

STRATEGIC ANALYSIS OF SMES' EARLY INTERNATIONALISATION PROCESSES

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Abstract

Purpose- This study focuses on the main driving factors influencing the path (i.e. the decision-making process) of SMEs to internationalise and explains reasons for choosing different entry modes as strategy. The paper aims to gain a closer understanding of characteristics and challenges that SMEs experience in the early phase of internationalisation, and how its internationalisation practices – strategies – contribute to their competitiveness.

Design/methodology/approach- A theoretical framework based on a literature review is developed. Empirical results were gained from a qualitative approach based on case studies and cross-case analysis of three Tyrolean SMEs.

Findings- Aspects that have been investigated by this study are key motivating drivers to internationalise and strategies applied. The paper highlights different approaches why and how SMEs undertake the process of internationalisation.

Practical implications- An understanding of drivers and strategies to internationalisation offers entrepreneurs and small business managers the opportunity to shape and reflect on the development of their company. Outcome of this study reveals the importance of managers in understanding the changes in the business environment and in identifying key internal factors. Results provide practical mentoring to SMEs in similar situations in understanding the nature of the processes of an international expansion strategy.

Originality/value- Internationalisation strategies are usually viewed in relation to large enterprises. This study considers SMEs in their approach to develop international strategies and market presence.

Research Paper

Keywords: SMEs, early internationalisation strategies, strategy development, business development

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Introduction

The faster integration of markets has provided new opportunities for cross-border operations (Baldegger and Schueffel, 2010; Stam et al., 2007; Doole and Lowe, 2003; Fletcher, 2001; Pleitner et al., 1998; OECD, 1997). At the firm level, internationalisation helps to drive objectives such as growth and profitability improvements, intensify and sustain the competitive position through innovation and performance, enhance managerial skills and human capital compatibilities, as well as diversifying business risks (Hyvärinen, 1994; Katsikeas and Skarmeas, 2003; Wilson, 2006; Pinho, 2007).

The internationalisation process of the firm starts with basic decisions (Jenster and Jarillo, 1994). When companies decide to go international they have to determine where to go (in terms of geographical but also customer segments), how to go (concerning the nature and sequence of internationalisation process), and what to do (understanding the implications and necessary changes to current management processes and how to implement appropriate changes).

This paper focuses on two main aspects on internationalisation in the context of small and medium sized enterprises (SMEs). Firstly, the decision-making processes are analysed that (could) lead to cross-boarder operations and secondly the internationalisation strategies adopted by SMEs are investigated, mainly focusing on internal factors influencing the internationalisation process. From this perspective, the paper combines the international entrepreneurship perspective with a resource-based view.

The paper is structured as follows. In the theoretical part, a conceptual model based on the literature review is developed. The model discussed the strategy process of internationalisation, focusing on two main dimensions: the internationalisation path and the choice of entry/operation modes adopted by SMEs on the basis of internal factors influencing internationalisation. The empirical study applied a qualitative approach, on the basis of multiple-case study comparison, entailing primarily an exploratory rather than an explanatory research perspective. The selection of cases concentrates on SMEs in the area of Tyrol, Austria.

As results this papers gives theoretical contribution to the SME internationalisation literature. It develops a theoretical framework to provide a better understanding of the early internationalisation process of the firm that explains the role of internal driving forces and triggers as underpinning factors for the development of a market entry strategy. Furthermore, the paper gives practical managerial implications for SME managers / owners in the process of internationalisation.

Literature review

In contrast to larger firms, there is a gap in the scientific literature and research concerning internationalisation of SMEs and early steps towards cross boarder ac-

tivities are often not the result of a deliberate strategy, but might be driven by internal, not necessarily strategic focused forces (Wood *et al.*, 2011). According to many researchers there is no theory that can fully explain SMEs internationalisation strategies (Crick, 2007; Freeman and Cavusgil, 2007; Coviello and McAulley, 1999; Chetty and Campbell-Hunt, 2003; Havnes, 2003).

In line with Havnes *et al.* (1998), although many studies examine the internationalisation behaviour of SMEs, the absence of a “theoretical superstructure implies that the ‘findings’ must be seen in the context of the particular investigation which often varies with respect to the problem, definition of concepts, types of firms and industry sectors”. That is a clear weakness in this stream of research, but on the other hand “represents a clear strength since several perspectives and models are brought in from other fields of research providing other forms of insight than those provided by main stream perspectives alone” (Havnes, 2003, p. 15).

The Decision to Internationalise

From a manager’s perspective, the internationalisation of the firm is one of the most difficult decisions. The complexities and risks of international operations are more challenging for SMEs than for large firms, due to constraints of substantial financial and tangible resources (cf. Knight and Kim, 2009).

Authors such as Welch and Luostarinen (1993), Jenster and Jarillo (1994), Aharoni (1999) and Hutchinson *et al.* (2007) argued that it is important to understand the different stimuli that lay behind the internationalisation processes, these driving forces influence the decisions toward internationalisation in the firm. These studies lead to the questions about the main internal drivers influencing the decision to initiate the internationalisation process and how is this process is maintained and implemented. In this context to understand the internationalisation processes of SMEs, Welch and Luostarinen (1993) suggest to explore first “the variety of unique causative elements as well as bearing the impact of any general on-going influential factors” that raise and lead to this decision. According to Aharoni (1999) the initiating forces leading to the decision to internationalise are mainly of internal nature, such as the characteristics of the product or the manager, and/or external nature stemming from its environment, such as the ‘band wagon’ effect or the strong competition from abroad, among many others.

Furthermore, Aharoni (1999) argues that it needs some strong forces or some drastic experience that triggers and pushed the organisation into this new path.

To summarise the decision making process of internationalisation it can be mentioned that different influencing factors are needed. Starting with general driving forces of internal or external nature (Hutchinson *et al.*, 2007) to triggers that

shepherd internationalisation through its process (Aharoni, 1999; Welch and Luostarinen, 1993). Simultaneously, the firm has to decide, which path, i.e. which strategies it should adopt for early cross boarder activities. These are therefore the three main aspects of the current paper that will be discussed in the following sections.

Decision Making Process to Internationalisation

The focus is on two main aspects; first driving forces that motive this process are presented, followed by the discussion of triggers, i.e. factors that push this process to its realisation.

Driving forces of internationalisation are factors motivating the internationalisation process within SMEs and are either internal or external stimuli, or can be seen as the result of a reactive or proactive behaviour (Czinkota and Ronkainen, 1995; Albaum *et al.* 1995; Crick 2007). Internal motives refer to factors potentially within a firm's control, while external factors concern factors originated from outside a firm's direct control. On the other hand, reactive motives referring to internal or external pressures (push factor) which force the firm to respond, while proactive motives based on the firm's interest in exploiting unique competences or market possibilities (pull factors).

Table 1: Overview of the principal internationalisation drivers (Source: Adapted from Czinkota and Ronkainen (1995, 215), Albaum *et al.* (1995, 31), Crick (2007, 13))

	Internal	External
Proactive (pull factors)	<ul style="list-style-type: none"> • Growth and profit goals • Managerial urge (Change agent) • Technology advantage / unique product • Marketing advantage • Economies of scale 	<ul style="list-style-type: none"> • Foreign market opportunities • Change agent
Reactive (push factors)	<ul style="list-style-type: none"> • Overproduction • Excess capacity of resources 	<ul style="list-style-type: none"> • Competitive pressures • Small home market • Saturated or declining home market • Proximity to customers and ports

Table 1 presents driving forces motivating an internationalisation process. Growth and profit goals, managerial urge and risk diversification are more general ones, while exploitation of foreign market opportunities, change agent, economies of scale, marketing advantages, etc. stand for the specific ones (Albaum *et al.*, 1995). However, it should be noted here, that there is no hierarchy within these motivators. Each of the above mentioned factors can motivate an internationalisation process, but there still has to be a trigger, that pushes and maintains the process to realisation.

Internationalisation Triggers

When it comes to internationalisation triggers, it can be mentioned that someone or something within the firm must initiate and maintain the mechanism and processes of change – e.g. an early internationalisation process – as well as to shepherd them through their implementation (Czinkota and Ronkainen, 1995). This intermediate individual or variable is known as change agent. Change agents act as triggers for pursuing an internationalisation strategy (Calof and Beamish, 1995; Knight and Liesch, 2002).

It's the role of the management of the firm to understand opportunities in foreign markets (Wright *et al.*, 2007; Crick and Spence, 2005; Caliskan *et al.*, 2006; Freeman and Cavusgil, 2007). Such opportunities are often perceived during business travels or through the access to information that lead management to believe that such opportunities exist (Czinkota and Ronkainen, 1995; Calof and Beamish, 1995; Chetty and Campbell-Hunt, 2003; Hutchinson *et al.*, 2007). According to Czinkota and Ronkainen (1995) managers who have spent a time abroad, have learned foreign languages (Knowles *et al.*, 2006), or are particularly interested in foreign cultures are likely to recognise whether international marketing opportunities would be appropriate for their firm (Freeman and Cavusgil, 2007). Recent studies (Pinho, 2007; Brouthers and Nakos, 2005; Katsikea and Skarmeas, 2003; Freeman and Cavusgil, 2007) have shown that managerial characteristics act as important drivers in the internationalisation process of SMEs. Some of the characteristics identified are demographic (for example age and education), some are aspects of international exposure (for example country of birth, time spent living overseas, and frequency of business trips overseas), some reflect knowledge of international business (for example familiarity with culture, international business practice) and international transactions experience (Fletcher, 2001; Chetty and Campbell-Hunt, 2003; Pinho, 2007).

Especially in the context of SMEs where the hierarchy is usually limited compared to LSE and where therefore personal characteristics have a higher influence on the strategic direction of the firm (Suaréz-Ortega and Alamo-Vera, 2005), it can be mentioned that new management or new employees often act as internal change agent (Calof and Beamish, 1995). New employees already having previous experiences in foreign markets may use this experience to facilitate and foster the

business activities of their new firm. According to Czinkota and Ronkainen (1995) by developing their goals in the new job, managers consider new options such as international activities.

Concluding the discussion about the decision making process to internationalise it can be mentioned that it is not only important from a firm's perspective to understand different drivers of internationalisation, such as internal or external drivers but that there is also a trigger that initiates and maintains the process of implementing the internationalisation strategy into the company's framework.

Firm Strategy and Internationalisation

Melin (1992) has been the first author who discusses internationalisation as a strategy process. According to Melin (1992) "the strategy process determines the ongoing development and change in the international firm in terms of scope, business idea, action orientation, organizing principles, nature of managerial work, dominating values and converting norms". Based on the discussion of Mintzberg (1991), Melin (1992) focuses strategy as a behaviour perspective that emerges over time instead of a strategic intent. The perspective of other authors such as Yip (1992) for example takes into account strategy for international markets to be the same as firm's stated formal plan. Although this view has often been criticized (Li *et al.*, 2004; Spence and Crick, 2006) it is also accepted that many companies adopt this perspective, too.

Other evocative works concerning internationalisation and strategy are the study of Bell *et al.* (2004) and Agndal and Chetty (2007). Bell *et al.* (2004) use the perspective of 'Business Strategy' as an "umbrella term to denote the broad range of strategic options open to the firm, including both organisational and functional management strategies, product/market strategies [generic strategies] and diversification strategies" to explore the linkages between firms patterns, processes and pace of internationalisation. On the other side, Agndal and Chetty (2007) concentrate on the influences of the relationship in internationalisation strategies in terms of markets and modes of entry.

As mentioned before, one of the specific objectives of this research is to enhance understanding of the current common characteristics and problems that SMEs experience at the starting phase of the internationalisation processes, and how its solve method – that is the firm's strategies – differs from each other, as well as how these contribute to the competitive advantage of the firm. Similar to the study of Tuppura *et al.* (2008, p. 473), in the context of SME, where both the limitation of resources (tangible and intangible) and unique characteristics mainly play an important role in the internationalisation process – compared to 'large-scale enterprises'–, it is important to understand how the use of this resources-base and

unique characteristics have an effect on the internationalisation behaviour of the firm.

In this frame of reference and based on the preliminary works of Tuppara *et al.* (2008) Bell *et al.* (2004) and Agndal and Chetty (2007), this analysis is focused on the internationalisation strategy of SMEs considering two mainly dimensions: first, the internationalisation path and second, the choice of entry/operation modes adopted on the basis of internal factors influencing internationalisation.

The Internationalisation Path: According to the findings of Bell *et al.* (2001) the ‘born global’ phenomenon is not an organisational internationalisation form per se; rather it should be seen as a strategy, which improves firm value through rapid and dedicated internationalisation. Based on the internationalisation motivation and behaviour of SMEs, Bell *et al.* (2003) propose an integrative model that identifies three main groups of firms’ internationalisation pathways: traditional, born global and born-again global pathway.

Bell *et al.* (2003) identify ‘*traditional firms*’ as those that “follow an incremental approach to internationalisation becoming established in their domestic markets before initiating international activities (and often entering markets with increasing ‘psychic’ distance)”. In contrast to knowledge-intensive firms, traditional firms generally move towards to adopt a more *ad hoc*, reactive and opportunistic approach to internationalisation. Those firms are generally ‘pushed’ into international markets due to factors such as unfavourable domestic market conditions, unsolicited orders, the necessity to generate revenues, etc., following an incremental manner over a long period of time, often focusing on ‘psychically’ close markets (Bell *et al.*, 2003; Crick, 2007).

‘*Born global*’ firms tend to adopt an international focus from the outset undertaking a rapid and dedicated internationalisation. Together with the role of active entrepreneurs, according to Bell *et al.* (2001, 2003) one key characteristic of ‘born global’ is that these firms often involve a substantial “knowledge-based competitive advantage that enables them to offer value-added products and services”. This particular characteristic also leads firms to pursue a niche market strategy, adopting more proactive and structured approaches to internationalisation and being more flexible in relation to their choice of entry modes. In contrast to traditional firms, ‘born globals’ not only internationalise more rapidly, but also in some cases domestic and international expansion occurs simultaneously (Bell *et al.*, 2003). In others cases where small open economies exist and the domestic market is limited, firms tend to focus on ‘lead’ markets instead of technologically less sophisticated ‘lag’ markets.

The last type of path – *born-again global* – improving value through internationalisation refers to long-established ‘traditional’ firms. These firms have had no impetus to internationalise in the past, but due to dramatic change in the strate-

gic focus caused by a 'critical incident', or a combination of several 'incidents' occurring simultaneously, these companies have to adopt rapid and committed internationalisation (Bell *et al.*, 2003; Tuppura *et al.*, 2008). The most common 'critical incidents' leading to a rapid internationalisation are identified by Bell *et al.* (2001) as a change in the ownership and/or management, acquisition of firms with international connections (including inward technology transfer and distribution rights as factors that force internationalisation of all the company), the internationalisation of existing domestic clients leading the firm to follow the customer into the new markets, and finally the increasing adoption of information communication technologies (ICT). According to Bell *et al.* (2003) other 'critical incidents' that trigger a change from the domestic to the international orientation is a mixture of new human and/or financial resources, access to new networks in overseas markets or the acquisition of new products/market knowledge. Bell *et al.* (2003) argue that concerning the main difference of 'born-again global' to 'traditional' and 'born global', 'born-again global' firms strategies' "tend to be much more systematic once the decision to internationalise has eventually been triggered by a critical incident".

Entry Mode as Strategy: Sharma and Erramilli (2004) define an entry mode as "a structural agreement that allows a firm to implement its product market strategy in a host country either by carrying out only the marketing operations, or both production and marketing operation there by itself or in partnership with others (contractual modes, joint ventures, wholly owned operations)" (Root, 1987; Agndal and Chetty, 2007).

In terms of different entry mode, the paper follows traditional approaches or classifications for cross-boarder operations. Classification could be, for example, according to those that aim to sell and those that aim to transfer know-how (De Búrca *et al.*, 2004), or it could be differentiated between equity and non-equity-based entry modes, etc. (Pan and Tse, 2000). This research follows the three broad group classification proposed by Root (1987) due to it is mainly inspired to follow a management/operations perspective. This classification – export (indirect, direct and cooperative exporting), intermediate (licensing, franchising, management contracts, turnkey contracts, joint ventures, technical know-how and service contracts, coproduction agreements) and hierarchical modes (Domestic-based sales representative, foreign branch/sales and production subsidiary, region centres/transnational organisation, Acquisition Greenfield investment) – differs according to the degree of control, risk and flexibility associated with each market entry mode.

Conceptual framework

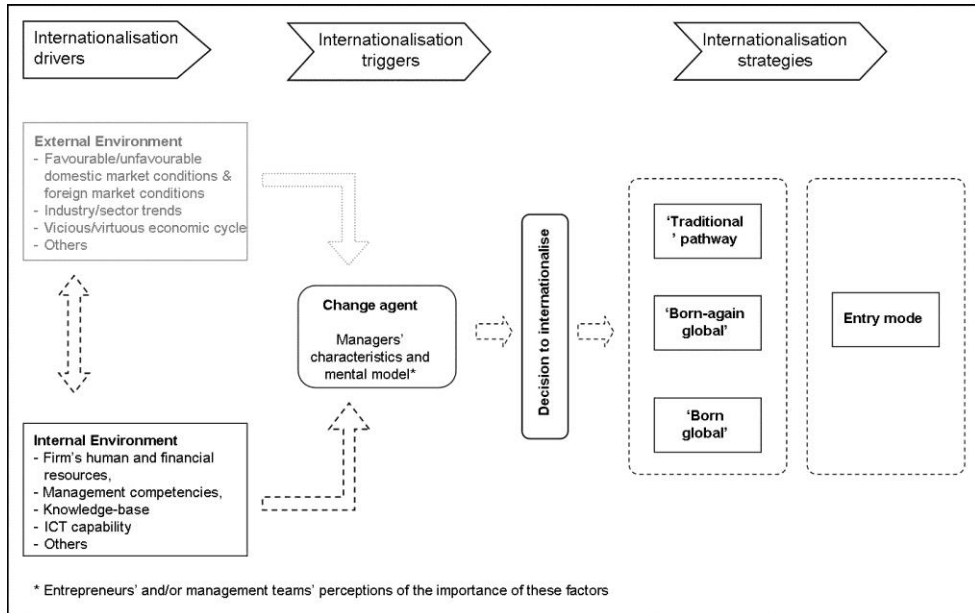
Based on the discussion in the previous sections of the paper, this chapter draws the conclusion and presents a conceptual and processual framework of the internationalisation process in SMEs.

The first research question of this investigation concentrates on expounding the decision making process to internationalise, divided into the two perspective driving forces to internationalisation and triggers maintaining this process.. The second aspect of the framework is consequently how firms undertake early cross boarder activities. Similar to the study of Pan and Tse (2000) the observation focuses on “how firms chose when they have the choice”. For this purpose, the study concentrates two strategic dimensions, the internationalisation path according to the model proposed by Bell *et al.* (2003) and the choice of entry/operation modes, both adopted on the basis of internal factors influencing internationalisation decision (cf. Tuppura *et al.*, 2008; Agndal and Chetty, 2007; Spence and Crick, 2006; Chetty and Campbell-Hunt, 2003).

The second research question of this investigation derives from the first one and addresses what Bell *et al.* (2001, 2004) and Crick and Spence (2005) have identified as subsequent internationalisation behaviour and respectively firm strategy decision. In other words and in line with Jones (2001), the first steps in foreign markets “indicates what firms are doing with resources at their disposal in relation to various opportunities and challenges presented by the international environment”, subsequently based on the experience gained, it is assumed that managers rebuilt their managerially controllable factors in order to assist further international growth (Crick and Spence, 2005). The general objective of this question is to identify the internal factors that play an important role at the starting phase of the internationalisation activity (pre-internationalisation) and later in the post-phase of the internationalisation activity (expansion process). Thus, on further reflexion this question aims to identify how these ‘rebuilt’ of internal factors may influence the choice considering the two strategic dimensions mentioned in the first research question.

Figure 1 shows the conceptual research model based on the literature review and research questions proposed by the authors.

Figure 1: Conceptual Research Model
(Source: own illustration based on literature review)



The first phase of our model – internationalisation drivers – attempts to identify which (proactive-reactive) driving forces influence the decision towards internationalisation. The second phase defined as internationalisation triggers, strives to identify which are the firm internal change agents that motivate, initiate and maintain the process of internationalisation, and in the case of decision makers (entrepreneurs and/or management-teams) what are the main characteristics that help them to perceive the driving forces identified in the precedent phase. The third and last phase – internationalisation strategies – attempts to explain the choice adopted by the firms when limiting them to two main strategic dimensions.

Research Method

Given that the focus of this research is to gain a closer understanding on the current common characteristics of SMEs experience at the starting phase of the internationalisation processes, a qualitative methodological approach was undertaken.

To this end, the empirical part of this study was developed on the basis of comparison of multiple-case study following the principles of data collection established by Eisenhardt (1989) and Yin (2003), and other leading authors (Chetty and Campbell-Hunt, 2003; Crick and Spence, 2005; Freeman and Cavusgil, 2007). The

study entails an exploratory rather than an explanatory research perspective. The reason is that one of the indirect purposes of this research is to explore and seek to explain how the firms' empirical knowledge can be reflected in the growing SMEs internationalisation theories, in particular, trying to identify any variations in the patterns, pace, and processes applied (Bell *et al.*, 2003).

Data Collection

The unit of analysis is the firm. The collection of the primarily data will be carried out via semi-structured interviews with Chief Executive Officers (CEOs), using a common interview guide and wording. Then the primarily data are triangulated with secondary data, such as observation notes, firm website, brochures, firm publications, etc. The developed interview guide contained four main sections: Firstly, the starting questions aimed to get some general information primarily about the company products/services, competences, survival objectives, as well as from the manager's background and experience. Secondly, questions regarding firms' early internationalisation decisions, based on the idea of Bell *et al.* (2004), this section concentrates basically on past scenarios of the firm internationalisation history aimed to explore reasons for key internationalisation decisions (Gummesson, 2000). The final part of the interviews focused on firms' post-internationalisation decisions, to take into consideration the gained experience from early internationalisation decisions and how this impacts on present and future (Gummesson, 2000). Finally questions regarding company demography were asked to collect some relevant quantitative data for protocol purposes.

In preparing the interview guide the following criteria have been considered for the formulation of the research questions:

- The questions were formulated using a language that is comprehensible and relevant to the interviewee, trying on the one hand to avoid research specific jargon in order to reduce misunderstanding of the question, or to eventually close off alternative avenues of inquiry that might arise during the collection of field work data, and on the other hand trying to cover the areas of research needed, but from the perspective of the interviewees. This means that "trying to get an appreciation of what the interviewee sees as significant and important in relation to each [...] topic area" (Bryman and Bell, 2007).
- The questions in the first three sections of the interview were developed in a sense that they provide access to overlap, control and extent of information. Avoiding leading question was considered.
- The last section collects primarily demography data of the company, but also of the interviewees in order to contextualize their answers.

The selection criteria of the firms are based on: the definition of SME according to the European Union, the firms should be originated in the Austrian market with the head office located in the region of Tyrol and should be current exporters according to the definition discussed before. This selection criterion resulted in the sample of following three firms for our cases: a medical biotechnology engineering firm (case A), a manufacturer of single-use medical devices (case B), and a manufacturer of infrared cabins (case C). The names of the companies were codified in order to preserve confidentiality.

The interviews were conducted in an informal manner. The interview guide was used to orientate but not to 'lead' the interviewee who should feel free to talk in their own words and terminology about their business experience. Probing was used sometimes as vehicle to stimulate more details in specific areas mentioned by the interviewee. All the interviews took place in the location of business of the interviewee during normal working hours. According to Hill *et al.* (1999) all these aspects are conducive to a more relaxed and open discussion. Finally, the interviews, lasting between 30 and 45 minutes each, were tape-recorded and then transcribed verbatim as well as complemented with firm internal recorded materials (for example firm website, brochures, firm books, etc.) and other press reports. The interviews as well as the collection of additional material were carried out in the time of April to May 2009.

Data Analysis

The general analytic strategy adopted, was according the qualitative analysing techniques used by Hill *et al.* (1999) and Taylor-Powell and Renner (2003), based on the tools of grounded theory. Concerning the reliability, replication and validity, this research fulfils these measurable constructs by displaying firstly how the research design, methods and evaluation strategies as well as all techniques used in this research are methodically developed (based on studies of leading authors); and secondly, by presenting on demand all the necessary information for the operational measures of this study are supplied and described in detail, so that a replication of this study can be carried out (for details see Appendix II and III).

Analysis and Findings of the Three Cases

First, each case is presented separately, followed by the presentation of the results of the cross-case analysis in order to identify similarities and differences in the strategies applied by the investigated SMEs.

Case A – a Medical Biotechnology Engineering Firm

This company develops and offers special analytical instruments and solutions for measuring trace gas, especially in the fields of medicine and biotechnology. The firm was founded in 2004 as a spin-off of a university research unit, initiating export in the same year of inception. With currently 90 percent of its total sales being achieved through exports to different continents, their first export market was Europe. Less than a year later followed the expansion into the USA and Japan, which are nowadays the company's most important secondary expansion markets. At the beginning, the firm started with 3 employees and presently has 13 employees, using English as the workplace language in all their operations.

Due to the high technological complexity and differentiation of the product and the small home market, proactive internationalisation behaviour had characterised this company from the beginning. Internal unique factors such as constantly active research, flexibility in adapting to and supplying solutions for niche markets are some main characteristics of the competitive advantage of the firm. Thus, the broad scientific network of contacts, the highly competent local experts and professional employees are among others the key internal pull factors that contribute to the decision to internationalise. As the managing director comments: "We started as a research company that turns into a product company".

In this case, the academic and professional background of the managing director has played an important role in the internationalisation process of this firm. Due to the product characteristic the manager requires wide knowledge not only in specific areas such as physics, biotechnology and medicine, but also needs to understand the entire scientific community of people working in similar areas in order to perceive "where the product could be useful, what it could be used for and what are the prospective users that are available in the country".

In addition to the limitations of the small home market and the growing foreign market opportunities, other external factors such as the high education level (needed to understand the use of the product – outside experts) and purchasing power existing in first world countries have played an important role in the selection of markets and in the decision to internationalise.

The firm's internationalisation strategy is based firstly on the identification of distributors who try to reach potential customers. Secondly, their policy of "the world is our market, there is no definition of foreign market" leads the firm to spot new market niches around the world by attending exhibitions and scientific conferences as well as through publications in scientific magazines. Thus, the firm is planning to use franchise models of business in the near future.

Considering all the features that characterise this case, it can be observed that the firm adopted a 'born global' pathway internationalisation behaviour as strategy, that tends towards a classification of 'knowledge intensive' innovators. The rapid internationalisation, the covering of several markets at once and the flex-

ibility and adaptability of the products to the customers' demands are some other characteristics for this case, too.

Finally, after some experience gained in the last years, the firm has discovered the importance of some important internal factors that were missing at the beginning, such as a better internal administrative structure which was needed for a company as opposed to a scientific research group, and the lack of strong marketing activities right at the beginning.

Case B – a Manufacturer of Single-Use Medical Devices

The second firm investigated has been operating in foreign countries since 1983. At the beginning it started as an innovative product produced by a division of a large glass manufacturer. After a year a management buyout changed the course of the company, which began to enter a new phase of rapid internationalisation. The firm specialises in providing hospitals with single-use medical devices, particularly electrodes for electrocardiograms and disposable diathermy plates for electrosurgery. The function of the product is to help to establish electrical contact with the human skin.

98 percent of its total sale volume is being exported to 80 different nations; Greece, India, and Russia represent their main markets, generating around €4 million in total annual sales. The firm started in 1983 with 7 employees and presently counts 22 employees. This firm conducts 90 percent of its business in English, whereas the remaining 10 percent is being conducted in German and other languages such as French, Spanish, Italian and Portuguese.

What sets the company apart from the competition is its high value created through the quality of their products and by developing customised solutions for special surgery cases. As the managing director explains: “We provide better quality than many products in the market, but the quality is something that is a matter of cause in our products”. This can be observed in other particular characteristics such as the development of special leading-edge production technologies which help to maintain the price-quality relation and enables the firm to efficiently reach economies of scale.

Some of the most important internal pull factors that characterise this company's proactive internationalisation behaviour are: the competitive advantage of developing leading-edge production technologies that ensure unique product characteristics and quality; the professionalism, trustworthiness and loyalty of the employees; the possibility to reach profit goals by accessing economies of scale at any time; the facilities gained through international quality certification and the manager's attitude towards the careful selection of foreign markets and customers. Thus, external pull factors, such as the possibility to use the trade delegate network sup-

ported by the Austrian Chamber of Commerce, have been important change agents that have positively influenced the decision to internationalise.

Similar to the precedent case, the attitude adopted by the managing director towards international markets has played an important role in this case. After a management buyout, the policy of the managing director to personally attend exhibitions in the target markets and the importance of contacting the future customer in person has been the fundamental part of their success. According to the managing director, this is the best recipe for a company that wants to enter a new market, instead of sending samples and offers by post (that will never be answered). As she comments: “I was completely alone two years ago in the Ukraine. Ukraine is really a difficult market. They don’t have money, they have a financial crisis, they have problems from A to Z, but I have a customer there...if you go there and have a stand and spend three days just for the Ukrainian market, then they feel you take a real interest, and then they want to buy from you, rather than from the big US companies where they are nothing”. This attitude can be compared to a first-mover strategy in a new market, becoming a market leader with strong customer orientation and closer customer relationship (c.f. Freeman *et al.*, 2006).

With reference to the other external factors influencing the internal ones, the current financial crisis is one of the external factors that have been negatively influencing the company’s internal ones. Not only because the demand decreases, but rather because the support of local financial organisations given in form of export insurance policies has been terminated in countries where the financial standing is believed to be insecure (this includes some countries within the European Community). According to the managing director interviewed, this procedure represents in the long run a big problem for an SME.

The company’s internationalisation strategy is mainly based on direct exporting, supplying directly to customers or groups of customers in order to ensure exclusivity, as well as the use of special contracts with local distributors ensuring exclusive distribution rights for a specific market. According to the experience of the managing director previously mentioned, these strategies develop strong and sustainable ties with customers and key suppliers, which on the one hand have helped to improve the product, and on the other to maintain a secure permanent minimal sales profit level.

In contrast to the first case, the second one clearly shows that the firm adopted a behaviour from a ‘born-again global’ pathway to a ‘born global’ pathway internationalisation behaviour as strategy.

Case C – a Manufacturer of Infrared Cabins

The last case investigated, a manufacturer of infrared cabins, deals with the development, production and distribution of a product contributing to the health care sector. The company invented a kind of infrared cabins based on a special low-temperature therapeutic infrared technology for preventative healthcare benefits. One of the most important characteristics of these cabins is that they are operated with an innovative system consisting of finest lava-sand filled in ceramic pipes.

The firm started to export one year from its foundation in 1995. At this time the firm counted only 4 employees, whereas it currently counts 140 employees and its export ratio surpasses 50 percent of its total sale volume. The firm counts with four subsidiaries in their principal markets. These are the neighbouring countries of Germany, Switzerland, Nord Italy, as well as in Belgium, generating a total annual sale that exceeded €20 million in 2008. In contrast to the others cases, the language barrier seems to play an important role – the firm conducts 95 percent of its business solely in German (other languages used are English, Italian and French).

The uniqueness and the technological differentiation that characterise the product earned the company the role of the market leader in its category. Paradoxically, this competitive advantage does not necessarily encourage proactive internationalisation behaviour of the firm, as observed in the other two cases. Here, rather reactive factors can be observed as more strongly linked to the motive of internationalisation. These reactive factors are identified as the stagnation of the home market, constant unsolicited orders from abroad, coincidences leading to the exploitation of foreign market opportunities, the psychological distance such as the proximity to distribution partners and subsidiaries, and the aspect of the German language as important decision factor to internationalise or partner selection. On the other hand, among the proactive factors, the diversification of risk by expanding to neighbouring markets and growth and profit ambitions in the long run have been identified as the main motivational factors to internationalise. Other internal factors that can be considered pull factor have come along in part through the internationalisation experience gained, rather than being a motive for internationalisation in the first place. These factors are: to put out feelers to other foreign markets in order to taste markets; the development of own technological advantage and firm scientific knowledge; the advantages of a proper marketing philosophy, and the entrepreneurial motivation.

Concerning the role of the managing director, it is important to mention the leadership quality developed by him, which can be observed in the successes and results of the faster expansion of the firm. Notwithstanding, considering his role as internationalisation trigger, in this case and in line with a recent study realised by Knight and Liesch (2002), it has been perceived that it has been the foreign demand which has primarily motivated the management team to become experts on various foreign markets concerning their product and the development of their own

marketing tool in order to convey their corporate identity. As the managing director explains: “to travel somewhere with the hope to find a customer makes no sense... When we embark upon a new partner, we first try to take the customer to us. If this is not possible – and this is the general case of most large firms – then I try to study and check the firm as far as possible, in order to find out if there is really a chance of doing business with this firm. Otherwise you’ll travel and travel without seeing results. ... to travel somewhere with the hope to find a customer ... is simply an expensive and complicated history. You can do the same from your desk”.

With regards to the external factors influencing the internal ones, language barriers seem to play an important role in the decisions towards internationalisation. The firm concentrates on finding partners where the German language is essentially powerful. According to the managing director interviewed, “the language topic was or is an important issue. When we look for partners, we find partners that are fluent in the German language, because we are internally monolingual. English is also a possibility, but in the entire area of research and development, we are simply monolingual, [...]. This was also the main reason [to expand to] Austria, Germany, Switzerland and South Tyrol, to put it simply... the language”.

The entry mode strategy adopted by the company, the company mainly concentrated on direct and indirect exporting, responding to every order that arrived at the parent company. Nowadays, and because of their own marketing and sales concept, the firm has adopted only direct exporting to markets that are geographically far away from the home market (for example, South Africa, Australia and New Zealand), and has started to use subsidiaries and distribution partners. Parallel and as a core part of their marketing programme, the firm uses turnkey contracts with the geographically close distributors in order to guarantee the marketing philosophy and corporate identity. The main differences between the beginning and the current situation lay in the facts that these are long term business relationships instead of just sporadic selling (Root, 1987).

In contrast to the first two cases, the internationalisation behaviour followed by this company could be described as the ‘traditional’ path. The reason for this classification lies in the reactive factors that motivated the internationalisation, for example the incremental and domestic expansion first, the determination to focus on ‘psychic’ close markets, the gradual and slow internationalisation in the sense of a small and limited number of markets as well as the single market at a time, etc. (Bell *et al.*, 2003).

Cross-Case Analysis

Although the individual case studies delivered useful insights into the early internationalisation processes, a cross-case analysis provides further insights through a generalisation of the results of the investigated cases (Eisenhardt, 1989). In all

three cases the competitive advantage is mainly based on the differentiation of their product. In a particular manner, it can be observed that cases A and B present inherent advantages in terms of adaptability and flexibility, but also innovativeness and proactiveness all of which have a beneficial effect on the internationalisation process. According to many authors (Chetty and Campell- Hunt, 2004; Bell *et al.*, 2003; Bell *et al.*, 2001), these singularities are reflected in the ability to manufacture 'knowledge-intensive' products/services, on the one hand enabling them to serve a particular niche in international markets offering value-added products and services, and on the other hand to allow profitable small-scale production of complex components. Furthermore, case C manages their products according to the 'state of the art' of the home market with reluctance to adapt it rapidly to others markets or circumstances (Bell *et al.* 2004).

Notwithstanding, an inherent advantage of case C is the attention paid in their experiences gained by marketing their product in order to build a solid marketing philosophy for their partners abroad, which counts as a quite important part of the firm's success. In contrast to C, cases A and B use mainly network channels, unexpected contact from third parties or taking advantage of 'chance' opportunities as primarily actions to market their products.

Based on the factors that motivate the decision to enter a foreign market all cases present the same reactive external factor, namely a small home market because its 'niche' products provide a strong stimulus to internationalise, too. But it is the firm studied in case C where the reactive factors denote a stronger influence in the internationalisation decisions. According to Bell *et al.* (2004), this is a particularity in 'traditional' firms arguing that "'traditional' firms tended to have a domestic focus and overseas activity had often 'evolved' in a reactive manner due to unsolicited inquiries or difficulties in the home market". The main proactive factors observed in case C such as risk diversification or growth and profit ambitions are considered general motivational factors, according to Albaum *et al.* (1995).

In contrast, the proactive factors observed in cases A and B, such as having no definition for foreign market, the desire to be known as an international firm, or the interest to reach economies of scale denote the global vision from the outset of the managing directors. This result also supports the statement of Calof and Beamish (1995), pointing out that "for international success, not only must the product and its ensuing strategy be appropriate, but the attitudes of the firm's executives must also be appropriate".

Concerning the first experiences working with and selecting foreign markets, finding international customers and opting for the appropriate entry mode, it can be observed that in the cases B and C are very similar, whilst case A presents quite different findings, which can be attributed to the influence of relationships in the scientific activity and upon successive clients. An answer to this difference can be found in the convincing argument suggested by Bell *et al.* (2004), pointing out

that “‘knowledge intensive’ firms were more likely to be influenced by relationships with clients and global industry trends, rather than by geographic or ‘psychological’ proximity of overseas markets”.

In brief and considering the fact of first experience with foreign markets, it can be agreed that exporting modes are prevalent as initial market entry strategy due to its low control, low risk and high flexibility (Jones, 1999; Pleitner *et al.*, 1998).

Concerning the internal factors influencing the decision to internationalise, in all cases the professionalism of their employees plays a major part for the growth of the firm in form of technological know-how, knowledge and confidentiality. This has been an unexpected result that has not been primarily considered in the literature review of this research, for this reason it can be affirmed that the professionalism of employees is a core and a relevant intangible factor influencing the internationalisation of an SME.

Another significant observation that differentiates the cases A and B from C, is in the willingness and ability to use foreign language skills as a factor that can be considered “to be a prerequisite of [international] business success” (cf. Knowles *et al.*, 2006).

In terms of experience gained by entry mode and internal factors identified, cases A and C present two main similarities. Both firms recognise firstly the need to build up the internal administrative structure in a faster way, and secondly the need to start earlier with foreign marketing activities. This observation supports the arguments of theories that consider “internationalisation as involving changes in the firm as it increases its commitment to foreign markets” (Fletcher, 2001) and that the decision to internationalise is considered as an innovation for the firm (cf. Andersen, 1993; Freeman, 2002), requiring a gradual increase of their commitment of internal company resources.

With respect to the choice of entry mode: compared with the entry mode adopted at the beginning where firms tend to limit themselves to exporting modes, it can be observed that in all cases firms tend to retain these original distribution modes, but on the one hand they restrict and refine them to a strategic focus, and on the other hand also began to consider other long-term binding alternatives. For example, case B now uses direct exporting as a form to guarantee customer exclusivity, while avoiding indirect exporting to the same market. Similar, case C uses only direct exporting to ensure that their marketing philosophy and corporate identity are correctly used in the regions close to the home market, while using indirect exporting only to markets that are geographically far away and the marketing distribution used there does not risk to damage the marketing philosophy used in the regions close to the home market. In considering new entry modes, all cases established long-term arrangements after having gained some experience in export, such

as exclusive contracts with distributors (case B), turnkey contracts with geographically close partners and distributors in order to guarantee the marketing philosophy and corporate identity of the firm (case C), or introducing the product using market protection licenses (franchise, case A). The tendency in setting up such entry modes strategies' shows, that all cases not only try to consolidate business with their partners on a long-term basis (Bell *et al.*, 2004), but that they also seem to use something like a first-mover strategy, where firms try to become a market leader with strong customer orientation and closer customer relationship (cf. Freeman *et al.*, 2006).

Conclusion and Limitations

The article contributes to the internationalisation literature by providing a holistic picture of the main factors influencing the decision to internationalise within SMEs by investigating the main reasons to enter an international market, the strategic paths SMEs follow and the internal factors, which SMEs have to implement or restructure during this process.

To reach this goal, the first aim was to understand why firms internationalise and which motives or stimuli lead to this decision. Secondly, an examination how these motives influence the internationalisation strategy adopted by each firm in terms of choosing an entry mode and internationalisation pace, and in terms of implementing their managerially controllable factors in order to assist further international growth was needed.

Based on the literature review a conceptual model has been developed that serves as a theoretical starting-point to define the frame of reference for the empirical research on SMEs internationalisation strategies. According to the findings of the cases studied in this research, there are nine main reasons influencing the decisions of SMEs in the question of internationalisation:

The competitive advantages of the firms that are based on the differentiation of their products. This result supports the statement of Bell *et al.* (2004), arguing that “there were close interrelationships identified between product and market strategies in the evolution of firms, regardless of whether they had adopted a domestic or international focus”. *Proactive factors exceed reactive factors.* All cases present the same reactive external factor, namely a small home market because its ‘niche’ products provide a strong stimulus to internationalise. The main common proactive factors are risk diversification, growth and profit ambitions, and especially the global vision of the managing directors expressed in the view that there is no foreign market, the desire to be known as an international firm and the need to reach economies of scale. This result supports the statements of Calof and Beamish (1995), pointing out that “for international success, not only must the product and its ensuing strategy be appropriate, but the attitudes of the firm's executives must

also be appropriate”. *Exporting modes (direct and indirect) are prevalent as initial market entry strategy*. This result supports the argument of many authors arguing the low control, low risk and high flexibility of this entry mode (Jones, 1999; Pleitner *et al.*, 1998; Root, 1987). *Human resources as well as foreign language skills are core intangible factors that influencing the internationalisation of an SME*. This result supports the argument of Knowles *et al.* (2006), who argue that the willingness and ability to use foreign language skills is a factor that can be considered “to be a prerequisite of [international] business success”. In the context of *external factors* influencing the firm’s internal ones, there is one factor in common. This refers to the services offered by change agents. Essential to a better understanding of external factors is ability of the firm manager to find and take advantage of such external factors. In the context of important *internal factors* that have been identified to influence the post-internationalisation decisions of the firm, two main factors must be pointed out: firstly the need to build up the internal administrative structure in a faster way, and secondly the need to start earlier with foreign marketing activities. This observation confirms the arguments of theories that consider “internationalisation as involving changes in the firm as it increases its commitment to foreign markets” (Fletcher, 2001) and that the decision to internationalise is considered an innovation for the firm (Andersen, 1993; Freeman, 2002), requiring a gradual increasing of their commitment of internal resources. With regard to the *choice of entry mode*, firms tend to limit themselves to exporting modes at the beginning and usually retain these original distribution modes later (this could be observed in all cases). However, they later start to restrict and refine them to a strategic focus (direct export as a form to guarantee customer exclusivity) and also begin to consider other long run binding alternatives (long-term arrangements, turnkey contracts, licenses). Managers who show a clearly *proactive attitude* towards internationalisation characterise the ‘born global’ path adopted in the internationalisation of the firm, while managers who show a clear reactive attitude towards internationalisation characterise the ‘traditional’ path adopted in the internationalisation of the firm. This observation is consistent with the arguments presented by Bell *et al.* (2004) as well as Freeman and Cavusgil (2007). Finally, within the cases studied, there are many instances that denote how managing directors’ *prior international experience has positively influenced the internationalisation* of the firm. This result supports the arguments of Chetty and Campbell-Hunt (2004) and Bell *et al.* (2004).

These outcomes reveal that internationalisation of SMEs is a process influenced by changes in the business environment as well as by the personal decisions of the humans who lead the firm. For this reason it can be stated that for the development of strategies and concepts for the internationalisation of an SME, it is essential that managers understand the changes in the business environment and the influence this will have on their firm. Even more importantly, they have to consider which internal factors have to be improved prior to internationalisation, in order to

facilitate a rapid and dedicated entrance into international markets. It is important to mention that in moving forward in the development of this research, we have limited our focus concerning the internationalisation strategies to two main dimensions: first the internationalisation path and second the choice of entry modes adopted on the basis of internal factors influencing internationalisation. The results of this study therefore need to be interpreted with caution due to the fact that only a limited amount of factors were taken into account. Another limitation is that this study is based on cases and can therefore only make theoretical and not statistical.

Notwithstanding, these results present a clear opportunity for developing further studies, due to the fact that they provide a critical base for the formulation of a hypothesis and further research questions.

Generally, it can be agreed that the 'born global' phenomenon not only tries to explain early or rapid internationalisation of SMEs, but can also be seen as a hybrid combination of preceding theories – which “suggests that the internationalisation literature is moving towards a unifying theoretical framework” – and emphasises the role of the entrepreneur (at both the individual and firm level) as a participant and manager responsible for the decisions and actions pertaining to the start-up, growth and development of the firm when adopting the internationalisation process. Finally, the outcome of this investigation should give practical mentoring to SMEs in similar situations in understanding the basic strategy of an international expansion and, from an academic point of view, to be a source of inspiration for further research.

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Appendix I. Firm characteristics and basic profiles of the three cases.

<i>Characteristics of the firm</i>	Medical biotechnology engineering firm (case A)	Manufacturer of single-use medical devices (case B)	Manufacturer of infrared cabins (case C)
<i>Year of establishment /first export</i>	2004 / 2004	1983 / 1984 In same year MBO	1995 / 1996
<i>Current export ratio in percent</i>	90 percent	98 percent	50 percent
<i>Top export markets</i>	Europe, USA, Japan.	Greece, India, Russia and more than 80 other countries.	Germany, Switzerland, Italy, Belgium, England.
<i>Use of foreign languages in percent</i>	100 percent English.	90 percent English, 10 percent German, Italian, Spanish, Portuguese and French	95 percent German, 5 percent English, Italian and French.
<i>Austrian legal form</i>	Private Limited Company (GmbH)	Private Limited Company (GmbH)	Private Limited Company (GmbH)
<i>Branch</i>	Industry in Health and Technology	Industry in Health and Technology	Industry in Health and Technology
<i>No. of subsidiaries abroad / place</i>	Only the one parent company in Austria.	Only the one parent company in Austria.	A parent company in Austria and four subsidiaries (Germany, Switzerland, Northern Italy and Belgium)
<i>No. of employees</i>	2004: 3 / 2009: 13	1983: 7 / 2009: 22	1995: 1 / 2009: 140
<i>Total annual sales in €</i>	----	About € 4 million	€ 20 million

Table 2: Firm characteristics and basic profiles of the three cases (Source: Author illustration)

Medical biotechnology engineering firm (case A)	Manufacturer of single-use medical devices (case B)	Manufacturer of infrared cabins (case C)
<p>Proactive: highly innovative and unique product, firm internal expansion to specific research departments (medicine, biology, etc.), disposition of local experts and highly professional employees, high specialisation degree required to use the devices, desire to be known as an international firm.</p> <p>Reactive: small home market.</p>	<p>Proactive: technological advantage, the policy of holding profit level instead of risking by growth, need to reach economies of scale, overseas direct inquiries of large quantities by groups of hospitals.</p> <p>Reactive: no home market, high competition in the European market.</p>	<p>Proactive: Risk diversification by expanding to neighbouring markets (by using many products, too), growth and profit ambitions in the long run, foreign market opportunities, own technology advantage and knowledge development, own marketing philosophy as an important advantage, entrepreneurial motivation.</p> <p>Reactive: stagnant home market, unsolicited orders from abroad, coincidences leading to the exploitation of foreign market opportunities.</p>
<p>New manager with physics studies in background and working experience in a multinational at the industry sector.</p>	<p>Management Buyout (MBO). The perception and experience of the Managing Director. Government agencies.</p>	<p>Entrepreneurial motivation. Demand for the products in other international markets.</p>
<p>- born global (knowledge intensive).</p>	<p>- From born-again global to born global (knowledge intensive).</p>	<p>- Traditional (with increased commitment to born-again global).</p>
<p>- Direct export to selected clients. - Distributors.</p>	<p>- Indirect export. - Direct export to selected clients (exclusivity). - Distributors.</p>	<p>- Direct export to selected partners. - Subsidiaries and agents. - Turn-key contracts with geographically close distributors in order to guarantee the marketing philosophy and corporate identity (Belgium, Italy, etc.).</p>

<i>Characteristics of the firm</i>	<i>Factors motivating internationalisation</i>	<i>Internationalisation trigger</i>	<i>Internationalisation path</i>	<i>Entry mode adopted</i>
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Table 2: Continued

Appendix II. Thematic analysis Matrix: Firm characteristics of cases A, B and C.

Medical biotechnology engineering firm (case A)	Manufacturer of single-use medical devices (case B)	Manufacturer of infrared cabins (case C)
<p>Provide expert solutions for trace gas analysis with analytical instruments developed by the company. Concrete: to develop solutions with these instruments for the measurement of organic molecules in very low concentration in the air: i.e. measuring the exhaled breath of a person help to determine where this person has lung cancer or not.</p> <ul style="list-style-type: none"> - Started as a research company which turned into a product company. - Main goal is to grow. - Highly competitive advantage because their devices are the best on the market playing in a totally new ground. - Strong network in the scientific and medical research area, which ensures a rapid 	<p>Provide hospitals with single-use medical devices, particularly electrodes for electrocardiograms (ecg) and disposable diathermy plates for electro-surgery. The product is used to help to establish electrical contact with the human skin. The firm specialises in the development of electrodes providing customised solutions for special surgery cases.</p> <ul style="list-style-type: none"> - Competitive advantage based on product differentiation and quality. - Quality as a matter of cause in the existence of their products. - High technology helps to maintain price-quality relation. - to hold the profit level is more important than growth. 	<p>Deal with the development, production and distribution of a product contributing to the health care sector – in this specific case with special low temperature therapeutic infrared technology. The company invented a kind of infrared cabins and was the first in Europe to produce them in series.</p> <ul style="list-style-type: none"> - Competitive advantage based on product differentiation and quality. - Main goal is to grow. - To concentrate on the experiences gained in local market, in order to build a solid marketing philosophy for partners. - Working only on a strong partnership base.
<ul style="list-style-type: none"> - Unique in their type having specialised personnel at trace gas analysis. - Innovative and highly adaptable to the demands of the markets. - Highly technical oriented company with physicists, chemists, mathematicians and computer specialists. - A very young and dynamic team covering all these areas. - Integrated support of science and research 	<ul style="list-style-type: none"> - Reliable quality over many years. - All quality certificates are necessary to guarantee good international business. - ISO Quality Standards for management and quality assurance. - Japanese ‘PAL’ certification. - Able to offer customised solutions. - Know-how and highly oriented specialists. - Own patents. - Family business. - Scientific research is an important part of the firm. 	<ul style="list-style-type: none"> - Unique in their type with core competence in infrared technology. - Own scientific research and product development group consisting of physicists and medical practitioners. - Own patents. - Own marketing, production and sales concepts as important differentiation from the competitors. - Young team specialised in infrared technology (for the firm they are the basis of knowledge and ideas development).

<i>Characteristics of the firm</i>
<i>Business idea and information [Q 1.1]</i>
<i>Survival, objective and competences that characterise the firm [Q 1.2; 1.4]</i>

Table 3: Firm characteristics of cases A, B and C

Medical biotechnology engineering firm (case A)	Manufacturer of single-use medical devices (case B)	Manufacturer of infrared cabins (case C)
<p>Proactive factors:</p> <ul style="list-style-type: none"> - the highly technical product. - there's no definition of foreign market, the world is their market. - Firm internal expansion to specific research departments (medicine, biology, etc.). - High specialisation degree required to use the devices. - Desire to be known as an international firm. <p>Reactive factors:</p> <ul style="list-style-type: none"> - Austria alone is too small. 	<p>Proactive factors:</p> <ul style="list-style-type: none"> - Technology advantage. - The interest to reach economies of scales. - Overseas direct inquiries of large quantities by groups of hospitals. - Management buyout (MBO). <p>Reactive factors:</p> <ul style="list-style-type: none"> - No home market, too small. - High competition in the European market. - Unsolicited orders from abroad. 	<p>Proactive factors:</p> <ul style="list-style-type: none"> - Risk diversification by expanding to neighbours' markets (by using many products, too). - Growth and profit ambitions in the long run. - Foreign market opportunities. - Own technology advantage and knowledge development. - Own marketing philosophy as an important advantage. - Entrepreneurial motivation. <p>Reactive factors:</p> <ul style="list-style-type: none"> - Stagnant home market. - Unsolicited orders from abroad, which lead to the exploitation of foreign market opportunities by pure coincidence (South Africa, New Zealand, etc.). - Proximity to customers (Germany, Northern Italy and Switzerland).
<p>Through research activities.</p> <ul style="list-style-type: none"> - Publications, exhibitions and scientific conferences. - Suppliers network. - Word of mouth through the scientific and medical community. - Advertisings in scientific media. <p>- Direct contact to colleges having similar research projects in Europe (indirect export).</p>	<p>- Network of suppliers.</p> <ul style="list-style-type: none"> - Sending exemplary and leaflet material through the Austrian trade delegates' network. - International fair in Düsseldorf just as a first meeting point. - Unexpected contact from third <p>- Direct and indirect exporting.</p>	<p>- Suppliers network.</p> <ul style="list-style-type: none"> - Coincidences and unsolicited orders (based on the short run). - Participating in international fairs. - Using the facilities of the Austrian trade delegates' network. <p>- Direct and indirect exporting.</p>

<i>Characteristics of the firm</i>	<i>Factors that motivate the decision to enter in a foreign market [Q 1.6; 2.3]</i>
<i>first experience working with foreign markets and finding customers in the international market [Q 2.1]</i>	<i>First entry mode [Q 2.2]</i>

Table 3: Continued

Manufacturer of single-use medical devices (case B)	Manufacturer of infrared cabins (case C)
<ul style="list-style-type: none"> - Germany, because of contacts through material supplier and the cultural similarities with the home market. - Israel, because of an unsolicited order. - The product itself and the necessity to sell in large masses. - The technology developed for serial production. - The professionalism and confidentiality of employees. - The facilities gained through international quality certifications. - The policy of holding profit level instead of risking by growth. 	<ul style="list-style-type: none"> - First Germany, then Switzerland and Northern Italy, because these countries have the facilities with the language, the basics to conform to the usual practice in the sales system, as well as to the customers who take the characteristics of the product into high consideration. - The characteristics of the product. It is targeted to a selected group of people. - The highly research oriented company. - The professionalism of their employees. - The vision and philosophy of the company. - (-) the reluctance to adapt rapidly to other markets or circumstances.
<ul style="list-style-type: none"> - The current financial crisis. - (-) The measures adopted by financial and insurance service organisations such as the Oesterreichische Kontrollbank Aktiengesellschaft (OeKB) during the crisis period. - The services offered by the chamber of commerce. - The experience gained in international fairs and trade with foreign customers. - Customer feedback has helped us to improve our products. 	<ul style="list-style-type: none"> - Language barriers, the firm concentrates to find partners who speak German.

<p><i>Characteristics of the firm</i></p>	<p>Medical biotechnology engineering firm (case A)</p>
<p><i>first country, reason [Q 2.2.2]</i></p>	<p>Europe, because the product is a highly technological one and an academic level is required, and because the research started in coordination with many projects in Europe. Later also overseas.</p>
<p><i>Internal factors influencing the decision [Q 2.3]</i></p>	<ul style="list-style-type: none"> - The nature of the product, highly technological devices. - The highly research oriented company. - The disposition of local experts and highly professional employees. - The need of other researchers who research along with the product. - English as the company language. This is one of the reasons why customers come to them, too.
<p><i>External factors influencing the internal factors [Q 2.3.1]</i></p>	<ul style="list-style-type: none"> - Small home market. - Foreign market opportunities. - The real purchasing power of first world countries. - High educational level of first world countries (needed to understand the product – outside experts). - Austria as a place with good infrastructure, research capabilities that lead to an idea that is saleable (smart people). - Good guidance of business start-up centres and institutes (spin-off from the university). - Scientific research community using the device around the world.

Table 3: Continued

<p>Manufacturer of infrared cabins (case C)</p>	<ul style="list-style-type: none"> - To build up the internal administrative structure in a faster way. - To start earlier to put out feelers to other countries, in order to diversify risk and get more feedback about the internal growth of the firm.
<ul style="list-style-type: none"> - Indirect exporting only to markets that are geographically far away from the home market (South Africa, Australia and New Zealand). - Subsidiaries and distribution partners. - Turnkey contracts with geographically close partners in order to guarantee the marketing philosophy and corporate identity (Belgium, Italy, etc.). - Business is exclusively based on the long run (the firm concentrates more in finding the right partners, instead of just selling). - Using strategies that have specially been developed for the marketing of their product. 	<ul style="list-style-type: none"> - Concentrate on finding local partners that identify themselves with the vision of the company. - A highly professional appearance is essential for a long-term partnership. - Try to motivate the partners to come to Austria instead of going to them (going to somewhere to find partners can be too expansive and labour-intensive for the enterprise).

<i>Characteristics of the firm</i>	Medical biotechnology engineering firm (case A)	Manufacturer of single-use medical devices (case B)
<i>Current important factors needed at the beginning [Q. 3.1]</i>	<ul style="list-style-type: none"> - More internal administrative structure as a company, not just research. - Stronger marketing activities in the beginning. 	<ul style="list-style-type: none"> - More personal knowledge regarding technical background. - Good international legal adviser.
<i>Entry mode currently used and finding new customers in the international market (experience) [Q. 3.2]</i>	<ul style="list-style-type: none"> - Using more distributors looking for potential customers, because they have a better understanding of the local market and local research companies. - Direct contact to selected clients through scientific conferences. - Looking forward to introducing the product using market protection licenses (franchise). 	<ul style="list-style-type: none"> - Direct supply to customers in order to ensure exclusivity. - Contracts with distributors ensuring exclusive distribution rights (depending on the country, because it is not always good for the image of the firm). - Going directly to exhibitions in the new market. - Contacting the customer personally is the best way to establish a business relationship. - Do not underestimate any country; especially countries that have been underestimated by other companies will strongly appreciate your attention.
<i>How to enter a foreign market (advice) [Q. 3.3]</i>	<ul style="list-style-type: none"> - contacting directly the local distributors, because they have the information and a better overlook of the local market and where such a product can be used. 	<ul style="list-style-type: none"> - Going to the country itself to the most important professional exhibitions. - The personal relationship in their local place is the most important factor. - Taking language lessons for ‘small talk’.

Table 3: Continued

Appendix III. Thematic analysis Matrix: Manager characteristics of cases A, B and C.

Medical biotechnology engineering firm (case A)	Manufacturer of single-use medical devices (case B)	Manufacturer of infrared cabins (case C)
<ul style="list-style-type: none"> - PhD physicist (solid-state and laser). - Assistant professor in Munich. - Research at Siemens in the telecommunications field, then Assistant design authority. - Managing Director at the current company. - Ability to organise. - Ability to take decisions. 	<ul style="list-style-type: none"> - Commercial School. - University Degree in Interpretation. - Two years of university courses for general management. - former Assistant of Marketing Director at Swarovski. - Owner and Managing Director. - Ability to manage and solve daily problems. - Ability to deal with customers. - Ability to take decisions under stress. 	<ul style="list-style-type: none"> - Engineer with university degree. - Former experience working as warehouse manager. - Managing director.
<ul style="list-style-type: none"> - Ability to take decisions - Talent for organisation and the leading of teams - Very communicative 	<ul style="list-style-type: none"> - Ability to keep the bank account and the incoming order where they are (ability to solve daily problems concerning customer care). - Good English level and willingness to learn soft communication skills in other languages. 	<ul style="list-style-type: none"> - Leadership and social skills. - Ability to manage many different areas and solve the various problems of a company. - Ability to develop new sales and product ideas, as well as to understand customers' expectations. - Trouble-shooter in the firm. - Ability to work in the research and development of the product
<ul style="list-style-type: none"> - Ability to take decisions - Talent for organisation and the leading of teams - Very communicative 	<ul style="list-style-type: none"> - Ability to keep the bank account and the incoming order where they are (ability to solve daily problems concerning customer care). - Good English level and willingness to learn soft communication skills in other languages. 	<ul style="list-style-type: none"> - Ability to act as a connecting link between the department division heads. - Ability to act as an integrative leadership force. - Ability to perceive knowledge from the employees of the firm. - To demonstrate a consistent ability to develop on their work.
<ul style="list-style-type: none"> - The ability to identify key individuals in the scientific research community that can serve as a bridge to introduce the product into new markets (contacts). 	<ul style="list-style-type: none"> - The experience of living in foreign countries helped to understand the foreign culture and to identify the differences that exist between the cultures. Especially in the way of doing business. 	<ul style="list-style-type: none"> - The manager has practically grown with the company and vice versa, for this reason the influences are based mainly on the good /bad experiences during the firm expansion. - Ability to act and not to react. - Ability to find a life-work-balance.

<i>Characteristics of the manager</i>	<i>Personal background [Q 1.3]</i>	<i>Management competencies [Q 1.5]</i>	<i>Expected competences for substitute [Q 1.7]</i>	<i>Personal experience influencing the decision to enter into foreign markets [Q 2.4]</i>
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Table 4: Manager characteristics of cases A, B and C.

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