-reviewed journals in the aforementioned fields. In the review also those studies were included that did not use the exact terminology of proactiveness or reactiveness, but addressed closely related phenomena. Proactiveness and reactiveness and their related conceptualisations are analysed in different levels and contexts as indicated in the table. The table provides a conceptual basis for the further analysis of the role of proactiveness and reactiveness in the three theories and will be discussed in more detail in the coming sections.

Table 1. Proactiveness and reactivity related terminology in internationalisation, entrepreneurship, and international entrepreneurship literature.

Author	Context of the terminology related to proactiveness and/or reactivity	Theoretical foundation	Definition of the terminology related to proactiveness and/or reactivity	Indicative words and phrases of proactiveness	Indicative words and phrases of reactivity
Entrepreneurship					
<i>Casson (2005)</i>	Individuals, personality traits, attitudes	<i>Kirzner (1973; 1979), Hayek (1937)</i>	Related to the personality traits of entrepreneurs, "alertness to opportunity is a feature of the successful entrepreneur". "Optimism creates an opportunity because the pessimism of other people creates a psychological barrier to entry" (p. 340).	- Alertness - Opportunity - Optimism to opportunities	- Pessimism/psychological barrier to opportunities
<i>Covin & Slevin (1989)</i>	Firm-level behaviour and strategic posture		Entrepreneurial strategic posture is "...an aggressive competitive orientation..." whereas a conservative strategic posture is characterized by "...a cautious competitive orientation..." (79). "Conservative firms are those in which the top management style is decidedly risk-averse, non-innovative, and reactive." (p. 77)	- Aggressive competitive orientation	- Conservative strategic posture - Cautious competitive orientation - Risk-averse - Non-innovative
<i>Fredrickson (1986)</i>	Strategic decision-making and behaviour of the individuals	<i>Minitzberg (1973), Miller & Friesen (1977)</i>	"Strategic decisions, in addition to being a reaction to stimuli (problem and opportunity) can be proactively initiated by the interests of coalition members" (p. 285). "the reactive nature of the strategic process, under conditions of formalization these goals are more likely to be "remedial" corrections of the present state, and not "positive", future intended states." (p. 287). "formalization increases the likelihood that the strategic process will be motivated by reactive (e.g., solving problems or crises), as opposed to proactive (e.g., searching for opportunities), behavior." (p. 287)	- Initiation - Positive, future intended	- Reaction to stimuli - Formalization - Remedy

<p><i>Lumpkin & Dess (1996)</i></p>	<p>Firm-level entrepreneurial orientation, strategising and behaviour</p>	<p><i>Miller & Friesen (1978), Venkatraman (1989), Chen & Hambrick (1995)</i></p>	<p>"A proactive firm is a leader rather than a follower, because it has the will and foresight to seize new opportunities, even if it is not always the first to do so." (p. 146-147) "Proactiveness refers to how a firm relates to market opportunities in the process of new entry. It does so by seizing initiative and acting opportunistically in order to "shape the environment", that is, to influence trends and, perhaps, even create demand." "But proactiveness has more to do with meeting demand, whereas competitive aggressiveness is about competing for demand." "...the conceptual opposite of proactiveness is passiveness (rather than reactivity), that is, indifference or an inability to seize opportunities or lead in the marketplace. Reactiveness, in contrast, suggests a response to competitors." (p. 147, 149)</p>	<p>- Leader - Foresight - First to do something - Seizing initiative - Opportunism - Shape the environment</p>	<p>- Follower - Response to competitors activities</p>
<p><i>Miller (1983)</i></p>	<p>Firm-level entrepreneurial behaviour</p>		<p>An entrepreneurial firm is "...first to come up with "proactive" innovations, beating competitors to the punch." A non-entrepreneurial firm "...imitates the moves of competitors instead of leading the way." (p.771)</p>	<p>- Innovations - Beating competitors to the punch</p>	<p>- Imitates competitors</p>
<p><i>Morris & Paul (1987)</i></p>	<p>Firm-level strategic approach to the environment</p>	<p><i>Miller & Friesen (1982; 1983), Miller (1983), Ginsberg (1985), Zeithaml & Zeithaml (1984), Murray (1981), Khandwalla (1977)</i></p>	<p>Regarding proactiveness in the marketing orientation "marketing should be further conceived as a proactive undertaking whose aims are to affect and manage change in the external environment" (p.250)</p>	<p>- Affect and manage external change</p>	
Internationalisation					
<p><i>Bilkey & Tesar (1977)</i></p>	<p>Firm internationalisation process</p>		<p>"Management is willing to fill unsolicited orders (p. 93)" in the second stage of their internationalisation process. In stage three "Management actively explores the feasibility of exporting (p. 93)" and in stage five "The firm is an experienced exporter to that country and adjusts exports optimally to changing exchange rates, tariffs, etc. (p. 93)".</p>	<p>- Active exploration of export feasibility</p>	<p>- Filling unsolicited orders - Adjusting to the business environment</p>

<i>Grimes, Doole & Kitchen (2007)</i>	Firm profiles in the internationalisation process		<p>"Reactive exporters, whilst preferring not to export, will expend effort on key export accounts, have only a basic knowledge of their markets and are still undecided on their role as an exporter. Unsolicited orders account for most of their international business, but these are often followed up." "Proactive exporters are focused on key export markets and devote management time and resources to developing and entering new export markets. ... These companies routinely collect and use information to develop long-term strategies and manage risk in international markets. They are used to winning repeat business in key markets and are actively seeking to expand their customer base overseas."</p>	<ul style="list-style-type: none"> - Focused behaviour - Accumulated knowledge - Winning of business - Activeness - Continuous search of opportunities 	<ul style="list-style-type: none"> - Lack of knowledge - Lack of focus in activities 	
<i>Varaldo (1987)</i>	Firm internationalisation process		"Wait orders from abroad (p. 211)" as the first stage of the internationalisation process. "Seek out foreign customers (p. 211)" in the later stages of the process.	<ul style="list-style-type: none"> - Seeking for customers 	<ul style="list-style-type: none"> - Waiting for orders 	
<i>Wortzel & Wortzel (1981)</i>	Firm internationalisation process		"Importer pull/foreign customer orders (p. 53)" form the first stage of the internationalisation process of the firm. "Product marketing with channel push (p. 53)" in the later stages.	<ul style="list-style-type: none"> - Pushing to the market 	<ul style="list-style-type: none"> - Responding to orders 	
International Entrepreneurship						
<i>Harveston, Kedia & Davis (2000)</i>	Managerial mindset	<i>Perlmutter (1969), Bartlett & Ghoshal (1989), Barbit & Rondinelli (1998)</i>	Global mindset is seen as "the propensity of managers to engage in proactive and visionary behaviors to achieve strategic objectives in international markets" (p.92, 95).	<ul style="list-style-type: none"> - Visionary, objective achieving behaviour 		
<i>Knight (1997)</i>	Firm strategy, culture and behaviour	<i>Khandwalla (1977), Miller & Friesen (1984), Covin & Slevin (1989), Reid (1981), Cavusgil (1984), Cavusgil & Nevin (1981), Cooper & Kleinschmidt (1985), Hill & LaForge (1992), Miles & Snow (1987), Yeoh (1994)</i>	"International venturesomeness is defined as the propensity of firms to engage in proactive and visionary behaviors in order to achieve strategic objectives in international markets..." "Firms possessing substantial international venturesomeness will tend to be more market oriented and more aggressive in the creation and execution of strategy." (p. 24). "...such firms will have an organizational culture which strongly supports active exploration of international opportunities, with management adopting a bold, aggressive posture to pursue them." (p. 25) "Conversely, firms lacking proactiveness may withdraw early or fail to take needed action, obviating possibilities for future international success" (p.79).	<ul style="list-style-type: none"> - Venturous behaviour - Strong market orientation - Opportunity exploration 	<ul style="list-style-type: none"> - Lack of ability to engage in needed action 	

<p><i>Knight (2000)</i></p>	<p>Firm behaviour; entrepreneurial orientation, competitiveness</p>	<p><i>Covin & Stevin (1989), Dess, Lumpkin & Covin (1997), Khandwalla (1977), Lumpkin & Dess (1996), Miller & Friesen (1984), Morris & Paul (1987)</i></p>	<p>"Proactiveness is the opposite of reactivity and implies taking initiative, aggressively pursuing ventures, and being at the forefront of efforts to shape the environment in ways that benefit the firm." (p. 14)</p>	<ul style="list-style-type: none"> - Initiative - Venturous - Being in the forefront of efforts 	
<p><i>Nummela, Saarenketo & Puumalainen (2004)</i></p>	<p>Firm behaviour in international markets</p>		<p>Proactiveness, as a component of global mindset, is understood as "the anticipation of future problems, needs, and changes related to international markets, and thus as comprehension of their significance" (p.55).</p>	<ul style="list-style-type: none"> - Anticipation of future issues and events 	
<p><i>Oviatt & McDougall (1994)</i></p>	<p>Firm behaviour and types; international new ventures</p>		<p>"In contrast to organizations that evolve gradually from domestic firms to MNEs, these new ventures begin with a proactive international strategy." (p.49) Global start-ups is the most radical manifestation of international new venture types, and "such firms not only respond to globalizing markets, but also proactively act on opportunities to acquire resources and sell outputs wherever in the world they have the greatest value." (p. 59)</p>	<ul style="list-style-type: none"> - Strong activeness from the beginning - Radicalism - Seeking for and acting on opportunities 	<ul style="list-style-type: none"> - Gradual organisational development - Market responsiveness

In several of the listed studies, the theoretical foundations of the terminology are derived from strategy literature. Among the strategy literature Miller and Friesen (1977, 1978, 1984), Mintzberg (1973) and Venkatraman (1989) have inspired many authors and their line of thinking. Appendix 1 therefore offers a closer assessment of proactiveness and reactiveness in the strategy literature.

Proactiveness and reactiveness from an entrepreneurship viewpoint

Entrepreneurship is often described as proactive, risk-taking and innovative behaviour resulting from the discovery of a novel competitive advantage (Miller 1983; Covin and Slevin 1991; Kuratko, Ireland and Hornsby 2001). In research on entrepreneurial ventures, proactiveness has also been suggested to be one of the five independently varying dimensions of entrepreneurial orientation – autonomy, innovativeness, risk-taking, proactiveness and competitive aggressiveness (Lumpkin and Dess 1996). Thus, proactiveness is an inherent characteristic associated with entrepreneurship. Opportunity seeking, identification and exploitation are furthermore central activities to the entrepreneur (Shane and Venkataraman 2000). These activities include proactiveness, as they build on the assumption that the entrepreneur is actively involved in anticipating and seeking opportunities rather than acts upon readily available external opportunities. Lumpkin and Dess (1996) suggest that a proactive venture is a leader but not always a first-mover and agree with Venkatraman (1989, 949) that proactiveness refers to processes aimed at anticipating and acting on future needs by “seeking new opportunities which may or may not be related to the present line of operations, introduction of new products and brands ahead of competition, strategically eliminating operations which are in the mature or declining stages of life-cycle”. Miller (1983, 771) states that an entrepreneurial venture “is *first* to come up with ‘proactive’ innovations”. As defined by Miller and Friesen (1977, 278), proactiveness refers to a certain type of venture temperament in the sense that while a proactive venture is the “first to act” and “shapes the environment by introducing new products, technologies, administrative techniques, etc.” a reactive venture tends rather to “react and follow the leader”. Reactive ventures, in this sense, would be those that copy their competitors (Miller 1983). Such behaviour is not associated with entrepreneurship.

Kirzner (1973) stresses that entrepreneurial activity is about identifying issues that earlier have been overlooked. This he calls *entrepreneurial alertness*. Entrepreneurial alertness refers to a capability of foreseeing opportunities when one comes across them (Kirzner 1973; 1997; Kaish and Gilad 1991). An entrepreneur

successful in discovering opportunities is all the time “spontaneously on the lookout for hitherto unnoticed features of the environment (present or future), which might inspire new activity on his part” (Kirzner 1997, 72). This clearly demonstrates proactive behaviour. So does the Schumpeterian view of entrepreneurs, since characteristics as creativity, boldness and imaginativeness are emphasized. In addition, “the Schumpeterian entrepreneur does not passively operate in a given world, rather he creates a world different from that which he finds” (Kirzner 2009, 146). Proactiveness is furthermore present in Schumpeter’s view that the entrepreneur is a forward-looking innovator, “who breaks up established routines and opposes the old way of doing things” (Brouwer 2002, 89). According to Schumpeter (1934; 1942) innovations are new combinations of resources. The new combinations of resources need not only be new products or services, but can also take the form of discovery of new raw materials, new methods of production, new ways of organising or new geographical markets. Casson (2005) points out that through distribution channel innovation entrepreneurs engage in extending existing markets to new customers, and through product innovation they even create new markets that have not existed from before. Parallels can, thus, directly be drawn between innovation and proactiveness. Lumpkin and Dess (1996) also state that a proactive forward-looking perspective is closely linked to innovation and innovativeness. These are all examples of how entrepreneurship has been described in a proactive manner. However, in entrepreneurship research also other signs of proactiveness can be found, even though these signs are not explicitly related to proactiveness. As an example, entrepreneurs are said to be more optimistic than people who do not invest in projects (Casson 2005). This optimism creates an opportunity for the entrepreneur as the pessimism of others constitutes a psychological barrier for them to enter a market. This in turn makes it possible for the entrepreneur to exploit opportunities others do not yet believe in, which can be seen as a sign of proactiveness. By definition the phenomenon of entrepreneurship involves proactive behaviour. So, is reactivity at all mentioned within the entrepreneurship research field? *Based on the literature review conducted, we claim that reactivity has been associated with non-entrepreneurial ventures and thus it is discussed very scarcely and narrowly (as the opposite of entrepreneurship) in entrepreneurship theory.*

Proactiveness and reactivity from an internationalisation viewpoint

The development of the research tradition on internationalisation and the multinational enterprise has been evidenced through different approaches: Industrial organisation theory, internalisation theory of the MNE, Transaction-cost theory,

Eclectic theory of international production, Resource-based view and Nordic research (i.e. the contributions on internationalisation process theory/stage models and the network approach) (e.g. Weisfelder 2001). Especially the foreign direct investment theory and the stage models have in the history of international business research represented two main schools of internationalisation research: an economics school and a behavioural school (Benito and Welch 1994), with both approaches seeing ventures to exercise some form of strategic decision-making behaviour. However, as a framework for conceptual development and analysis of internationalisation of smaller ventures, the stage models alone or in combination with the network approach have prevailed (Coviello and McAuley 1999). Based on these arguments, this study places special attention to these two approaches and their possible assumptions on proactiveness/reactiveness in the understanding of the internationalisation of ventures, i.e. 1) the behavioural school and internationalisation process models – the Uppsala-model (Johanson and Wiedersheim-Paul 1975; Johanson and Vahlne 1977), the Innovation-model (Bilkey and Tesar 1977; Cavusgil 1980) and Luostarinen's (1979) approach; and 2) the Network approach of internationalisation (e.g. Johanson and Mattsson 1988, Coviello and Munro 1995).

Review of proactiveness and reactivity in internationalisation process models

According to the internationalisation process models (stage models), the internationalisation of ventures is viewed as a process in which ventures gradually increase their international involvement. The different process models introduce slightly varying stages to describe the increase of commitment in individual countries (Uppsala-model) or in general (Innovation-model). Unlike in the other models, Luostarinen's (1979) stage-model emphasizes internationalisation to include not only outward operations but also inward and co-operative modes of international activity. In the stage models, the ventures are seen to advance with a slow pace in their foreign operations. Because of the prevailing obstacles, such as lack of knowledge, resources and uncertainty, the ventures start operating abroad only after first developing in the domestic market. The venture starts foreign operations typically by exporting to neighbouring countries or countries that are well known and similar e.g. with regard to business practices (Bilkey and Tesar 1977; Johanson and Wiedersheim-Paul 1975; Johanson and Vahlne 1977). The Uppsala-model has been criticised for the fact that it does not explain why and how the internationalisation actually begins (Andersen 1993), i.e. the initial conditions and motivations which in turn are seen as crucial factors in explaining international small new ventures. Especially the Innovation-model suggests that ventures begin to export because they receive unsolicited requests from abroad (Aharoni 1966;

Bilkey and Tesar 1977; Wortzel and Wortzel 1981; Varaldo 1987). As the foreign demand increases, the ventures progress to more organised and committed exporting. According to the Uppsala-model, exporting leads to increased experience and knowledge of the foreign markets, culture and language and reduces uncertainty, thus encouraging ventures to advance in their internationalisation path (Johanson and Vahlne 1977). Internationalisation is seen as a consequence of incremental, risk-averse and reluctant adjustment to changing conditions of the venture and its environment (Johanson and Vahlne 1977; 1990).

Based on these notions on the stage models, their explanation of venture behaviour implies a relatively reactive view. They emphasize especially reactive internationalisation stimulators and adaptive organisational learning (as a consequence of adjusting to changing conditions). In Uppsala- and Innovation-models, issues basically influencing the pattern are experience, resources, unsolicited orders and psychic distance of the markets. Moreover, the different types of barriers to exporting or internationalising have received considerable attention in traditional internationalisation research (Mattsson 1986). The emphasis of barriers (such as lack of knowledge) instead of opportunities is, although not explicitly, a sign of a reactive stance to venture behaviour (cf. the optimism and opportunity emphasis in entrepreneurship).

However, already in the 1980's entrepreneurship and international orientation were acknowledged as stimuli for internationalisation. A sign of proactiveness can be seen in Cavusgil's (1980) research, where expectations and aspirations of the management and aggressiveness were important determinants of export behaviour. However, still the unsolicited orders were emphasized in explaining initial exports while the internal motives might influence in later stages. Leonidou, Katsikeas, Palihawadana and Spyropoulou (2007) argue that small ventures' internationalisation process is affected simultaneously by reactive and proactive motives, the former motive often seen as more important in the first stages of exporting (Leonidou et al. 2007).

In their later development of the Uppsala-model, Johanson and Vahlne (2003; 2006; 2009) have integrated the mechanisms of the original model with the network approach. Instead of concentrating on country market, the focus of analysis is on the relationship level and particularly on the causal chain of relationship commitment over relationship knowledge development and uncertainty reduction, and on this network knowledge development to *opportunity development* (Johanson and Vahlne 2003; 2006). While stressing the importance of opportunity development in the model, and thus indicating some proactiveness in their view, the

re-developed model, however, sees the opportunity as an outcome, the last stage in the internationalisation process model, in a slightly reactive manner.

In the follow-up article from 2009 Johanson and Vahlne respond to the criticism directed toward their original model. They acknowledge that aspects such as barriers, constraints and psychic distance were explicit in their model; however, they still argue that enablers of internationalization and opportunity development also were included yet more implicitly. They also emphasize that their model was not about risk avoidance or uncertainty reduction, but about indicating a need for risk management. Thus, the intentions regarding their model seem to have been to be more positive and proactive, than how their work indeed has been interpreted. In the revised Uppsala model Johanson and Vahlne (2009) claim that internationalisation and entrepreneurship resemble each other to a large extent e.g. regarding risk, uncertainty and opportunity development. The revised network-based model has according to Johanson and Vahlne (2009:15) some implications for the internationalization process. For example, they point out that reasons for foreign expansion may either be “the likelihood of finding interesting business opportunities” or the desire of existing relationship partners to follow them abroad. The former is clearly proactive, whereas the latter is a reactive reason to internationalise. Thus, the recent revised Uppsala model more explicitly involves signs of both proactiveness and reactivity.

Review of proactiveness and reactivity in the network approach to internationalisation

In addition to the incremental stage theories, the network approach has had a considerable impact on small venture internationalisation research and networks have been related to successful SME internationalisation by several authors (e.g., Johanson and Mattsson 1988; Forsgren and Johanson 1992; Coviello and Munro 1995; 1997; Chetty and Blankenburg Holm 2000). Researchers taking a network perspective on internationalisation focus on the role of inter-organisational and inter-personal relationships of the venture in international activities. The main thought within this approach is that a venture’s internationalisation depends more upon the organisation’s network relationships than on venture-specific advantages (Coviello and McAuley 1999) or on the characteristics, culture or psychic distance of the market chosen (Johanson and Mattsson 1988; Crick and Jones 2000).

Chetty and Blankenburg Holm (2000) conclude that business networks are relevant for internationalisation as ventures interact with network partners in order to extend, penetrate and integrate their international markets. The advantages gained through the network are, according to Chetty and Blankenburg Holm (2000), ac-

cess to new opportunities, knowledge, experience, as well as synergies from shared resources. For small ventures with limited resources, networks offer an alternative way of getting access to the resources needed in order to internationalise. Particularly, the relationships influence foreign market selection, entry mode, and product development (Coviello and Munro 1997).

Networks as a mean for internationalisation may be both proactive and reactive. For example, Harris and Wheeler (2005) make a distinction between two types of networks: those that are planned and developed specifically for the purpose of benefiting the venture during a systematically planned internationalisation process (Yip, Biscarri and Monti 2000) and those that exist from before and that entrepreneurs employ during internationalisation (Coviello and McAuley 1999). In the first case, networking might be regarded as a proactive activity, purposefully developed in advance to enable internationalisation. However, in the network approach much of the reasoning also stems from the assumption that the business environment is composed of networks, and the fact that these networks most often cross national boundaries causes ventures, which are active in a network, to actually be international as well. That is, the venture goes along with the network, follows existing customers abroad, or starts international business as a consequence of inquiries from foreign partners in the own network. In this sense, the network view can be regarded as a less proactive approach.

Proactiveness and reactiveness from an international entrepreneurship viewpoint

In the earlier chapter reactive and proactive aspects in entrepreneurship and internationalisation theories were reviewed. These reflections are now brought to discussion together with the current state of international entrepreneurship research.

The emergence of a research stream named international entrepreneurship (IE) has been evidenced since the 1990's. The earliest references to early internationalisation can be situated in the 1980's (e.g. Hedlund and Kverneland 1985; Bonaccorsi 1992). As typical for an emerging research area in general, also the status of research on IE and international new ventures (INV) can still be regarded rather dispersed and exploratory in nature. Despite vast empirical research on the existence and characteristics of this phenomenon, there is still need for more sophisticated theoretically based research (Rialp et al. 2005; Keupp and Gassmann 2009).

Considering the internationalisation and entrepreneurship theories in light of international entrepreneurship, the connections of the two aforementioned streams

are different. International entrepreneurship is by definition established on the entrepreneurship research tradition and the influence is evident, although maybe not very clearly empirically based. McDougall and Oviatt give the following two general definitions of international entrepreneurship in 2000 and 2005 respectively:

International entrepreneurship is a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations. (McDougall – Oviatt 2000, 903)

International entrepreneurship is the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services. (Oviatt – McDougall 2005, 540)

These definitions go beyond new venture internationalisation and while the first definition is based on the elements of entrepreneurial orientation, the latter one aims to be consistent with the entrepreneurship discipline's emphasis on opportunity recognition. Thus, the definitions of international entrepreneurship show that researchers within the area largely build upon the proactiveness inherent in the entrepreneurship field; within the first definition explicitly through using the concept of "proactive" and in the second definition through emphasizing the activities related to opportunity recognition. Proactiveness within international entrepreneurship can also be observed in the fact that the division of international entrepreneurship focusing on international new ventures often describes these ventures to be started and led by entrepreneurs driven by a strong global vision from initiation. It has been evidenced that these entrepreneurs view the world as their marketplace from the very beginning (McDougall, Oviatt and Shrader 2003), which indicates a proactive attitude towards internationalisation. Pla-Barber and Escribá-Esteve (2006) demonstrate that a proactive attitude towards internationalisation among the management team will increase the likelihood that the venture engages in an accelerated internationalisation process, whereas the opposite, a reactive attitude, correspondingly results in a more gradual, slower internationalisation process. In international entrepreneurship, growth opportunities are seen as drivers for new ventures' choice to internationalise, whereas the internationalisation process theory stresses venture survival in understanding why ventures internationalise (Sapienza, Autio, George and Zahra 2006).

In the definition of IE, internationalisation theories again are more implicit by working rather as a context of entrepreneurial behaviour – the internationalisation process as such is not in the focus. However, IE and INVs have often been studied from the internationalisation theory perspective, implying that entrepreneurship and the new venture in turn have operated as context (Keupp and Gassman

2009). In these studies focus has been on e.g. the internationalisation process, network/relationships, and decision-making on entry modes and target market selection. Adopting the internationalisation theory perspective in IE and INV research has indirectly brought up the presence of not only proactiveness, but also reactivity in behaviour. The internationalization behaviour of INVs has been described to be shaped by globally spread niche markets and high level of industry internationalisation (McDougall 1989; Oviatt and McDougall 1997; Chetty and Campbell-Hunt 2004). A niche market focus forces the venture to enter multiple foreign markets simultaneously because of the limited domestic market. From the network theory perspective a high level of industry internationalisation have been found to cause INVs to follow its international networks (Mathews and Zander 2007). Additionally, one contribution of internationalisation theories on IE has been the adoption of the market orientation concept to the research of early internationalised ventures. As such that concept traditionally implies a rather reactive approach to behaviour (cf. the responsiveness to information and customer needs), although some researchers (Narver, Slater and MacLachlan 2004) have later aimed to develop it towards more dual approach, incorporating both proactive and reactive dimensions. Thus, based on the findings of these studies it is questionable whether the internationalisation theory and the parallel role of proactiveness and reactivity have been duly acknowledged in the definition that IE holds.

As an example, one area largely dealt with within IE research and INVs are the motives to internationalise. According to Czinkota and Ronkainen (2001, 267-276), motives precede action, and in internationalisation, these motives consist of several pushing and pulling factors affecting the venture's internationalisation path at the same time. These motives are formed of reactive and proactive factors. They are often situation-specific, varying to time and influenced by industry-context (Leonidou et al. 2007). In the IE literature, numerous motives affecting the new venture internationalisation have been identified, including both proactive and reactive types of internal or external motives (see eg. Johnson 2004). In the internationalisation of new ventures proactive motives evidenced as important (e.g. Li et al. 2004, 96-97) include for example vision of top management (Johnson 2004; Knight 1997), seeking of new markets (Knight 1997), general expansion strategy (Aspelund and Moen 2005) and identification of specific international opportunities (Johnson 2004). Similarly, the fast and early internationalisation have been found to be affected by many reactive motives, such as too small domestic market (Madsen and Servais 1997; Johnson 2004; Aspelund and Moen 2005; Spence and Crick 2006), government support (Spence and Crick 2006), necessity for survival and foreign initiatives (Aspelund and Moen 2005). According to Aspelund and Moen (2005) necessity even appears to be the major motive

for internationalisation in these ventures. Especially in high-technology industries – where many of the INVs actually operate – the early and rapid internationalization has been found to be motivated by the external pull of the domestic or foreign customers and distribution partners (Roberts and Senturia 1996) and client followership (Bell 1995). In some cases, the initial internationalization of these new ventures is a consequence of a serendipitous event, which the venture reacts upon (Spence and Crick 2006). Going further, some evidence of parallel importance of both reactive and proactive motives in explaining early internationalisation has been found as well (see e.g. Aspelund and Moen 2005). While several of these investigated motives do not have a specific theoretical background, many of the proactive motives can be traced back to the entrepreneurship literature, whereas many reactive motives have been applied from the internationalisation literature.

To conclude, proactiveness and reactivity are imbalanced in international entrepreneurship, as proactiveness is adopted as a natural foundation for IE theory, especially on a definitional level. Nonetheless, as can be concluded from the discussion above operating on international markets sets requirements for acknowledging reactivity as well, since the external business environment can also affect the venture, and not only vice versa. According to Andersson and Evangelista (2006) in new fast growing industries technically oriented entrepreneurs can succeed in a fast international expansion by applying a more reactive internationalisation strategy.

Conclusions and implications for further research

In this study the background theories of IE have been examined in more detail and from a new viewpoint by discussing whether a discrepancy in the underlying orientations of the core theories of IE can be identified regarding the role of proactiveness and reactivity. Previously, proactiveness and reactivity have been studied as parts of other phenomena such as entrepreneurial orientation, global mindset and strategic posture. Unlike earlier research in the addressed fields, this study focused explicitly on proactiveness and reactivity as the core research phenomena reappearing in the three fields. In doing this the study has also opened a discussion on what proactiveness and reactivity is on a more general level by reviewing different approaches to proactiveness and reactivity as well as related concepts. This has revealed a richness and multitude of concepts around the studied topic.

Seeing international entrepreneurship as being an integration of two different research streams (Dana, Etemad and Wright 1999; McDougall and Oviatt 2000) also implies an integration of the assumptions and background theories of the two rather large, mature and different (with regard to their views on proactiveness and reactiveness) streams. In dealing with proactiveness and reactiveness, entrepreneurship builds on proactiveness and discusses reactiveness as non-entrepreneurial behaviour. Emphasis on proactiveness is rather strong and explicit in entrepreneurship literature. Internationalisation theories do not explicitly discuss proactiveness or reactiveness, but rather use terms relating to the topic. Until some recent developments in the field (Johanson and Vahlne 2009), reactiveness has been more prominent in traditional internationalisation literature, despite it is often dealt with implicitly. In entrepreneurship literature proactiveness refers foremost to a general attitude reflected in venture behaviour. Instead, in the internationalisation literature reactiveness is often associated with a set of factors that affect especially initial internationalization of the venture and proactiveness with secondary influencing factors affecting the later stages of international involvement. This is particularly evident in the traditional stages and process models of internationalization. Going further, in IE literature proactiveness is explicitly discussed and integrated in its definition, whereas reactiveness is dealt with more implicitly, without acknowledging it in the theory development. While providing important contributions to the understanding of the internationalisation of today's new ventures, the future development of IE may be confronted with difficulties without a careful noticing of these differences, and a profound discussion of how the two streams of research, internationalisation and entrepreneurship, are actually intertwined within international entrepreneurship research.

Our review identified an imbalance of proactiveness and reactiveness in the IE field. This imbalance can partly be explained by the findings of the rigorous review made by Keupp and Gassman (2009) on the field of IE. They acknowledge an imbalance between the use of international business theory and entrepreneurship theory in IE studies. Keupp and Gassman (2009) argue that the influence of entrepreneurship is more or less limited to the theoretical definitions of IE, whereas the IE studies mainly build on mainstream international business theories, not trying to integrate theoretical perspectives from both fields. Thus, in theory IE should intertwine theory from both the international business and the entrepreneurship field, but in practice IE has been dominated theoretically and empirically by international business foundations. The findings of our review of proactiveness and reactiveness supports this notion, as we can conclude that on the level of definitions IE researchers extensively draw on the proactiveness inherent in entrepreneurship. However, in the actual studies conducted many signs of reactiveness are also found, which might depend on the fact that the studies in IE tend

to build more on internationalisation theories. Thus, the imbalance between proactiveness and reactivity in the definitions versus the actual studies conducted might indicate that the IE field has not yet succeeded to properly integrate the background theories.

The aim of the paper was also to discuss how existing theories can strengthen IE theory and enhance our comprehension of new venture internationalisation. Based on the review, a parallel importance of proactiveness and reactivity has been identified in IE. It is thereby argued that both reactive and proactive activities should take place simultaneously in internationalising new ventures. This is in line with e.g. Chattopadhyay et al. (2001) and Green, Covin and Slevin (2007) who have stated that it might be beneficial for a venture to be reactive and proactive simultaneously, despite the general requirement of focus (Parnell and Carraher 2001). Yet, it is worth acknowledging that an action can change its nature during its course, and the boundary between reactivity and proactiveness is wavering; in the pressures of the external environment a venture may decide to react in a way that turns out to be proactive, whereas an action originally proactive can turn out to be reactive due to sudden, unexpected changes in the environment (Mintzberg and Waters 1982).

New venture internationalisation behaviour could thus be seen as a constant *fluctuation* between reactive and proactive activities, yet in a manner that both of them can exist in a venture simultaneously. In relation to this, it is argued that ventures may benefit from employing both deliberate, long-term and emergent, short-term strategies at the same time; keeping the venture focused and on track without losing flexibility and swiftness (Mintzberg and Waters 1982, 497; Li et al. 2004, 110). Both emergent and deliberate strategies can be either reactive or proactive, or even reactive and proactive at the same time (Mintzberg and Waters 1982). Conducting business activities without a planned strategy (e.g. Crick and Spence 2005; Leybourne 2006) can have reactive and proactive features, and lead to successful internationalisation. In the context of new venture internationalisation in constantly changing business environments, the value of lengthy planning is sometimes questionable. The explanations provided by previous literature on the internationalisation of firms emphasising planned strategy may be inadequate, since a multitude of issues are likely to affect and instead of a planned strategy some serendipitous events might actually explain new venture internationalization behaviour (Spence and Crick 2006). Despite the fact that ventures may have deliberate strategies, they may not be successful in pursuing them and end up in pursuing a strategy they did not originally intend to (Mintzberg and Waters 1982). Thus, conducting business with a fixed planned strategy, which in itself is a proactive activity, may turn out to be reactive, if the flexibility to change the strategic

direction is not an inherent part in the way of conducting the business. This parallel importance of proactiveness and reactivity in internationalisation strategy of new ventures should be taken into account also in the theoretical level of analysis, where it is still largely overlooked. On the basis of the theoretical discussion provided in the previous sections, the integration of internationalisation and entrepreneurship viewpoints on new venture internationalisation and IE theory requires proactiveness and reactivity to be examined in different levels.

The contribution of this paper is mainly theoretical in laying avenues and directions for further theoretical, and possibly empirical, research, and it falls into the nascent paradigm of international entrepreneurship, where the addressed topics are not yet studied and discussed to the core. By examining the background theories of IE this paper has aimed to help move the field forward and to improve the quality of coming research in the field. The audience this paper foremost addresses is the academia.

This study has given rise to implications for future research first of all on a theoretical level. In the respective fields of literature, there is a need to more explicitly define the concepts of proactiveness and reactivity, since a multitude of undefined but related concepts exists. Furthermore, the link between the related concepts used and proactiveness as well as reactivity would benefit from being further explored.

Research on why new ventures internationalise in the first place is limited and especially the role of reactivity and proactiveness in internationalising new ventures has not yet been fully established. While having placed some attention to this issue, we propose future research to more deeply be concerned with the relations between proactiveness and reactivity in a new venture's internationalisation. Solving the role of reactivity in the internationalisation of new ventures could give information on whether international entrepreneurship is arguably proactively emphasised, or whether the reactivity inherent in internationalisation theories needs to be more equally integrated to the theory of international entrepreneurship. This research could be approached by focusing on different levels, first in the level of motives and the linkage that reactive and proactive factors of the internal and external environment have with the venture's internationalisation motives. Additionally, future research can expand the study of proactiveness vs. reactivity to other levels such as the behavioural elements of internationalisation (e.g. the entry mode commitment and market expansion of new ventures), and to study the linkage of initial motives' proactiveness and reactivity with the subsequent management orientation, decision-making and behaviour.

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Appendix 1 Proactiveness and reactiveness in strategy literature

Author	Provided definition	Authors' operationalisation
<i>Chen & Hambrick (1995)</i>	"Proactiveness involves taking the initiative in an effort to shape the environment to one's own advantage; responsiveness involves being adaptive to competitors' challenges." (p. 457)	Proactiveness includes propensity for action, tendency to initiate competitive attacks, action execution speed and action visibility. Responsiveness includes the relative tendency to respond when attacked and adaptability to challenges.
<i>Czinkota & Ronkainen (2001)</i>		Proactiveness is in a way seen as alertness to opportunities.
<i>Miller & Friesen (1977)</i>		Proactiveness and reactiveness are defined through decisions (does the environment modify the firm or the firm the environment + is the firm a forerunner or a follower
<i>Miller & Friesen (1978)</i>		Proactiveness in decisions deals with how the firm reacts to trends in the environments: does it shape the environment by introducing new products, technologies, administrative techniques, or does it merely react.
<i>Miller (1987)</i>		In reactiveness there is a strong tendency to follow competitors in introducing new things or ideas, to favour the tried and true and to try to cooperate and co-exist with competitors. In proactiveness the tendency is always to try to be ahead of competitors in product novelty or speed of innovation and usually succeed, aim of being growth, innovation, and development oriented and pursue a tough "undo-the-competitors" philosophy.
<i>Mintzberg (1973)</i>		Proactiveness and reactiveness in three strategy making modes: entrepreneurial (proactive), adaptive (reactive), and planning (proactive and reactive).
<i>Mintzberg & Waters (1982)</i>		Moving between reactive and proactive strategies possible, even when unplanned, as strategies may change their formulation on the way. Does not state that proactiveness is only part of emergent strategies and reactiveness part of deliberate strategies, as they can be both - fluctuation between the extremes.
<i>Venkatraman (1989)</i>	"...reflects proactive behaviour in relation to participation in emerging industries, continuous search for market opportunities and experimentation with potential responses to changing environmental trends e.g. through introduction of new products and brands ahead of competition, strategically eliminating unprofitable operations."	

Entrepreneurial marketing strategies during the growth of international new ventures – Empirical qualitative evidence and research propositions

Johanna Hallbäck & Peter Gabrielsson
University of Vaasa

Abstract. This research provides new knowledge on the development of marketing strategies in International New Ventures (INVs) by applying the concept of entrepreneurial marketing to these early internationalizing firms. Using a qualitative approach, the authors identify the key dimensions of this concept in INVs, namely innovativeness and adaptation, and elaborate on the defining elements as well as the development of these dimensions. They suggest that innovativeness and adaptation of the marketing strategies decrease during global growth of INVs. Other contextual issues also underlie the development of entrepreneurial marketing strategies; they appear to reflect especially the turbulence and global diversity of the environment as well as the market orientation of the INV. The marketing performance of INVs is determined by the fit between entrepreneurial marketing strategies and the internal and external contingencies of the firm. Propositions for future research and managerial implications are provided.

Keywords: international new ventures, entrepreneurial marketing, innovativeness, adaptation, growth, international marketing

Under review in the International Business Review.

1 Introduction

Since the 1990s researchers have witnessed new firms to engage in international activities sooner and more rapidly than before. This trend offers an important venue for international marketing research. A particularly interesting concept in this research context is the international new venture, which can be defined as “*a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries*” (Oviatt & McDougall, 1994: 49). Early internationalization of the INVs poses great challenges for marketing and the knowledge of marketing strategies become an important aspect in the growth and success of these firms (Ripollés & Blesa, 2011). While the extensive research conducted in the past two decades has offered important insights into the characteristics and behavior of INVs, research on their marketing strategies has received less attention and is still in a nascent stage (see eg. Rialp, Rialp & Knight, 2005).

As illustrated by the new research stream of international entrepreneurship, scholars have drawn on entrepreneurship theories to describe INVs (Oviatt & McDougall, 2005; Zahra, 2005). In a similar vein, to contribute to the research gap on the marketing strategies of INVs, an approach integrating marketing with the entrepreneurship aspects might be especially fruitful (Hills & LaForge, 1992; Mort, Weerawardena & Liesch, 2012). Although the definition of marketing is evolving and new approaches are being established (see e.g. Varadarajan, 2010), researchers have pointed out that marketing theories may not be adequate for understanding smaller, younger, and entrepreneurial firms (Coviello, Brodie & Munro, 2000) such as INVs. To deal with such firms, researchers have adopted a concept of entrepreneurial marketing (Hills, Hultman & Miles, 2008). It is an innovative approach to marketing under conditions such as environmental turbulence, complexity, and limited resources (Morris, Schindehutte & LaForge, 2002). Although such conditions are often present in INVs, there has been little research on entrepreneurial marketing in these types of firms (Jones, Coviello & Tang, 2011; Kocak & Abimbola, 2009).

Consequently, this study focuses on the entrepreneurial marketing strategies of early internationalizing firms during their evolution from INVs to global firms. The purpose of the study is twofold: 1) to build an understanding of how the entrepreneurial marketing strategies develop in INVs and to explore the contextual factors influencing their development and 2) to analyze the relationship between the entrepreneurial marketing strategy and marketing performance in INVs. The study employs a theory-development type of research (Eisenhardt & Graebner, 2007) where a conceptual model and propositions are developed on the basis of

results from a multiple case study of Finnish INVs and discussed in the light of extant research. In particular, the study strives to develop and extend knowledge of INVs with a focus on innovativeness, which is a key element of entrepreneurial marketing (Morris et al., 2002; Carson, Cromie, McGowan & Hill, 1995), and adaptation/standardization of marketing in international markets (Cavusgil, Zou & Naidu, 1993). Drawing on the previous literature in the above-mentioned fields, we define entrepreneurial marketing strategy in INVs as *the strategic choices concerning the innovativeness and adaptation of marketing to international markets*. For INVs facing the liabilities of newness, size and foreignness (Zahra, 2005), it is likely to be especially important to be able to offer innovative marketing and to adapt to local markets when competing against incumbents.

The study contributes to international business field, especially to international marketing and international entrepreneurship research. In particular, the study enhances the understanding of the evolution of entrepreneurial marketing strategies of INV and depicts the importance of aligning these strategies with contextual factors, such as the external environment, market orientation and global growth phase of the firm, to achieve higher marketing performance. After reviewing the extant research and outlining the entrepreneurial marketing concept in INVs, the study proceeds with a methodological section and results of the empirical study, which then lead to a conceptual model and propositions for future research. We end with a discussion of the theoretical contribution, future research suggestions as well as the managerial relevance of our research.

2 Literature review

2.1 *Entrepreneurial marketing and international new ventures*

Entrepreneurial marketing research has evolved intensively since the 1980s. It has mostly been applied to marketing by small firms when they behave entrepreneurially (Bjerke & Hultman, 2002; Carson et al., 1995). Entrepreneurial marketing is encountered more often in small than large firms (Collinson & Shaw, 2001), since established firms face stronger internal barriers to the entrepreneurial approach to marketing (Carson et al., 1995). Entrepreneurial marketing has been associated with marketing actions that challenge established market conventions (Morris et al., 2002). It is more opportunity-driven than traditional administrative marketing (Hills et al., 2008) and it integrates marketing with innovativeness, which is central to entrepreneurship (Schumpeter, 1934).

There is a paucity of INV research that studies the development of marketing strategies and adopts the entrepreneurial marketing approach for their theoretical background (Kocak & Abimbola, 2009; Mort et al., 2012). Only a few studies in the INV context have discussed innovativeness from the marketing point of view but rather as an element of entrepreneurial orientation or firm culture (Zhou, Barnes & Lu, 2010). Earlier literature stresses innovativeness as crucial for INVs (Hughes, Marting, Morgan & Robson, 2010) and suggests customer orientation as a key tool for remaining innovative (Kim, Basu, Naidu & Cavusgil, 2011). The discussion of innovativeness in these studies is focused especially on products and technologies, which becomes particularly evident in their empirical inquiries (Gassmann & Keupp, 2007). Thus, previous studies do not seem to provide a profound understanding of the diversity of innovativeness in INV marketing strategies. Innovativeness in other aspects of marketing such as pricing, distribution and channel management, marketing communication, customer relationships, and value co-creation has been widely neglected in INV research (O'Dwyer, Gilmore & Carson, 2009: 46). Nor do the previous studies discuss the changes in marketing strategy innovativeness during INV development.

Going further, to integrate the concept of entrepreneurial marketing with the INV context, key features of international business have to be acknowledged. One such feature is the adaptation of marketing strategies—a firm entering multiple markets is always faced with the necessity of deciding whether and how to adapt to individual countries or customers (Cavusgil et al., 1993). Adaptation of marketing strategies has received only limited attention in INV research (see e.g. reviews by Keupp & Gassmann, 2009; Rialp et al., 2005). This is surprising given that adaptation decisions are crucial to international firms and they have been the focus of research in international marketing for over 50 years (Theodosiou & Leonidou, 2003; Schmid & Kotulla, 2011). Earlier research suggests that INVs need to capitalize on homogenous offerings (Gassmann & Keupp, 2007) or that they at least need clear-cut decisions regarding whether they are to follow a highly standardized or a highly adapted, custom-made marketing strategy (Madsen & Servais, 1997).

On the basis of the literature review, we suggest that the understanding of entrepreneurial marketing strategies in INVs calls for attention especially to two dimensions - marketing strategy innovativeness and adaptation of marketing strategies to countries or customers – both of which have been studied relatively scarcely.

2.2 *Contextual factors in the development of entrepreneurial marketing strategies in international new ventures*

Various characteristics of INVs as well as the conditions surrounding them are likely to influence and intervene in the development of entrepreneurial marketing strategies and ultimately in the marketing performance achieved. Earlier literature suggests contemplating the external environment, the firm's market orientation, and the growth phase. Industry environment refers to turbulence and diversity, both of which form the constraints, contingencies, opportunities, and problems for a firm (Khandwalla, 1977: 333-340; Achrol, 1991), and all of which are likely to influence entrepreneurial marketing strategies. Furthermore, it has been argued that entrepreneurial marketing strategies are influenced by market orientation (Morris et al., 2002), i.e. the organization culture and approach towards customers competitors, and interfunctional coordination (Narver & Slater, 1990).

Entrepreneurial marketing is also likely to alter its character as the firm grows and becomes more established (Morris et al., 2002). The development of entrepreneurial marketing strategies in INVs might be related to their global growth phase based on earlier management literature (Scott & Bruce, 1987). Global growth has been investigated in INVs (Autio, Sapienza & Almeida, 2000; Oviatt & McDougall, 2005), and although INVs may exhibit rapid parallel expansion into foreign countries, it has also been suggested that their global growth evolves through phases (Gabrielsson, Kirpalani, Dimitratos, Sohlberg & Zucchella, 2008). Previous INV literature has mainly studied growth in terms of foreign expansion. However, two dimensions – the growth of firm size (Delmar, Davidsson & Gartner, 2003) and the globalization of the firm (Oviatt & McDougall, 1994) – should be taken into account to the assessment of how marketing strategies evolve during growth. Finally, both innovativeness and adaptation may also influence elements of marketing performance such as market share, new product introduction rate, and achievement of an intended customer base (Morris et al., 2002; Townsend, Yenyurt, Deligonul & Cavusgil, 2004).

3 Research methodology

3.1 *Methodological approach*

The qualitative case study was selected as the methodological approach. It is particularly appropriate when the aim is develop or extend theory in a situation where the context plays a crucial role in understanding a phenomenon (Eisenhardt, 1989). More specifically, to examine the relationships of the focal concepts

and strengthen the development of theory and propositions, multiple cases were selected (Eisenhardt & Graebner, 2007; Yin, 2003). In this study, the research is based on the idea of abduction through back and forth interaction between theory, empirical data collection, and case study analysis (Dubois & Gadde, 2002). The theorizing approach used in this study aims to utilize the case approach's potential in providing both contextual understanding and causal explanations (Welch, Piekkari, Plakoyiannaki & Paavilainen-Mäntymäki, 2011).

3.2 *Case selection*

The case selection criteria were based on theoretical sampling and the idea of replication, i.e. predicting either similar results or contrasting results, but for predictable reasons (Eisenhardt, 1989; Yin, 2003). To identify possible case candidates, the initial screening was based on five criteria. 1) The firm had to meet the INV definition adopted for this study (Oviatt & McDougall, 1994:49), which implies that the firm had to be engaged in international activities from inception. However, researchers have often used the limit of three years for the start of foreign sales in INVs (Zhou et al., 2010) and the extent of engagement has often been measured through the minimum criterion of 25% of sales from foreign countries (Knight & Cavusgil, 2004; Moen, 2002). Thus, to be classified as an INV, the firm also had to derive at least 25% of its sales outside the domestic market within three years of its foundation. 2) Only firms originating in Finland were selected as the focus for this study. Including firms from different countries would have hindered the analysis due to more complex contextual differences and the difficulty of analyzing the causal relations among the issues studied. As a small and open economy, Finland has a high number of INVs and therefore offers an interesting environment for studying this phenomenon. 3) To be considered appropriate for this study, the firm had to be established after 1990, since an earlier date would have hindered collection of data on the early international development of the firm and reduced their reliability. Furthermore, the firm should not have been established as a spin-off of a larger firm. 4) Controlling for industries minimizes the potential for confounding results and thus the focus was further narrowed by limiting our search to manufacturing firms selling physical products.

Further theoretical selection criteria were employed to establish cases that are consistent with the research purpose and the theoretical concepts and relationships under inquiry (Eisenhardt, 1989). To examine and illustrate the development of entrepreneurial marketing strategies during growth of INVs, we selected cases that represented different types in the continuum of global growth, i.e. one case from both extremes as well as cases "in the middle." Additionally, cases were

selected based on their potential to provide diverse examples of marketing strategy innovativeness and adaptation.

Several sources were used in the identification and selection of the case firms (for ex. databases of the universities and lists of associations and organizations). Finally, the process led to the selection of the four firms that are presented in Table 1. During the analysis of the data on these four firms, saturation of theory development was evident; hence, no further case firms were selected because they were likely to have contributed little new information (Eisenhardt, 1989).

Table 1 Basic Information on the Case Firms.

	FogScreen	Iqua	Golla	Vacon
Year Founded	2003	2004	1995	1993
Sector	Walk thru projection screens	Bluetooth mobile accessories	Design bags for portable electronics	Frequency converters
Size (2009)	Micro/small*	Micro/Small*	Small/Medium*	Large*
Turnover	€ 0,58 M	€ 1,6M	€ 23,8 M	€ 272,0 M
Employees	13	14	44	1231
Foreign Sales in the 3rd Year				
Sales outside Finland	90%	98%	85%	51%
Sales outside Europe	50%	32%	43%	14%
Foreign Sales in 2009				
Sales outside Finland	90%	96%	98%	79%
Sales outside Europe	50%	32%	35%	34%
Sales Subsidiaries Abroad	2 (in USA and Singapore)	5 (in USA, UK, Singapore, China, Israel)	5 (in France, Germany, USA, China and Japan)	In 27 countries

* Note: The European Commission definition of firm size in terms of annual turnover and headcount was used: micro (\leq €2 million & $<$ 10 employees), small (\leq €10 million & $<$ 50 employees), medium (\leq €50 million & $<$ 250 employees), and large firms ($>$ €50 million & \geq 250 employees).

3.3 Data collection and analysis

To enhance data and methodological triangulation and ensure study validity, multiple sources of evidence and methods of analysis were used (Denzin, 1984; Yin, 2003). Primary data from the cases were collected through semi-structured theme interviews where the themes were first approached with open questions. The secondary material was based on firm reports, news releases, and other written documents. The CEOs and/or directors responsible for international marketing in the

firms were selected for interviews. Also, the founders of the firms were interviewed when possible. Each interview lasted approximately 2 to 3 hours and was recorded and transcribed.

In designing and conducting the empirical inquiry, an abductive theory-aided approach was applied. A loose theoretical categorization of the focal concepts was used to focus our attention on data collection and analysis. Each case was first analyzed separately, followed by a cross-case analysis. Subsequent analysis was based on an explanation-building technique; a special type of pattern-matching with an iterative search of causal links through both single-case and cross-case analysis (Yin, 2003). To enhance the quality of analysis, data analysis software NVivo was used (Sinkovics, Penz & Ghauri, 2008). Both authors were involved in the analysis, which made it possible to enrich interpretations of the data and strengthened the triangulation.

4 Results

4.1 *Cross-case analysis of the entrepreneurial marketing strategy dimensions*

The case studies revealed various aspects of entrepreneurial marketing by INVs; these concerned the nature and degree of innovativeness in the marketing strategies used by the case firms and the varying roles of adaptation (see Figure 1). Furthermore, innovativeness and adaptation appeared as evolving in the case firms. A novel finding of the study also was that the innovativeness of the marketing strategies emerged in three specific elements: value innovation, marketing co-creation, and low-cost marketing. In addition, the degree of adaptation in the marketing strategies appeared in two elements; i.e. the focus of adaptation (customers or countries) and the adapted elements of the marketing mix. A major finding was that adaptation not only to countries, but also to major customers is an important element in decision-making concerning marketing by these INVs.

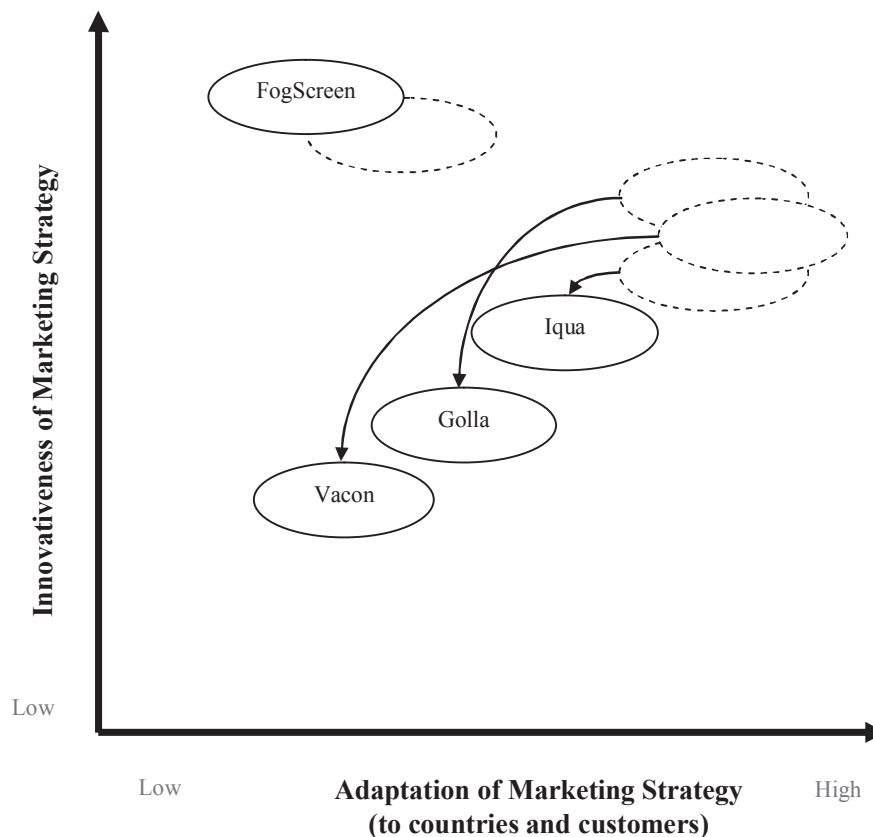


Figure 1 Development of the Innovativeness and Adaptation of Marketing Strategies in the Case Firms.

Innovativeness of Marketing Strategies. All four case firms seemed to have had innovative marketing strategies at some time. Perhaps the most obvious evidence of innovativeness was the fact that they had all received awards for some aspect of their marketing strategies (such as for technology or product design). Although the products/technologies of all firms were very innovative at the time of their foundation, it appeared that in some firms innovativeness went beyond product or technology characteristics, as will be described below. However, innovativeness was not a static quality of the INVs studied. Instead, as evidenced by Golla and Vacon, the innovativeness seemed to change over time and evidently to taper off.

(1) Value innovation. In the firms studied the nature of the value proposition was different and it appeared to be an important element for building innovative marketing strategies. While the initial marketing strategy in all four cases was based on significant value innovation, some cases (Vacon, Golla and also to some extent Iqua) had later focused more on incremental improvements to their own offerings. The four case firms either pioneered new innovative products for emerging indus-

try demand early on, or, as in the case of FogScreen, even created a new industry with a value innovation that had no direct competitors. Value innovation often entailed the parallel existence of differentiation and cost advantages and disturbed industry boundaries. It also integrated the ideas of two or more industries in an unconventional way. This was reflected in Iqua and Golla, both of which blended the ideas of design, fashion, and technology (electronics), thereby positioning themselves in a broader category, as lifestyle brands. In a similar vein, instead of defining itself as a technology company, FogScreen positioned itself in the experience and event industry and the definition of potential customers and competitors went beyond traditional industry categorization as expressed by the CEO:

Any visual effect is a competitor... everything that can create wow effect. But our value proposition is very unique, because it's the world's only walk-through projection screen. (CEO/FogScreen)

While having a very innovative value proposition in the early phase, especially Vacon and Golla now focus more on expanding their product portfolio and at the same time face more intensive head-to-head competition. The same development path is also identifiable to some extent in Iqua. In the first years Golla made many changes in its product/market context, moving from innovative hand-made furniture to the decoration sector and finally to mobile electronic accessories. In the later phase, product development was characterized more by incremental innovations such as improvements and changes in the existing products and extensions of product lines and collection. Alongside product portfolio development, Vacon is also entering new product/market contexts, i.e. the wind and solar energy sector, although more as a follower than as a pioneer.

(2) Co-created marketing. All firms stressed the importance of co-operation with external partners to create and support various marketing functions. However, the co-creation of marketing appeared to be different and developed during the growth phase of the firms. In the early phase, the marketing strategies in all four firms were characterized by intense co-creation, although further development of INVs seemed to involve a shift from co-created towards in-house developed marketing. In the beginning, co-created marketing was reflected especially in the utilization of channel partners, customers, and future user groups to generate new forms of marketing and customer value, and it appeared in functions such as development of the brand (through co-branding or leveraging others' brand equity), distribution and customer service, co-operative promotion campaigns and product development. The following quotation illustrates the co-creation aspects:

We have been doing a lot of cooperation with art, artistic people. How they see the future of communications through these immaterial screens... This represents a

combination of marketing that is not classical marketing and positions us as an innovative user of marketing. (CEO/ FogScreen)

While Golla and Vacon appeared to emphasize the role of partners for example in licensing agreements, co-branding, co-operative distribution, and marketing, today they increasingly manage their marketing activities in-house and focus on building a professional sales and marketing organization. Partnering with Nokia initially helped Golla to familiarize itself with distributors in the field. However, this strategy soon turned out to be incompatible with the growth objectives of management and the vision of a universal Golla brand.

(3) Low-cost marketing. The last element that emerged from the cases relates to innovativeness in low-cost marketing strategies. Again, the analysis suggests that the firms' appreciation and use of low cost marketing declined as they got older. In both Iqua and FogScreen, the firms' own investments in promotion were minimal; they leveraged on the advertising of sales channel partners or on co-operative promotion campaigns with them. These INVs used innovative means to gain low-cost promotion and used PR as a crucial and calculated part of their marketing strategy. Innovative marketing meant a systematic and strategic approach to creating topics for media and building awareness by attending conferences, using opinion leaders and celebrities as well as powerful reference projects, free product placement, and show cases with minimum budgets as explained by the CEO of one of the case firms:

PR and awards, those have been extremely valuable for us... Since you don't have money for paid media, you need to try to get through using editorials. (CEO/Iqua)

In the course of time, investments into marketing appear to become more significant. This was deemed important for extending sales, expanding the customer coverage, and differentiating from competitors. While at Golla, marketing still focused on the intermediates, investment in consumer marketing was regarded as increasingly important for the near future. At Vacon, early development was largely based on the use of key persons' relationships as a means of low cost access to markets. Later on, the firm gradually started to invest in large-scale marketing campaigns and sponsorships of its own. Currently, it appears to lag behind the newcomers in the use of low cost digital marketing.

Adaptation of Marketing Strategies. A major finding of this study is that the marketing strategy adaptation in the case firms appeared to be concerned with not merely country differences but especially with deciding whether to adapt to certain international customers. Firms that were in the early phase did some type of adaptation, such as customizing the products or projects for large customers and

also used customers' brands. This also entailed adapting to differences in the countries where those customers were positioned.

One quite big adaptation that we made... It was the time when LG launched the phone called Chocolate... So then we adapted our colors completely, so that they were exactly the same Pantone colors used by LG. (CEO/Iqua)

INVs in the latter phase of development appeared to move from strong customer- or country-specific modifications to minor regional adaptations and sales of their own branded products. At Vacon, the first products were developed and tailored to the needs of a few OEMs. In the early phase, these OEMs and brand-label customers (together contributing the vast majority of sales) were offered customized solutions and project support. Later on, along with the strengthening of its own brand sales, the firm shifted the focus towards relatively standard hardware platforms across three main product lines while adapting only the operational software. The global markets are divided into three regions which are served by parallel use of global processes and some local adaptations to marketing and products required by each region. Golla followed a similar development path and moved increasingly towards the use of its own brand, as reflected in the quotation below.

In the beginning of 2000 we designed Nokia-bags in which there was a logo 'design by Golla'. But that was not for us; we soon understood that we have to focus on building our own way. With Nokia we were mere subcontractors. (CEO/Golla)

The main findings on the entrepreneurial marketing strategy dimensions are summarized the Table 2.

Table 2 Main Findings on the Innovativeness and Adaptation of Entrepreneurial Marketing Strategies in the Case Firms

	FogScreen	Iqua	Golla	Vacon
Value innovation	Introducing a new industry with an innovative pioneering product having no competitors and existing need.	The value proposition is based on emotional features such as design, green energy, and brand equity. Blending the ideas of different industry sectors (design, sports, and electronics), to create a lifestyle brand.	Pioneered by combining design and fashion with the products in the mobile industry. Later phase focus on product line development and extension. Increasing head-to-head competition.	Early products with innovative elements (software-based customization) but later increased head-to-head competition. Strong market position in frequency converters, but market follower in new sectors (wind and solar energy).
Co-created marketing	Close interaction with the biggest customers, potential future users, opinion-leaders and early-adopters to co-create value proposition, develop marketing and new value sources, and build awareness and promote the offering.	Channel strategy leveraging on well-known players in the industry. Close interaction with a few main customers to co-create value in terms of product applicability and brand equity, and to promote the product.	In the early phase co-branding with Nokia was a significant means to enter a new product/market context and to familiarize with the distributors. Later on the focus moved to a universal brand of their own and to building a sales and marketing organization.	Initially closer cooperation with big customers in developing the product and gaining market access. In latter phase more indirect contact through resellers and focus on own brand marketing.
Low-cost marketing	Low-cost publicity through PR and innovative use of opinion leaders, celebrities, reference cases, conferences, bloggers, and showcases. Creating marketing buzz with free product placement.	High emphasis on PR in communication since the beginning, valuable media publicity for example through various awards. Adoption of product placement practices from beverage industry in a novel manner.	Marketing was still focused on the intermediates with low cost benefits; however investments into consumer marketing were regarded as more important today and in the near future.	Low-cost marketing through use of references and networks in early phase. Later on emphasis on large marketing campaigns, sponsorships etc. while less creative and efficient use of low-cost digital/web marketing possibilities.
Adaptation				
Adaptation to customers /countries	Mainly minor adaptations to big individual customers, global customer segments or geographical areas. The product rather standardized, except for a few adaptable elements. Communication is rather standardized, except for some fine-tuning in the US.	Major adaptations, such as design, packaging or even brand name were made for the few biggest distribution partners. Minor country-specific adaptations for ex. in user documentation and technical specifications.	Started with customized hand-made furniture products and after entering the mobile industry the first bags were sold exclusively under Nokia's brand. Later on it shifted to a universal brand of its own with minor adaptations for some big retail customers in the US.	In the early phase strongly customized products especially to big customers and use of customer brands. Currently increasing standardization through product platforms, increased use of its own brand, global management processes and centralized marketing to achieve cost savings.

4.2 *Cross-case analysis of the contextual factors influencing the development of entrepreneurial marketing*

External Environment. Conditions in the external environment appeared to influence the marketing strategies of the firms. All firms had initially entered somewhat turbulent business environments in terms of growth prospects and uncertainties; currently, however, the industries are in a different phase of their life-cycles. Whereas Iqua and especially FogScreen encountered industries where greater uncertainty and a faster change rate prevailed, incremental changes in the maturing technologies and a high number of competitors were more typical of the environment of Vacon and Golla. The environmental turbulence seemed to underlie a greater need for innovativeness in marketing as reflected in the quote comment below:

When the recession comes [customers] cut their budget immediately...We needed to boost R&D faster to really be able to create a low cost unit...So that definitely made us come up faster with the new products that we introduced this year. (CEO/FogScreen)

In general, the industry environment of the firms seemed to be becoming more global in terms of unified market needs, global competition and favorable trade policies. The business environment of FogScreen had a more diversified local customer base and lacked direct global competition. In other case firms, the market needs across countries were similar except for some regional differences in distribution channels and market needs between regions such as the US and Asia. The firms with high globalization drivers in their environment (Iqua, Vacon, Golla) were moving from individual channel or customer adaptation towards regional operations with minor adaptations by regions, except for Iqua. An interviewee commented on the change from major customer adaptations to minor regional modifications as follows:

There is China, traditional Europe, then there is North America, so yes, in those regions and areas there are geographical differences. And they are [still] taken into account in the product-design today... (Executive Vice President/Vacon)

In the case of Iqua, the need to adapt could be explained by the fact that the firm was in the process of entering new markets with demanding global customers; customization was required to meet their specifications. Another case firm, FogScreen, had selected a rather standardized marketing strategy although it operated in a more globally diversified market. This decision could be related to the firm's culture, which emphasized a proactive rather than a customer-led orientation, and to limited resources for addressing local sales and service adaptation requirements. On the basis of the above discussion, it appears that INVs operating in turbulent environments are characterized by more innovative marketing strate-

gies. Furthermore, the environmental differences across global markets enhanced the adaptation of marketing strategies except in the cases where firm culture or growth phase intervened in the relationship by driving them towards a different strategic solution.

Market Orientation. Market orientation came up differently in the case firms and it developed over time. In the early phase, Golla, Vacon and Iqua maintained both a proactive orientation to emerging market needs as well as a reactive orientation to understanding the current needs of customers and the behavior of competitors. The CEO of one of the firms commented on the reactive market orientation in the beginning as follows.

Every meeting I said that the customer is paying your salary, I'm not paying, the company is not paying your salary... So the customer is the most important. And if the customer is in trouble, you should run...(Founder member and former CEO/Vacon)

Instead, FogScreen was characterized by a culture emphasizing a stronger proactive market orientation focusing on the latent future needs of customers, which was reflected for example in the ineffectiveness of conventional market research.

All the research is very difficult. I mean if you ask people okay, here we have a screen made of fog, in what applications would you use it, how much would you be interested in investing in it? I mean all the answers might be totally wrong... As there is no real need, you need to build one. (CEO/FogScreen)

Taking the proactive and reactive aspects together, the total market orientation was strong in all firms in the beginning. However, a proactive market orientation seemed to decline over time and also a reactive market orientation altered its character from an active, close dialogue with a few big customers to systematic, large-market research and competitor analysis, as depicted at Vacon and Golla.

The type and extent of the market orientation appeared to influence the marketing strategies employed. A proactive market orientation was associated with more innovative marketing strategies entailing educating the market and building awareness for product needs people had not yet realized. This was essentially done through a novel approach in using PR, opinion leaders, and reference customers and through co-creation of marketing and value with different types of potential product users. This was evident in all of the case firms, depending on the development phase of the firm; it was most apparent, however, at FogScreen. The analysis revealed that the extent of the reactive market orientation influenced the adaptation of marketing strategies. In three cases (Golla, Iqua, and Vacon) it appeared that when entering different markets, the reactive market orientation – business practices encouraging responsiveness to the needs of certain customers -

was needed, thereby increasing adaptation of marketing strategies. As the reactive market orientation decreased and the firm culture shifted from emphasizing individual customers to general market knowledge, the marketing strategies also became less adapted and in some cases more regional. Thus, we may conclude that a higher proactive market orientation fosters more innovative marketing strategies, whereas a higher reactive market orientation enhances adaptation of marketing strategies to customers and countries.

Global Growth Phase. The extent of globalization and firm size were used to assess the global growth phase of the firms. Globalization of the firm was defined by the proportion of sales outside the home continent and the number of foreign subsidiaries established, whereas firm size was evaluated by the amount of total sales. Although the four firms resemble each other in terms of the division of sales coming from outside the home market and home continent (international/global sales degree), a closer look reveals that they reside in very different phases. The number of foreign sales subsidiaries abroad is lowest in FogScreen, followed by Golla and Iqua; the highest is in Vacon. Also, the firm size varied significantly. On the basis of sales and number of employees, two of the case firms, FogScreen and Iqua, are micro/small firms. Golla is clearly larger than the previous two firms, but still a medium-sized company in terms of sales. Vacon has grown significantly in size. Taking these dimensions of global growth together, two of the firms were clearly in the early phase (FogScreen, Iqua). Although the proportion of global sales in their total turnover had been significant since foundation, their overall size was small. Golla was approaching the later phase, but was clearly not as advanced as Vacon, especially with respect to firm size. Finally, in all global growth dimensions, Vacon had developed into an advanced firm in the later phase of growth. See Table 1.

The role of the global growth phase in the development of marketing strategies was evident in all firms. The analysis revealed that in the early phase more innovative marketing strategies were employed by all firms and this was manifested in all or at least two elements of innovative marketing. The innovative nature of the marketing strategies appeared in novel value propositions, co-created marketing, and adoption of low-cost strategies. It also appeared that the firms in this phase adapted marketing, especially with regards to customer and country requirements. Nevertheless, one of the case firms (FogScreen) deviated as it applied a rather standardized approach from the beginning. A closer analysis revealed that this behavior could be understood by the nature of this firm's market orientation; its proactive culture discouraged responding to current customer needs and competitors in the short term. Instead, this firm focused on long-term latent needs and therefore ignored immediate customer requirements.

The analysis of the firms that had evolved to the later phase (Golla, Vacon) indicated that the degree of innovativeness in their marketing strategies was declining. Global growth often entails a diminishing role for the entrepreneur and less risk-taking in new marketing initiatives as the innovative, venturesome, and risk-seeking founders are accompanied or even replaced by those more interested and skilled in penetrating global markets with existing products. Increases in customers and markets also put pressure on a firm to apply conventional marketing strategies such as investing in large-scale marketing campaigns to reach these customers and developing their own professional marketing and customer service organization. Moreover, these case firms show that the extent of adaptation decreased during the advancement in global growth. Furthermore, the focus of the adaptations changed from big customers or individual countries to regional adaptations. This could be understood by the increased number of customers and markets covered around the world and the firms' efforts to reach global synergies through economies of scale and other cost saving, as one of the CEOs commented below:

In sales and marketing there are some common elements like brand, and we also do quite a lot of centralized marketing....But of course then some marketing is done locally. Globally speaking, the sales are managed from a regional perspective. (CEO/Vacon)

The findings indicate that as the firms advanced in their global growth towards the later phase, the innovative and adaptive features of their marketing strategies diminished.

4.3 *Cross-case analysis of the relationship between entrepreneurial marketing and marketing performance*

In analyzing marketing performance, we focused on the managers' subjective evaluation. Hence, we were interested in understanding the marketing objectives of these firms, what criteria the firms used to evaluate the performance of marketing and how successful they were in meeting these criteria. The case firms seemed to adopt slightly different means to evaluate their marketing strategy performance, as reflected in the quotes below.

I think that if you look at our reference list from Disneyland to Universal to MTV... I think that we have succeeded quite well...(CEO/FogScreen)

We are now the unquestionable number one in our own field, measured both in market share and sales volume. (CEO/Golla)

In the early phase, the co-creation of marketing, such as distribution, brand management and R&D, appeared crucial for early marketing performance, as was

reflected in Vacon's commercial breakthrough and penetration of markets in Europe and the US. Instead, the move towards their own marketing management organization through subsidiaries or firm acquisitions was significant for this later-phase firm.

It [the acquisition in US] brought us more market share, about 1.5 percentage points. But more importantly, it brought us an identity; it brought faces for Vacon in North America. (Executive Vice President/Vacon)

Examination of the case firms showed that three of the firms had performed better in their marketing (Golla, Iqua and Vacon), while one firm faced big challenges in their performance (FogScreen). Further analysis showed that one of the reasons for problems in the major US markets was this firm's failure in meeting local service requirements, which are crucial when entering new markets and new channels. The low level of adaptation used by the firm in its marketing differed from that of other firms in the early phase and it seemed to be one cause of the problems. Although the firm had used innovative and successful strategies to create awareness, living up to the customers' expectations and earning their trust was difficult. The economic recession and conflicts in channels used to expand markets were an issue that weakened marketing performance even more. The other three firms with high marketing performance appeared to have levels of innovativeness and adaptation that were in line with their internal characteristics and external conditions. For example, Vacon had achieved high marketing performance and it was found that their marketing strategies were in line with the prevailing contingencies such as the declining turbulence of the markets, the increased industry globalization drivers, the diminished and rationalized nature of market orientation, and the firm's global growth phase.

Thus, the case INVs show that marketing performance is dependent on the degree of innovativeness and adaptation of marketing strategies in general. However, acknowledgement of the environmental conditions and the nature of the market orientation and phase of global growth in the determination of appropriate marketing strategies is even more important. It seems that marketing is most successful when there is a fit between the marketing strategies and the external and internal contextual issues. For a summary of these findings, see Table 3.

Table 3 Entrepreneurial Marketing Strategy Development and Internal and External Contextual Factors in the Case Firms.

	FogScreen	Iqua	Golla	Vacon
External Environment Turbulence Global diversity	High market uncertainty urged innovativeness such as new low cost product launches on price-driven markets during recession. High global diversity in terms of rather local customer, distribution and competitor base, but this was not reflected in the level of marketing adaptation.	High technical uncertainty was reflected in the need for more innovative marketing, such as high rate of new product launches and co-creation of value. Many globalization drivers in the industry expect some individual distributor needs, which enhanced adaptation of marketing.	Converging offerings and head-to-head competition for market shares among global players. Global customer needs except for some regional adaptation needs in the US. The decline in both turbulence and global diversity of the markets tapered off innovativeness and adaptation of marketing.	Maturing market, fewer new competitors entering and low risk of substituting technologies in the near future prompted less innovative marketing. Industry globalization (low trade barriers, big global competitors and customer segments emerging) paved the way for lessening adaptation.
Market Orientation Reactive Proactive	High proactive MO in terms of interest towards latent market needs and real-time experiences in intelligence generation reflected in innovative marketing. Low reactive MO to meet current customer needs lead to standardized marketing.	Both proactive and reactive MO to customers' needs reflected in innovative and adapted marketing. Intelligence based on informal feedback from the markets and distributors. Increasing attention to competitors' moves.	Initially high proactive and reactive MO with focus on both latent market trends and needs of key customers, but a less market-oriented approach later on. Change in MO induced less innovative and adapted marketing with a focus on creating universal brand.	Initially high proactive and reactive MO by utilizing in-depth customer knowledge to address future needs. Later on merely reactive MO with general but systematic market research. Change in MO prompted minor incremental value innovations and less adapted marketing.
Global Growth Firm size Globalization	In the early phase (low growth of firm size but moderate growth of globalization). During global growth innovativeness of marketing remained high, whereas adaptation of marketing was low from the beginning.	In the early phase (moderate growth of firm size and globalization). During global growth innovativeness and adaptation of marketing remained important although they were slightly decreasing.	Approaching the latter phase (high growth of firm size and globalization). This induced less innovative marketing with increased investments in building marketing organization and consumer promotion while aiming to utilize the possibilities of standardizing marketing.	In the latter phase (very high growth of firm size and globalization). Global growth induced less innovative, regionally adapted and mass-customized marketing (building global sales office organization and a brand of its own while decreasing co-created marketing).
Marketing Performance	High marketing performance in terms of awareness and new product launch rate. Very low marketing performance in sales growth and inquiries received.	Rather high marketing performance in terms of sales growth and new product launch rate. Moderate marketing performance in reaching the customer base, and increasing market share.	Very high marketing performance in terms of sales growth, market share, and brand awareness. Moderate marketing performance in new product launch rate and reaching the desired customer base.	Very high marketing performance in terms of sales growth, customer satisfaction, market share growth, brand awareness and media publicity.

5 Discussion and proposition development

Based on the case study analysis, we argue that the development and performance of entrepreneurial marketing strategies in INVs may be understood by the context in which they are “happening,” more specifically the conditions of the external environment, firm’s market orientation and growth phase. A conceptual model is presented in Figure 2. The propositions of the model are now discussed in detail.

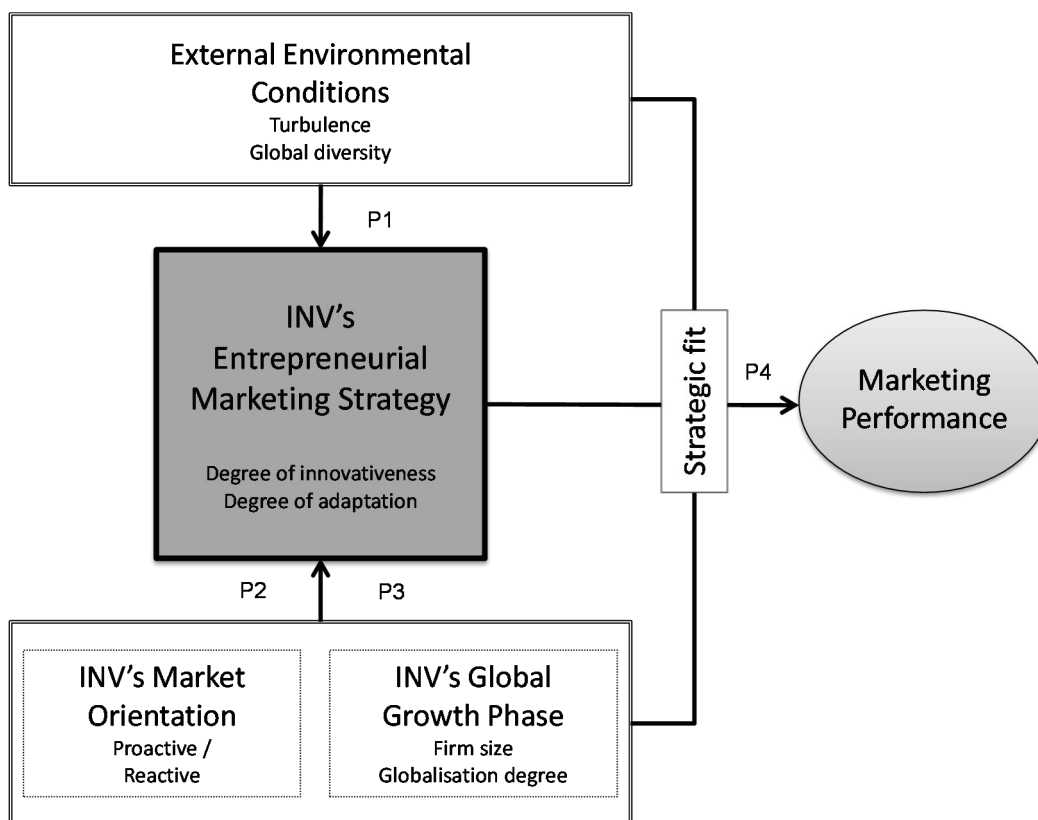


Figure 2 Conceptual Model of the Development of Entrepreneurial Marketing Strategies in an International New Venture

Empirical evidence suggests that environmental conditions influence the entrepreneurial marketing strategies of INVs. Greater turbulence in the environment seemed to push for more innovative marketing strategies and on the other hand higher diversity in the global environment spurred more adapted marketing strategies. Earlier marketing literature has found that environmental turbulence influences product strategy decision-making (Moorman & Miner, 1998). Turbulence is related to industry lifecycle; in the fermentation phase of development innovative marketing strategies are needed, while in the era of incremental change cost econ-

omies are more important and the marketing strategies become more standardized and incremental (Anderson & Tushman, 1990). On the other hand, it is important to understand how global the industry is and to match the globalization potential with the strategy through appropriate standardization (Yip, 1989). Earlier research has shown that the diversity of the environment across the countries in question with respect to customers, competition, technology lifecycles, and regulations leads to more adapted marketing strategies (Calantone, Kim, Schmidt & Cavusgil, 2006; Katsikeas, Samiee & Theodosiou, 2006). In sum, an external business environment generally characterized by high global diversity induces the need for firms to adapt and be flexible in approaching customers and competitors, yet at the same time the turbulence of the environment calls for highly innovative marketing strategies (Achrol, 1991). Thus, the following is proposed:

Proposition 1: *a) The greater the turbulence of the industry environment, the greater the innovativeness of the marketing strategies of an INV. b) The greater the global diversity of the industry environment, the greater the adaptation of marketing strategies to the customers and countries of an INV.*

The empirical evidence shows that market orientation has an influence on the marketing strategies of INVs. Earlier literature on the relationship between market orientation and marketing strategies has tended to disregard the twofold nature of market orientation (Im and Workman 2004). In line with the recent development in the market orientation literature (Narver, Slater & MacLachlan, 2004; Ketchen, Hult & Slater, 2007), the difference between a proactive and a reactive market orientation is important as we found marketing strategy to depend on the nature of the INV's market orientation. The proactive market orientation, i.e. the future-oriented approach to the market needs, is likely to be more conducive to creating innovative marketing strategies in INVs (Ketchen et al., 2007; Kocak & Abimbola, 2009), whereas the reactive market orientation is likely to enhance the adaptation of marketing strategies. This also supports some recent literature suggesting that some entrepreneurs use effectuation logic in their approach to marketing where the future is controlled by creating it with stakeholders, while others use a more traditional decision-making logic where future is controlled by predicting it on the basis of traditional market and competitor analyses (Read, Dew, Sarasvathy, Song & Wiltbank, 2009) Thus, we propose the following:

Proposition 2: *a) The greater the proactive market orientation of an INV, the greater the innovativeness of its marketing strategies. b) The greater the reactive market orientation of an INV, the greater the adaptation of its marketing strategies to customers and countries.*

Although earlier literature has discussed the change of marketing strategies over time (Douglas & Craig, 1989; Morris et al., 2002), the influence of global growth

in INVs has not been understood. The results of this study indicate that the global growth phase of an INV is an important change agent behind their entrepreneurial marketing strategy. Entrepreneurial marketing strategies were found to evolve during the global growth of INVs, as both innovativeness and adaptation seemed stronger in the early growth phase of the INVs than in the latter phase. This is related to the mechanism of growth varying over time (Bjerke & Hultman, 2002; Scott & Bruce, 1987). In the early phase of an INV the need for entrepreneurial growth is likely to prevail, thereby triggering innovative marketing strategies to focus on new markets, products, value co-creation, and value chain co-operation. In the phase of parallel expansion to multiple new countries, growth is more managerial in nature and requires effective management of the marketing process of existing products. The earlier literature has argued that INVs need to select either fully adapted or standardized approach (Madsen & Servais, 1997), while some researchers have emphasized that INVs have to use rather standardized marketing strategies (Gabrielsson; Gabrielsson & Seppälä, 2012). This study, however, contributes by understanding how the need to adapt marketing strategies changes during the global growth of INVs. A further novel finding was that while earlier literature has discussed adaptation in general or in terms of country-based adaptation, we found that it is equally important to analyze adaptation to big foreign customers. As suggested by the empirical findings, the adaptation in the INVs seems to evolve from more extensive customer-specific adaptation to minor regional modifications during the global growth. In sum, we propose the following:

Proposition 3: a) *In the early phase of an INV's global growth cycle more innovative marketing strategies are employed than in the later phase of global growth.*
b) *In the early phase of an INV's global growth cycle more adapted marketing strategies to customers and countries are employed than in the later phase of global growth.*

The results of this study suggest that the entrepreneurial marketing strategies influence the marketing performance of INVs, but also the surrounding external and internal conditions need to be considered. High marketing performance is achieved through a strategic fit between the marketing strategies and the contextual factors studied, especially the external environmental conditions, market orientation of the INV, and the global growth phase in which it resides. This finding is line with the earlier literature discussing the importance of strategic fit in achieving higher performance (Venkatraman, 1989). Strategic fit suggests that maintaining a consistent linkage between the firm's entrepreneurial marketing strategy and the context within which it is implemented leads to superior performance (Katsikeas et al., 2006; Venkatraman, 1989). However, earlier studies have examined the role of strategic fit in the standardization of international marketing (Katsikeas et al., 2006; Gabrielsson et al., 2012), whereas this study also showed

that the performance consequences of innovative marketing strategies are dependent on the strategic fit with the context where they are implemented. The latter view is consistent with an earlier study on the contingent value of marketing strategy innovativeness for new ventures (Atuehene-Gima, Li & De Luca, 2006). Thus, we propose the following:

Proposition 4: a) *The high marketing performance of an INV results from the fit between the degree of innovativeness of marketing strategies and the internal and external context in which these strategies are implemented. b)* *The high marketing performance of an INV results from the fit between the degree of adaptation of marketing strategies and the internal and external context in which these strategies are implemented.*

6 Conclusions

In general, the development of marketing strategies during firm globalization has long been of interest to researchers (Douglas & Craig, 1989). Although INVs have also received much attention during the last 20 years (see eg. McDougall, 1989; Keupp & Gassmann, 2009), researchers have investigated how marketing strategy evolves as INVs grow to only a limited extent (Autio et al., 2000; Gabrielson et al., 2008). Especially uncommon are studies that adopt the entrepreneurial marketing viewpoint (for an exception, see Mort, et al., 2012) to understand the development of INV marketing strategies during growth and that unveil the role of contextual factors in the development.

The theoretical contribution of this study is addressed foremost to research in international marketing and international entrepreneurship by providing an understanding of the important dimensions and elements of entrepreneurial marketing strategies in the context of INVs as well as their evolution during the growth these firms (Hughes et al., 2010; Kocak & Abimbola, 2009). The innovativeness and adaptation of marketing strategies was found to decrease during the global growth of the INVs studied. Moreover, also other contextual factors seem to intervene. Whereas innovativeness is fostered by a proactive market orientation and reflects an era of environmental turbulence, adaptation of marketing strategy is understood by the global diversity and reactive market orientation of the INVs. Given that the discussion of innovativeness in INV research has so far been biased in its emphasis of mainly product and technology innovativeness (Knight & Cavusgil, 2004, Kim et al., 2011), the current study adds knowledge on the role of innovativeness in INVs by discussing it in a marketing strategy level. The authors identify and illustrate the multifaceted nature and different elements of innovativeness in INVs (value innovation, co-created marketing and low-cost marketing) and

offer an in-depth contextual understanding of marketing strategy innovativeness. In addition, the study has integrated the adaptation viewpoint to INV marketing strategies and added knowledge to the adaptation-standardization literature (Cavusgil, et al., 1993; Theodosiou & Leonidou, 2003), which has not provided an in-depth discussion of the adaptation-standardization concept and of how the adaptation degree develops in INVs.

Going further, the role of strategic fit in the marketing performance of INVs has received less attention. Interpreting the results of this study suggests that the marketing performance of INVs is determined by the fit between entrepreneurial marketing strategies and the conditions related to the industry environment, internal firm culture, and the growth phase of the INV. The role of strategic fit has earlier been discussed especially in relation to the performance consequences of marketing strategy adaptation and standardization (Hultman, Robson & Katsikeas, 2009). We found that in addition to influencing the performance of marketing strategy adaptation, strategic fit is crucial in explaining the performance consequences of innovativeness. This finding challenges the view in INV research in which innovativeness is seen rather as an unconditional antecedent to INV performance (Kim et al., 2011).

As this study was limited to a qualitative empirical inquiry on four INVs, we suggest that subsequent research goes further in testing the conceptual model and propositions with not only qualitative methods but also survey data. This research is needed both in other small economies as well as larger countries. Furthermore, we suggest that more research be directed to the role of strategic fit and on the contextual factors of entrepreneurial marketing strategies in INVs.

This study offers an important managerial contribution by discussing the decision-making and choices concerning marketing strategies during the growth of INVs. The results suggest that managers who strive for innovative marketing strategies should look beyond product and technology innovativeness and consider novel approaches in defining and developing the value proposition, co-creating marketing strategies and using low-cost marketing strategies. The results also indicate that in adaptation decisions an INV manager needs to acknowledge not only the country differences, but also the need to meet the adaptation requirements of major foreign customers. Finally, the results encourage INV managers to reckon in the conditions under which the marketing strategies are employed. To achieve higher performance, the entrepreneurial marketing strategies need to change and correspond to the global growth phase and other contextual issues of the INV. The findings are also important for government policy and decision-making. We suggest that support mechanisms need to move from product- and

technology-centered focus and innovation-based programs to more holistic support for developing marketing strategies during the growth of INVs.

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