

NHH



**LOUVAIN**  
School of Management

**NHH - Norges Handelshøyskole and The Université catholique de  
Louvain – Louvain School of Management**

Bergen/Louvain-la-Neuve, Fall 2015

# **THE INTERNATIONALISATION PATTERNS OF SMALL AND MEDIUM-SIZED ENTERPRISES AND THEIR DETERMINANTS**

**Thesis Advisors:**            **Kirsten FOSS (NHH)**  
   **Didier REYNDERS (LSM)**

**Author name:**                **Eloïse DE BONT**

This thesis was written as a part of the Double Degree programme between NHH MSc in Economics and Business Administration, Major International Business, and UCL Master in Business Engineering. Neither the institutions, the supervisor(s), nor the censors are - through the approval of this thesis - responsible for neither the theories and methods used, nor results and conclusions drawn in this work.



# The Internationalisation Patterns of Small and Medium-Sized Enterprises and their Determinants

**Eloïse De Bont**

NHH, Norges Handelshøyskole, Norway  
Université Catholique de Louvain, Louvain School of Management, Belgium



The main lesson I can draw from this master's thesis project is that what matters is not always the final outcome but rather the progress made to achieve it. The achievement of this paper has been possible thanks to all those who have helped me when I was not strong enough to progress on my own.

I want to thank my thesis supervisors, Kirsten Foss and Didier Reynders, for their flexibility and their sound advices. I also wish to express my gratitude to Nicolas Ledent for his availability and his dedication to my project.

Thank you to Michel Rockmans, Michel Hemberg, Laurent Grumiaux and David Sergeant for their time and information. I know that this is not always possible and easy to give time to students, especially with your busy entrepreneurial diaries.

I would like to thank Leslie Nieslen who, despite our distant family lie, has accepted to give precious time to this paper. I hope we will have the opportunity to meet each other soon.

Thank you to my friends, my family and my boyfriend, Thibaut, who have been my lifeline this year. For your open-mindedness, your comprehension and your detachment, thanks. Thibaut, you have been my light in dark moments.

**Eloïse De Bont**

NHH, Norges Handelshøyskole, Norway  
Université Catholique de Louvain, Louvain School of Management, Belgium

IV.

## Table of content

---

Part I: Introduction .....	1
Chapter 1: Context.....	1
Chapter 2: Challenges of this study .....	1
Chapter 3: Research questions .....	2
Chapter 4: Outline .....	2
Part II: Literature review .....	5
Chapter 1: Definitions.....	5
Chapter 2: Identification of the internationalisation patterns.....	6
A. The traditional internationalisation pattern .....	6
B. Born global model .....	10
C. Born again global model.....	13
D. Conclusion .....	15
Chapter 3: The determinants of SMEs internationalisation patterns .....	16
A. Managers' characteristics and mind-set .....	17
B. International growth orientation .....	20
C. Intelligence generation.....	22
D. Marketing capabilities .....	23
E. Financial resources and capabilities .....	25
F. Knowledge .....	26
G. Communication capabilities .....	28
H. Network .....	29
I. Firm strategy and environment.....	31
J. Conclusion .....	32

VI.

Part III: Practical part.....	35
Chapter 1: Research methodology .....	35
A. Research purpose .....	36
B. Research approach .....	36
C. Research strategy .....	37
D. Data collection method .....	38
E. Sample selection.....	40
F. Interview questionnaire design .....	41
Chapter 2: SMEs analysis .....	42
A. EUREMI .....	43
Presentation .....	43
Identification of the internationalisation pattern.....	44
Evaluation of the determinants .....	45
B. Fishing Cactus .....	49
Presentation .....	49
Identification of the internationalisation pattern.....	50
Evaluation of the determinants .....	51
C. Lisam.....	55
Presentation .....	55
Identification of the internationalisation pattern.....	56
Evaluation of the determinants .....	57
D. Ipratech.....	61
Presentation .....	61
Identification of the internationalisation pattern.....	62
Evaluation of the determinants .....	63
E. Conclusion .....	66

Part IV: The managerial implications .....	71
Part V: Conclusion .....	73
Chapter 1: Summary .....	73
Chapter 2: Limitations .....	74
Bibliography.....	77







# Part I: Introduction

---

## Chapter 1: Context

During the 1990s, most of the studies examining the internationalisation of companies were concentrated on large firms with little attention given to small and medium-sized enterprises (SMEs) as they were considered to be smaller versions of their larger counterparts (Al-Hyari *et al.*, 2012; Coviello and McAuley, 1999). However, at the end of the 1990s emerging evidence indicated that SMEs act differently than large companies and their internationalisation processes have unique characteristics (O’Cass and Weerawardena, 2009). Subsequently, rapid globalisation during the early 21<sup>st</sup> century fostered the internationalisation of all firms, including SMEs. At the same time, the economy of many countries saw an increasing dependence on SMEs in terms of innovation, employment and entrepreneurial spirit (Kotey and Meredith, 1997).

These two trends, i.e. the growing internationalisation of companies and the growing importance of SMEs in the world economy, have raised the interest of the research community towards the internationalisation of SMEs. It is in this context that this master’s thesis has been written.

## Chapter 2: Challenges of this study

In the context of globalized markets, a new internationalisation pattern has emerged called ‘born global’. This refers to SMEs that are international from their inception<sup>1</sup>, and this pattern has gained the attention of the research community. Some questions have been raised such as “how could SMEs, which are usually characterized by limited financial and firm resources, limited experience and managerial knowledge, internationalise faster and sooner than their larger counterparts?” (OECD, 2009) and created an initial conflict. We believe that this question can be answered by looking into what determines and shapes the born global internationalisation pattern of SMEs. We decided to focus on the firm-internal determinants

---

<sup>1</sup> More explanation about the born global SMEs can be found in Part II, chapter 2, section B.

2.

because we have a preference for studying what influences the internationalisation pattern at the firm level. This was the starting point of this master's thesis.

However, after having reviewed many articles on born globals, we found it more interesting and stimulating to study what determines the internationalisation patterns commonly followed by SMEs, namely the traditional, born global and born again global internationalisation patterns. These patterns are distinguishable in terms of precocity, time, scope and scale of internationalisation<sup>2</sup>.

### Chapter 3: Research questions

In order to examine the challenges described above, this master's thesis first focuses on providing an answer to two research questions:

[Q1] *What are the internationalisation patterns followed by SMEs?*

[Q2] *What are the determinants of these internationalisation patterns?*

However, after having clarified these research questions, it was considered necessary to draw lessons from the answers. Thus a third research question came into existence:

[Q3] *What are the managerial implications that can be built from the answers of the two first research questions?*

### Chapter 4: Outline

In order to provide answers to the three research questions cited above, this master's thesis is divided into five parts:

1. Introduction
2. Literature review. This summarises what has already been stated by the research community about the SMEs internationalisation patterns and their determinants. This part will provide theoretical answers to the first two research questions and is organized into three chapters:
  - Definition of concepts that are extensively used in this paper

---

<sup>2</sup> More information in part 2, chapter 2, section D.

- Examination of three internationalisation patterns commonly followed by SMEs
  - Exploration of the attributes of the three internationalisation patterns
3. Analysis of four real SMEs and their internationalisation patterns. The goal is to ensure that what has been stated in the previous part can be reliably applied to these four SMEs. In this part, the research methodology is described and then the four selected SMEs are studied.
  4. Review of the third research question and the managerial implications that can be drawn from the first two research questions
  5. Conclusion. The main points will be summarized and limitations of this study described.



## Part II: Literature review

---

This part includes a review of the literature relevant to the SMEs internationalisation patterns and their determinants. The aim of this theoretical review is to first compile what has been stated by the research community about our master's thesis' field in order to build a complete and common theoretical framework. Additionally we aim to provide a theoretical answer to the two first research questions formulated in the introduction.

To achieve these paired objectives, this part is organized into three chapters. The first one defines some concepts that are going to be extensively used in this paper. The second one examines and explains three internationalisation patterns commonly followed by SMEs. The final one scans and investigates the determinants of these internationalisation patterns.

### Chapter 1: Definitions

This chapter is written in order to put precise words and to agree on the terms that will be used in this master's thesis so that there is no possible confusion or misunderstanding. Therefore, SMEs, internationalisation and internationalisation pattern will be defined.

Small and medium-sized enterprises (SMEs): The definition given by the European Commission is, "the category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro" (Commission Recommendation, 2003).

Internationalisation: According to Welch and Luostarinen (1988, pp.36), internationalisation can be defined as "the process of increasing involvement in international operations" (as cited in Kuivalainen *et al.*, 2010, pp.136).

Internationalisation pattern: This term is viewed as the "firm-level behaviour that crosses national borders and can be evidenced at specific points in time" (Olejnik and Swoboda, 2012, pp.467).

## Chapter 2: Identification of the internationalisation patterns

### A. The traditional internationalisation pattern

The evolution of businesses transforming from small national entities to large multinational organisations has aroused great interest in the research community. There seems to be a consensus among researchers that there are two relevant approaches to explain the traditional internationalisation pattern of SMEs: the innovation model and the Uppsala model. The innovation model is based on the innovation process described by Rogers (1962) in his paper “Diffusion of Innovations” and states that the internationalisation choices are decided in a comparable way to the adoption of innovation (Chetty and Campbell-Hunt, 2004). Although these two models, i.e. the innovation model and the Uppsala model, are usually considered as stage models, this is the Uppsala model that is the most commonly used (Chetty and Campbell-Hunt, 2004). Consequently, this is the one we will examine in this master’s thesis.

The Uppsala model has been used in the context of multinational enterprises (MNEs) and SMEs (Olejnik and Swoboda, 2012, pp.467) and is still relevant to explain the internationalisation process of some firms. It emerged from Johanson and Wiedersheim-Paul’s (1975) analysis of four Swedish international companies. Rather than focusing on the operations of firms once they have already been internationalised, Johanson and Wiedersheim-Paul (1975) selected a longitudinal approach, considering the entire path followed by the four Swedish firms to reach their current international positions. The aim of the Uppsala model is not to demonstrate why firms start exporting, but rather how they make decisions about where to expand their activities and why.

The Uppsala model asserts that firms gradually amplify their operations abroad rather than making large foreign investments at individual time points (Johanson and Vahlne, 1977, pp. 23). This behavioural model presupposes that firms start their development on the domestic markets and that internationalisation is the consequence of incremental decisions rather than bold initiatives (Sullivan and Bauerschmidt, 1990, pp.20). Assuming that lack of knowledge and resources are the main constraints to internationalisation, the model defines internationalisation as an incremental learning process by which firms gradually gain experience and knowledge about foreign markets and so successively commit greater

resources toward those markets (Andersson, 2011, pp.628). After that, the growing necessity to manage sales as well as the growing “exposure to offers and demands to expand operations” encourage the internationalisation process (Johanson and Wiedersheim-Paul, 1975, pp.306).

Due to the lack of knowledge about foreign markets and a firm’s tendency to avoid uncertainty, the Uppsala model states that companies enter markets which are characterized by a successively greater psychic distance (Andersson, 2011, pp.628). This observation traces its explanation in the “liability of foreignness” concept which “originally explained why a foreign investor needed to have a firm-specific advantage to offset this liability (Hymer, 1976; Zaheer, 1995). The larger the psychic distance, the larger is the liability of foreignness” (Johanson and Vahlne, 2009, pp.1412). Psychic distance has been defined as “factors preventing or disturbing the flow of information between firms and markets. Examples of such factors are differences in language, culture, political systems, level of education, level of industrial development, etc.” (Johanson and Wiedersheim-Paul, 1975, pp.308). Although the physic distance is changing over time, this concept is relevant to anticipate the extension of activities to new markets, since changes usually happen slowly (Johanson and Wiedersheim-Paul, 1975, pp.308). Because firms want to enter markets which are culturally similar to their domestic markets, they first focus on markets with a low psychic distance that they can easily understand (Gooderham, Grøgaard and Nordhaug, 2013, pp.10). Thus, firms progressively go into foreign markets with greater psychic distance and progressively learn to manage differences between markets. Thanks to this cumulative experiential knowledge of foreign markets, firms are able to better anticipate contingencies with successively greater psychic distance (Sullivan and Bauerschmidt, 1990, pp.20). Additionally, the cumulative experiential knowledge stimulates the internationalisation process since “the better the knowledge about a market, the more valuable are the resources and the stronger is the commitment to the market” (Johanson and Vahlne, 1977, pp.28).

The Uppsala model predicts where new extensions of activities will take place and also discusses the development of activities within a single market. The model anticipates a progressive extension of operations along the “establishment chain” which consists of four different stages: “no regular export activities; export via independent representative; sales subsidiary and production/manufacturing” (Johanson and Wiedersheim-Paul, 1975, pp.307).

8.

The authors are aware that these steps do not fit with every firm's extension of activities and that even if this approach is logical, different types of stages and different numbers of steps are possible. What is particularly interesting in this approach is that each step demands a different degree of involvement from the firm. For instance, firms start exporting via independent representatives which require fewer resources and commitment as compared to the sales subsidiary (Andersen, 1993, pp.220-221). Step by step companies invest more resources in foreign markets, gain experience and accumulate knowledge which boost the internationalisation process. Johanson and Wiedersheim-Paul (1975) specify that they "do not expect the development always to follow the whole stages [of the establishment chain]. First, several markets are not large enough for the resource demanding stages. Second, we could expect jumps in the establishment chain in firms with extensive experience from other foreign markets" (Johanson and Wiedersheim-Paul, 1975, pp.307).

Although there is empirical evidence of the gradual internationalisation pattern especially for firms coming from traditional large economy (Bell *et al.*, 2003, pp.340-341), the Uppsala model has been largely criticised since the 1980s. The incremental internationalisation process has been categorised as too deterministic and as not giving enough interest to industries, people, circumstances and resource capabilities (Bell, 1995, pp.61; Bell *et al.*, 2003, pp.340). In order to assess these remarks, researchers tested the main hypothesis of the incremental internationalisation process.

By analysing the barriers and incentives to internationalisation among the managers of European forest product firms that were at different levels of internationalisation, Sullivan and Bauerschmidt (1990) established that those do not vary significantly. This is in conflict with the Uppsala model since this model states that the international process is based on the progressive perceived reduction of psychic distance thanks to the accumulative experiential knowledge of foreign markets. As such, the interplay between psychic distance and choice of new markets is not approved. This result is confirmed by Benito and Gripsrud (1992) who demonstrated that the location choices of foreign direct investments are not initially made in markets that are culturally close to the home country and do not expand to markets with greater psychic distance. Additionally the Uppsala model states that entering psychically close markets during the first phase should increase the chance of success since firms can easier understand the markets. Nevertheless O'Grady and Lane (1996) reject this statement,

pointing out that the appearance of psychic proximity can prevent managers from being aware of the critical differences between the home and foreign markets.

Many studies about the validity of the establishment have been conducted and the expansion of activities within a market along the establishment chain has been supported in several studies (Buckley *et al.*, 1979; Luostarinen, 1979 as cited in Andersen, 1993). However other researchers (Ayal and Raben, 1987; Turnbull, 1987 as cited in Andersen, 1993) have claimed that this systematic fashion is too simplistic because, according to Rosson and Reid (1987) as well as Young *et al.* (1989) (as cited in Andersen, 1993), many other factors such as “the foreign market opportunity, the firm’s resources, the type of product and the product life cycles” (cited in Andersen, 1993) also come into consideration. Therefore the sequential development of firms in a specific market cannot be guaranteed.

However the incremental internationalisation process cannot be rejected and different explanations can be given to these results. Firstly the model has a significant Nordic influence since Johanson and Wiedersheim-Paul (1975) as well as Johanson and Vahlne (1977) have both utilised Scandinavian companies to develop the Uppsala model. From a methodological point of view, Ford and Leonidou (1991) note that limited criteria were used (cited in Ageron and Huault, 2002, pp.45). The internationalisation process being dynamic, the utilisation of static parameters has been found by others to be regrettable (Dalli, 1994, cited in Ageron and Huault, 2002, pp.45). By the same token Moon and Lee (1990, cited in Ageron and Huault, 2002, pp.45) have noted the lack of a bump test. Therefore, building a global theory on a regional sample and the noted methodological shortcomings could explain some findings above.

More important are the changes in business environment between the posting date of the Uppsala model and the arrival of criticisms, which over time have led to a declining validity of the Uppsala model. The technological progresses in areas such as in transportation and communication as well as a transformation in politics, markets and economy have clearly influenced the structure and process of internationalisation and could compel reconsidering the Uppsala model without rejecting it (Sullivan and Bauerschmidt, 1990, pp.28; Johanson and Vahlne, 2009, pp.1411-1412).

10.

## B. Born global model

Since the 1990s a new phenomenon that can be partially explained by the intensification of globalisation and the growing interconnectedness of the world (Weerawardena *et al.*, 2007, pp.294) has come up in the research community. Increasing numbers of SMEs undertake international business from inception or soon thereafter. Many terms such as 'born globals', 'international new ventures', 'early internationalising firms' and 'global start-ups' have been used to refer to this type of firm. Following scholars such as Olejnik and Swoboda (2012) or Knight and Cavusgil (1996), we will define a born global 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 and McDougall, 1994, pp.49). Therefore the main feature of these entrepreneurial firms is the rapid internationalisation; the emphasis is put on the lifetime of firms when they internationalise and not on their size. In this respect Knight and Cavusgil (2004) have hold that born globals diversify their markets abroad within three years of their founding and attain within that time a foreign sales ratio of at least 25 per cent. However Kuivalainen *et al.* (2010) have shown that classifying firms based on their foreign sales ratio is not relevant since it may include companies that adopt different internationalisation strategies with regard to the markets entered and the degree of internationalisation (as cited in Olejnik and Swoboda, 2012, pp.468).

Before the 80s firms that were characterized by instant internationalisation were considered as exceptional and did not draw special attention (Rialp *et al.*, 2005b, pp.136). However in the early 1990s, a succession of studies (Coviello and Munro, 1992; Rennie, 1993; Burill and Almasse, 1993, etc. cited in Moen and Servais, 2002; Oviatt and McDougall, 1994) forced the research community to regard born globals as an important and growing phenomenon that deserved more care (Knight and Cavusgil, 2004, pp.125). Thanks to these early studies, the existence of born globals in different sectors and in different countries has proved that this phenomenon was not isolated (Oviatt and McDougall, 1994, pp.45-47). Indeed in an Australian study, McKinsey and Co. (1993) found that many companies perceive the world as one single marketplace and Ganitsky (1989) analysed 18 Israeli exporters who acted on the international stage from their birth (cited in Madsen and Servais, 1997, pp.562). While born global firms first appeared in small and saturated markets, this is now a global phenomenon that takes

place in the most usual trading countries (Nikkei Sayoo Shimbun, 1995; OECD, 1997; Simon, 1996 as cited in Knight and Cavusgil, 2004).

Reviewing the literature of the past twenty years one understands that born globals are a growing phenomenon that have aroused the interest of many researchers who have published several conceptual frameworks on that field. Oviatt and McDougall (1994) have determined “four necessary and sufficient elements for the existence of international new ventures: (1) organizational formation through internalization of some transactions, (2) strong reliance on alternative governance structures to access resources, (3) establishment of foreign location advantages, and (4) control over unique resources”. Additionally, these four elements can be shaped depending on four types of born globals, namely export/import start-ups, multinational traders, geographically-focused start-ups, and global start-ups. These elements are highlighted based on the number of countries involved and the number of value chain activities that are coordinated. Subsequently Madsen and Servais (1997) have created a research model of born globals by arguing that the propensity and further development of such firms are likely affected by the characteristic of its founder, those of the organisation and those of the environment.

From the 1990s scholars have focused on the characteristics of the born global firms. According to Rennie (1993) the mainstream born global firms are customer-oriented and not product-oriented to the extent that this is essential for them to be close of customers. Moreover these firms are capable of changing rapidly to adapt their products to the evolving wants and needs of the public. “Typically, they compete in niche markets, are very flexible and move fast” (Rennie, 1993, pp.50). However in the early 2000s the research community continued to note the lack of theoretical framework explaining this phenomenon. Consequently, groups such as Sharma and Blomstermo (2003) have proposed a model based on knowledge and network to answer this need. They argue that although networks play a decisive role in internationalisation by providing knowledge and clients on foreign markets, born globals keep weak ties that supply flexibility (Sharma and Blomstermo, 2003). “Adaptation is made possible, as born globals are not bound by specific knowledge and successful decision experiences in the past” (Sharma and Blomstermo, 2003, pp.748). However Sharma and Blomstermo (2003) were not the first to underline the central role of knowledge in the development of born globals. Indeed McKinsey and Co. (1993) (as cited in

12.

Bell *et al.*, 2001, pp.174) posit that born globals are smaller entrepreneurial firms that derive their competitive advantage from a more sophisticated knowledge base that empowers them to propose value-added products and services.

Many changes in the external environment have helped the development of born globals. First, globalisation has homogenized the consumers' tastes around the world and has reduced the trade barriers (Knight and Cavusgil, 2004, pp.125). Second, the technological advances in transportation, telecommunication and production have significantly cut the trade costs down. Moreover low-cost communication and transportation have enabled SMEs to take advantage of foreign business opportunities, so that this is no longer reserved to only large corporations (Oviatt and McDougall, 1994). Also, thanks to internet, day-to-day business can now be conducted from everywhere in the world and access to data on international markets is facilitated (Madsen and Servais, 1997, pp.566). Third, new market conditions have fostered the growth of born globals and the existence of niche markets. Firms have become more and more specialised, producing very particular components that must be sold on international markets since the demand on the domestic markets is too small to be viable (Madsen and Servais, 1997, pp.565). Finally an increasing number of people now benefit from an international experience during their training program or life path and so gain international experience. This exchange develops their language skills, their capacity to understand cultural differences and consequently their capacity to operate in/with foreign countries rapidly (Oviatt and McDougall, 1994; Madsen and Servais, 1997). All these features are driving forces of the born global phenomenon and have made the rapid internationalisation easier, more profitable and sometimes vital for firms.

Born globals clearly deviate from the stage internationalisation pattern that was usually observed in the past and casts doubt on the Uppsala internationalisation model by adopting an untimely radical internationalisation strategy (Olejnik and Swoboda, 2012, pp.468) rather than an incremental and gradual pattern (Moen and Servais, 2002, pp.52-53). There is no doubt that born globals demonstrate the limited validity of the stage models, mainly because these firms perceive the international markets with less uncertainty thanks to e.g. the prior international experience of the founder or other employees (Madsen and Servais, 1997). In this way, McDougall, Shane and Oviatt (1994 cited in Moen and Servais 2002) have judged that the Uppsala model was irrelevant to explain why such firms internationalise rather than

staying in their domestic markets and so has called for systematic research. Consequently, two relevant patterns can be used to explain SMEs internationalisation but these are opposed to each other. The first type of internationalisation is slow and gradual. This is explained by the Uppsala theory. The second type of internationalisation is early and accelerated. This is described by the born global theory (Rialp *et al.*, 2005b, pp.135).

### C. Born again global model

As proved by the first two sections, the internationalisation of SMEs cannot be modelled by a unique pattern. Over the years, knowledge about the internationalisation of SMEs has been extensive and a debate about which model better copes with the reality has emerged. What further complicates the discussion is that in the early 2000s evidence of another pattern called 'born again global' or 'reborn global' has surfaced. A study by Bell *et al.* (2001) describes born again globals as firms that, after a long period of focusing only on their domestic markets, suddenly do a strategic shift and internationalise rapidly. Whereas these firms do not show special interest in foreign operations a particular 'episode' or a set of particular episodes bring them to embark on a rapid international expansion (Olejnik and Swoboda, 2012, pp.468; Bell *et al.*, 2001, pp.177). This expansion takes place within two to five years of their first international operations (Bell *et al.*, 2001, pp.179). The study realised by Bell *et al.* (2001) is one of the first in the born again global field. Based on several investigations on small United-Kingdom (UK) firms, it mainly focuses on the analysis of the events or incidents that trigger the rapid internationalisation of SMEs. Such events usually cause an impressive transformation in strategic focus partially because it brings additional resources that stimulate the firms to consider venturing abroad. According to Bell *et al.* (2001) the most common incident is a change in ownership and/or management that can take different forms such as a management buyout, a takeover or a purchase by an administrator. As argued by Bell *et al.* (2003, pp.345) the change in ownership and/or management is associated with "new decision-makers with greater international orientation" as well as with extra financial injections and access to networks in overseas markets. Consequently, firms accumulate elements that enable them to set about rapid internationalisation. Another less common episode is when an existing domestic customer decides to enter worldwide markets and the firm chooses to follow him (Bell *et al.*, 2001, pp.183). By the same token it happens that a customer engaging in business in foreign markets enters the home markets, bringing crucial international

14.

information along with him (Bell *et al.*, 2001, pp.183). The last group of events is not literally episodic but it brings advances in communication technologies together. The growing use of information communication technologies (ICT) “can facilitate these ‘born-again’ firms to embark on an ‘epoch’ of internationalization” (Bell *et al.*, 2003, pp.345). Among the episodes cited above some are caused by firms themselves in order to deliberately pursue international market entry. Bell *et al.* (2001, pp.185) have identified SMEs that, due to constraints on resources, cannot exploit foreign opportunities and are unable to adopt a strategy that will make them attractive for purchase in the eyes of large companies. Those SMEs that are able to access the needed resources and distribution networks can embrace an internationalisation apace.

As argued by Falize and Coeurderoy (2012), reborn global firms typically demonstrate that they have strong innovative characteristics which enable them to quickly adapt to a changing environment. Networks also are an essential element to the rapid and sudden internationalisation of born again globals since they facilitate access to prior knowledge and consequently increase the propensity to go abroad (Falize and Coeurderoy, 2012, pp.21).

Scholars and researchers have never reached an agreement about whether born again globals follow a distinct SMEs internationalisation pattern. Bell *et al.* (2001) have stated that “born again global is not an organizational form *per se*” (pp.186) and that it should be eyed as a strategy to boost firm value. Gabrielsson *et al.* (2008) (as cited in Schueffel *et al.*, 2014, pp.422) have also supported this position by assessing born again global firms as one of the four subclasses of born global. Conversely many scholars have regarded born again globals as a discrete internationalisation path. To name but a few, Olejnik and Swoboda (2012) have conducted an empirical investigation which demonstrated that three types of patterns describe the internationalisation of SMEs, namely the traditional, born global and born again global patterns. This opinion had already been defended in the past by Tuppura *et al.* (2008) in their analysis of the link between a firm’s resource-base, entry timing and internationalisation strategy. Although their choice of three different internationalisation paths was not empirical and was based on a previous study, they have found that out of 129 Finnish companies 34% could be classified as born again globals. Consequently we decided to consider born again global as a distinct internationalisation pattern.

Finally the born again global internationalisation pattern fails to conform to both the traditional and to the born global internationalisation pattern which is of particular interest in the present context. On the one side the Uppsala internationalisation pattern does not work to conceptualise the internationalisation pattern of born again globals since these firms adopt a rapid rather than an incremental internationalisation strategy that is not concerned about psychic distance when deciding which markets to enter. On the other side, born again globals diverge from born global insofar as they internationalise later after being first well-established in their domestic markets and by having accumulated tangible resources they can use to go international (Tuppura *et al.*, 2008)

#### D. Conclusion

The main characteristics of the three SMEs internationalisation patterns described above are summarized in “Figure 1: Summary of SMEs internationalisation patterns (Falize and Coeurderoy, 2012, pp.6)”. What we can conclude from the previous sections is that the three internationalisation paths differ in terms of time, scale and scope (Falize and Coeurderoy, 2012, pp.5). The dimension “time” is divided into two criteria: “the time lag between the founding of a firm and the commencement of its international operations (PRECOCITY) and the speed of a firm’s subsequent international growth and development (SPEED)” (Falize and Coeurderoy, 2012, pp.6). Based on the first criterion, both traditional and born again global firms are first well-established in their domestic markets before planning to go abroad, whereas born global firms take a worldwide view from their founding. Based on the second criterion, the speed of internationalisation, traditional firms expand their activities abroad gradually and enter markets successively. At the opposite, born globals and born again globals opt for rapid internationalisation and enter several markets at the same time. The dimension “scope” reflects “the number of countries or markets where the firm internationalize” (Falize and Coeurderoy, 2012, pp.6). As mentioned by Johanson and Vahlne (1977) traditional firms have a limited market scope at the commencement of their international development whereas born globals and born again globals are characterized by market diversification and reach a wide market scope from their birth (born globals) or from the first international involvement (born again globals) (Falize and Coeurderoy, 2012, pp.6). Finally the dimension “scale” “relates to the extent of a firm’s international operations” (Falize and Coeurderoy, 2012, pp.7). The traditional process of internationalisation is typified by an “evolutionary path

of development” (Falize and Coeurderoy, 2012, pp.7) and so an evolutionary export ratio. At the opposite, the processes of born globals and born again globals are characterized by a rapid high export ratio.

We can so conclude that the precocity, speed, scope and scale are discriminatory elements that allow to identify the three different internationalisation pattern and to highlight their differences.

Figure 1: Summary of SMEs internationalisation patterns (Falize and Coeurderoy, 2012, pp.6)

	<b>Traditional Firms</b>	<b>Born-Global firms</b>	<b>Born-Again Global firms</b>
<b>TIME (precocity)</b>	Operate for a long time in their home markets	Aim for international markets from inception	Operate for a long time in their home markets
<b>TIME (speed)</b>	Gradually increase the number of markets	Reach a certain degree of internationalization within a small number of years	Reach a certain degree of internationalization within a small number of years
<b>SCOPE</b>	Market concentration (narrow geographic scope at the beginning of international operations)	Market diversification (broad geographic scope almost from inception)	Market diversification (broad geographic scope almost from the first international involvement)
<b>SCALE</b>	Slow, evolutionary path of development	Internationalize rapidly with a high share of foreign sales	Internationalize rapidly with a high share of foreign sales

### Chapter 3: The determinants of SMEs internationalisation patterns

This chapter aims to identify the factors that can affect the SME’s belonging to one of the three internationalisation patterns described above. Consequently, we assume that “the factors that are intended to differentiate traditional, born global and born again global SMEs should be capable of discriminating empirically found patterns” (Olejnik and Swoboda, 2012, pp.470). This chapter addresses how and why internationalisation paths differ from SMEs to SMEs. Within the context of what has been presented so far, it is essential to explain and understand the variations in the processes of internationalisation between traditional, born global and born again global firms. In other words, the main goal of this chapter is to study the effects of some managerial and organisational capabilities and strategies to examine if they could explain the internationalisation pattern followed by SMEs.

This chapter presents nine determinants (managers' characteristics and mind-set, international growth orientation, intelligence generation, marketing capabilities, financial resources and capabilities, knowledge, communication capabilities, network and finally firm strategy and environment) of the traditional, the born global and born again global internationalisation patterns. These are identified and examined to answer the second research question described in the introduction.

#### A. Managers' characteristics and mind-set

One of the most important determinants of the internationalisation pattern of SMEs is related to the owner/manager's mind-set, since top managers are able to impact the organisation's strategies through their decisions, vision and values (Freeman and Cavusgil, 2007, pp.2). Their positivity and enthusiasm towards new international markets impact the firm's foreign resources commitment (Crick and Spence, 2005, pp.170). This is reflected in the amount of research conducted on that field since the 1990s which tries to identify the aspects of cognition related to internationalisation and its speed. Mitchell *et al.* (2000) (as cited in Zahra *et al.*, 2005, pp.137) define entrepreneurial cognition as "the knowledge structures that people use to make assessments, judgments, or decisions involving opportunity evaluation, venture creation and growth". Adoption of a cognitive perspective gives us clues about how the managers perceive and portray their own firm's boundaries and the opportunities abroad (Zahra *et al.*, 2005). The link between a manager's mind-set and the internationalisation path followed by the manager's company has been analysed to a great extent, as laid down in Zahra *et al.*'s (2005) paper which states that the cognitive system affects "entrepreneurs' decision rules, decision horizons, and risk preferences" (pp.137) and consequently the strategy selected by the firms to go international.

Acedo and Jones (2007) have built a model which examines the relationship between three cognitive elements, namely proactivity, international orientation and tolerance to ambiguity, and the internationalisation speed. Proactivity has been defined as one's ability to identify opportunities, build constructive changes and then take advantage of them (Acedo and Jones, 2007, pp.240). International orientation refers to a range of psychological and demographic characteristics (Freeman and Cavusgil, 2007, pp.3). Acedo and Jones (2007) have taken into consideration language ability, experience abroad and education level. Ultimately, tolerance

18.

to ambiguity must be understood as the ability to work and make correct decisions in an uncertain and risky environment. Based on an analytical approach of a sample of 216 Spanish SMEs, Acedo and Jones (2007) have reached the conclusion that, for all firms, the higher the international orientation, the higher the level of proactivity and the lower the perception of risks. Moreover tolerance for ambiguity and proactivity lead to lower perceived risks. Overall, managers with lower risk perceptions are more likely to internationalise rapidly. This model provides clue about the profile of the managers of the three internationalisation patterns. SMEs with managers that have a lower level of risk perceptions are more likely to follow a born global or a born again global rather than a traditional internationalisation pattern. Focusing on the disparities between firms that have different speeds of internationalisation, Acedo and Jones (2007) have revealed that born global entrepreneurs score higher on international orientation measures. This conclusion is in line with what Moen and Servais (2002) found in their investigation on data collected from firms in Norway, Denmark and France. They have highlighted that firms characterised by a short time between their founding and their commencement of international activity experience greater global orientation since they have obtained a higher score regarding their international vision, proactiveness and responsiveness dimensions. Since entrepreneurial activities have been described as innovative, risk taking and proactive (Covin and Slevin, 1991, pp.7), born global's internationalisation behaviour can be considered in this way (McDougall and Oviatt, 2000, pp.903).

The three main entrepreneurial characteristics mentioned above require born global managers to adopt a global mind-set and to be characterised by specific traits (Acedo and Jones, 2007). Global mind-set has been defined on several occasions. Rhinesmith (1993) sees global mind-set "as the ability to scan the world and look for unexpected trends and opportunities that may constitute a threat or an opportunity to achieve personal, professional, or organizational objectives" (as cited in Freeman and Cavusgil, 2007, pp.6-7). What differentiates born globals from traditional and born again global SMEs lies on the international origin of born global, which is reflected in the global focus of their managers. As argued by Chetty and Campbell-Hunt (2004, pp.61), born global managers perceive foreign markets as offering fullness and diversity of opportunities other than on their domestic markets instead of perceiving them as risky and costly. In other words, they adopt a more

confident and positive attitude toward internationalisation. About the traits of their personality, studies about the personality of entrepreneurs reflect that “entrepreneurs place high value on ambition, achievement, reliability, responsibility, hard work, competence, optimism, innovation, aggressiveness, honesty, creativity, social recognition and growth” (Kotey and Meredith, 1997, pp.40).

A stream of research has shown that managers with international orientation characterise born global firms (Olejnik and Swoboda, 2012; Nummela *et al.*, 2004). This conclusion corroborates with what has been mentioned in the model above. The concrete definition of international orientation has been summed up by Freeman and Cavusgil (2007). Top managers with international orientation “have high tolerance for psychic distance, are well educated, are internationally experienced, have mastered foreign languages, are less risk averse and resistant to change, and have a positive attitude toward internationalization” (Freeman and Cavusgil, 2007, pp.3). Higher education, foreign origins and past foreign experience have been proved to accentuate eagerness toward unknown markets (Crick and Spence, 2005, pp.170). Special attention should be given to the importance and role of prior foreign experience and work of born globals’ managers. Indeed, these previous contacts with international markets enable born globals to minimize the perceived psychic distance, risks and uncertainties toward unknown markets but also to increase the speed of the learning process which is of importance as it will be explained in the section about knowledge (Chetty and Campbell-Hunt, 2004, pp.62). If born globals do not have a manager with prior foreign experience within their firm, it usually leads to a recruitment process (Crick and Spence, 2005, pp.180). Regarding the traditional internationalisation view, managers are not expected to have prior international experience (Chetty and Campbell-Hunt, 2004, pp.66).

As for traditional SMEs, they do not perceive the world as one single marketplace. Instead traditional managers are more likely to regard foreign markets as “simple adjuncts to the domestic market” (Knight and Cavusgil, 1996, pp.18). Traditional companies first exploit the home markets and then start their internationalisation process because of reducing demands from their domestic markets or because of other external factors. Therefore managers of traditional SMEs are more reactive in their internationalisation approach (Bell *et al.*, 2001, pp.178). Born again global managers are characterized by the same traits to which are

20.

frequently added international experience and/or global vision that enable them to be able to suddenly and rapidly internationalise (Olejnik and Swoboda, 2012, pp.471).

#### B. International growth orientation

Based on an analysis of Finnish knowledge-intensive firms, Nummela *et al.* (2005) reached the conclusion that firms enjoying a larger international growth orientation have more international operations than others. As such, international growth orientation figures in the list of the determinants of the internationalisation patterns followed by SMEs. International growth orientation has been defined by Tuppura *et al.* (2008) as “a construct meant to differentiate companies according to their motivation to seek growth in international markets, and thus for identifying the factors behind the chosen growth strategies”. This concept includes both internal factors like manager’s characteristics and external pressures like domestic markets competition that pushes SMEs into international markets (Tuppura *et al.* 2008). As argued by Olejnik and Swoboda (2012), the international growth orientation of a firm is reflected by and should affect the extent of foreign activities of a firm. Companies that are hungry for taking advantage of international markets tend to adopt a more proactive and risk-taking growth strategy which is, as indicated above, typical of born global and born again global firms (Tuppura *et al.*, 2008).

The drivers of the international growth orientation of SMEs have been studied by Tuppura *et al.* (2008) who decided to analyse the role of accumulated expertise, resources versatility and network dependence. Accumulated expertise has been considered as the “experience-based knowledge and know-how” (Tuppura *et al.*, 2008, pp.476), resources versatility as the range of different resources that a company owns and can use to penetrate new foreign markets and finally network dependence as the downside of networks when they limit firm’s capacity to go abroad. The initial assumptions of the paper were that the first two factors were positively related to international growth orientation whereas the latter was negatively related. However, despite the theoretical intention, only the positive correlation between accumulated expertise and international growth orientation has been proved by means of an empirical survey on 299 Finnish companies, rejecting the two other assumptions. Consequently SMEs with strong accumulated expertise and thus high international orientation growth are more likely to follow a born global or born again global internationalisation pattern. Indeed “strong trademark, brand or industry-specific know-how” (Tuppura *et al.*,

2008, pp.476) are helpful assets when SMEs embrace worldwide markets. These assets make SMEs more familiar with actions that are common to undertake when going abroad and which would otherwise be perceived as frightening. In other words, higher accumulative expertise reduces the perceived risks of actions when moving to international markets. Moreover since the learning process feeds on the existing knowledge to grow, (Cohen and Levinthal, 1990 as cited on Tuppara *et al.*, 2008) SMEs characterized by accumulated expertise are likely to learn more quickly and to more readily identify opportunities than others. In summary, SMEs characterized by a higher accumulative expertise perceive themselves as better equipped to carry out rapid strategic international moves earlier.

Although Tuppara *et al.* (2008) have succeeded in proving the positive correlation between accumulative expertise and international growth orientation, they failed to empirically verify their theoretical intention that the likelihood of born global and born again global internationalisation patterns increases with international growth orientation. Instead they established that the international growth orientation of a firm is higher where there is a higher probability of being international with “no differences as for the paths followed when internationalizing” (Tuppara *et al.*, 2008, pp.485). Conversely, they also found that international growth orientation fosters a diversified international strategy. This managerial capability increases the number of international countries a firm would simultaneously target at the same time and is therefore one dimension that influences the internationalisation pattern (Olejnik and Swoboda, 2012). Although the conclusion about whether international growth orientation clearly impacts the internationalisation patterns differs across scholars, the common thread is that the higher the international growth orientation of SMEs, the higher the probability that it follows a born global or born again global internationalisation patterns. This is line with what has been found though other empirical studies (Nummela *et al.*, 2005; Olejnik and Swoboda, 2012).

### C. Intelligence generation

Contrary to the above determinants, the intelligence generation capability is an organisational rather than a managerial capability. It is related to the firm's capability to collect, understand and evaluate information about foreign markets, customers or suppliers conditions but also about their own international situation (Olejnik and Swoboda, 2012). It typically transforms the firm's "experiential knowledge" (Olejnik and Swoboda, 2012, pp.472) and international activities into precise figures and measures. As such, it helps firms to plan their future actions and to reduce uncertainties that are involved in the internationalisation process (Olejnik and Swoboda, 2012). Indeed, the way a firm can reduce uncertainties and risks when entering international markets is to gather as much information as possible (He and Wei, 2011). Moreover, a majority of firms will build their international market selection strategy based on the figures and reports that emerge from their analysis of international markets. (He and Wei, 2011). Consequently, the capacity to generate and obtain information about foreign markets plays a major role in the internationalisation patterns of SMEs by affecting the international moves' choice of SMEs.

As described in the literature review, born again globals are well-established in their domestic markets before embracing worldwide markets. As a result, these firms have greater financial resources to commit in the generation of intelligence. Bell *et al.* (2003) have further assumed that born again global firms have a structured approach to internationalisation, typically using reports and figures to decide whether they should commit to international markets. This feature is also found in traditional firms which are more risk-averse than born global firms and so want to make sure they have something to fall back on by relying on objective measures. Additionally, because born global firms are characterized as being able to react to chance events (Crick and Spence, 2005) and to catch "unforeseen opportunities" (Olejnik and Swoboda, 2012, pp.473), they rely on flexibility and intuition rather than figures and reports to decide whether they should enter a new international market. As concluded by Crick and Spence (2005), UK high-tech SMEs which mainly follow a born global internationalisation pattern, adopt unplanned strategies which are associated with lower intelligence generation.

We can therefore conclude that the higher the intelligence generation of SMEs, the higher the likelihood that they will follow a traditional or born again global internationalisation pattern is.

#### D. Marketing capabilities

As argued by Zahra *et al.* (2000) the development of one firm is affected by its marketing capabilities. Marketing capabilities are commonly viewed as the ability to identify and understand the customer needs so that the firm can build and position marketing programs and products that are relevant for their customers (Kuivalainen *et al.*, 2010, pp.142; Olejnik and Swoboda, 2012, pp.473).

The effect of marketing capabilities on internationalisation has been examined by Kuivalainen *et al.* (2010). Knowing that the degree of internationalisation is defined as “a snapshot of the firm’s situation at specific moment of time” (Kuivalainen *et al.*, 2010, pp.141) and so reflects its internationalisation process, they assume that “marketing capabilities have a positive effect on degree of internationalisation” (Kuivalainen *et al.*, 2010, pp.143) and are associated with the born global internationalisation pattern. Given that born global firms compete in niche markets and aim to answer the specific needs of their customers, they are assumed to possess high marketing capabilities and to have expert knowledge of their precise market. Kuivalainen *et al.* (2010) have checked their prediction through the collection and analysis of data. Using a sample of 124 Finnish SMEs operating in the information and communication technology sectors, Kuivalainen *et al.* (2010) have obtained a result that is discordant with the theoretical intuition, suggesting that SMEs with higher marketing capabilities have a weaker degree of internationalisation and so traditional SMEs have higher marketing capabilities than born globals. This surprising finding could partially be explained by the fact that since marketing capabilities measures are focused to a great extent on a strong brand, firms focusing on a market concentration strategy tend to be more known in their market segment and so have a stronger brand (Kuivalainen *et al.*, 2010, pp.149). Given that born global SMEs are characterized by a rapid penetration of multiple countries, they target various markets and customers and hence are assessed as possessing low brand and low marketing capabilities (Kuivalainen *et al.*, 2010, pp.149). Additionally, because they internationalise soon after their inception, born global firms own fewer financial resources that can be invested in marketing. It is important to note that the correlation between marketing capabilities and born again global has not been evaluated in this paper.

In order to leverage their marketing capabilities, born globals make extensive use of information and communication technology, allowing them to expand their firm's boundaries (Chetty and Campbell-Hunt, 2004, pp.62). By frequently exchanging emails with suppliers and customers, they maintain solid relationships with them and are even able to design products for customers from a remote country.

In the same field, the standardisation of marketing is the extent to which firms use identical marketing programs in different countries. Various streams of research in the 1990s and the 2000s have yielded contradictory results about how marketing standardisation influences the internationalisation patterns. By being very flexible and close to customers, Rennie (1993) stated that born global firms possess a competitive advantage that rests on their ability to fully satisfy customer needs which presumes a marketing adaptation. However, another theory has been defended by many scholars including Jolly *et al.* (1992 as cited in Olejnik and Swoboda, 2012) arguing that high-tech companies serve homogenous customer segments which requires less marketing adaptation. This consideration is in line with the argument that marketing standardisation is more relevant and efficient in technology intensive industries because their products are not subject to "tastes, habits and customs, which tend to vary from market to market" (Cavusgil *et al.*, 1993). Finally, as described above, born global SMEs are usually knowledge-intensive firms, Solberg (2002 as cited in Olejnik and Swoboda, 2012, pp.473) have established that they are capable of pinpointing opportunities abroad and similarities across markets and countries, facilitating marketing standardisation. Regarding traditional SMEs, according to the Uppsala theory, they follow a gradual internationalisation path and begin their internationalisation by exporting. Since Griffith *et al.* (2003) have proved that "firms employing indirect modes of entry use greater [...] packaging standardization than do firms employing direct modes of entry", packaging standardization should be one determinant of traditional internationalisation process of SMEs. How marketing standardisation determines the internationalisation pattern of SMEs has been tested by Olejnik and Swoboda (2012) on German SMEs and the empirical result is that marketing standardisation is not a discriminating element between born global and traditional SMEs. Nevertheless, born globals use marketing standardisation to a larger extent than born again globals. These empirical results suggest a reconsideration of the above theoretical discussion.

To conclude, due to the lack of congruence between theoretical predications and empirical results, it is impossible to determine a predictable tendency on how the marketing field, including the marketing capabilities and marketing standardisation, determines SMEs internationalisation pattern.

#### E. Financial resources and capabilities

It is generally agreed that SMEs are less equipped financially to enter new international markets than their larger counterparts. Even if they possess other advantages such as flexibility, this challenge represents a significant barrier to going abroad since SMEs have limited financial resources to invest in the internationalisation process itself, whereas there are substantial fixed costs related to the distribution networks, market research, marketing, adjustment to country-specific regulation, etc. (Haaland, 2015; Kuivalainen *et al.*, 2010, pp.141). SMEs face difficulties to gain trust and to have credibility that will convince potential financiers and venture capitalists. However, if they succeed to do it and are financially helped, they gain an advantage over their rivals by being able to invest in their businesses and by leveraging their “stock of capabilities” (Kuivalainen *et al.*, 2010, pp.142). However, in order to obtain financial resources, it is necessary to own and efficiently use financial capabilities such as linking with investors or financial expertise (Kuivalainen *et al.*, 2010). Consequently, and this is empirically supported by a study made on Finnish firms in the information and technology sector by Kuivalainen *et al.* (2010), there exists a positive correlation between financial capabilities and the degree of internationalisation and consequently, as indicated in the previous section, between financial capabilities and the likelihood to follow a born global internationalisation pattern.

This conclusion corroborates with what Preece *et al.* (1998) have defended in their paper. They assert that even though appropriate managerial attitudes toward new and foreign markets act decisively in international intensity, this single element cannot explain the international diversity reached by born global firms and born again global firms in such a short period of time. Preece *et al.* (1998) have posited and empirically confirmed that it is the availability and accessibility of resources, including the financial ones, which enable born globals to rapidly reach global diversity. This can be applied to born again global firms as well.

## F. Knowledge

As already briefly mentioned in the literature review, knowledge acts decisively in SMEs internationalisation strategy. Whereas accumulation of experience-based foreign knowledge dictates the level of resources committed in international markets by firms in the stage model, it is the “knowledge-intensity of the core resources of the firm” (Yli-Renko *et al.*, 2002, pp.282) that allows born globals to energetically seek and identify international opportunities (Autio *et al.*, 2000). Hence knowledge appears as a regulator of the resources committed toward international markets in the Uppsala model whereas it is considered as an enabling resource for rapid and early internationalisation of born globals (Yli-Renko *et al.*, 2002).

Based on data from Finnish electronics firms, Autio *et al.* (2000) have empirically found that greater knowledge-intensity leads to greater growth in international sales and so is coupled with faster international growth. Knowledge-intensity is seen “as the extent to which a firm depends on the knowledge inherent in its activities and outputs as a source of competitive advantage” (Autio *et al.*, 2000, pp.913). Knowledge-intensity reflects “the accumulation of primarily technological learning” (Yli-Renko *et al.*, 2002, pp.283). Consequently, one determinant of a born global firm is related to its knowledge-based resources that facilitate the opportunity pursuit and make such a rapid and early internationalisation possible. This is also valid for the born again global firms as argued by Gabrielsson and Kirpalani (2012) since no statistical difference in terms of resources knowledge-intensity has been established between born globals and born again globals.

Autio *et al.* (2000) have put forward two reasons that can explain the positive relationship between knowledge-intensity and international sales growth. First, to build a competitive advantage through the creation and exploitation of knowledge enhances SMEs to cultivate learning, helping them to better operate in unknown environments compared to building a competitive advantage on tangible resources. The accelerated and early internationalisation of born global is made possible by the unique and specific knowledge it owns (Yli-Renko *et al.*, 2002, pp.282). This is seen especially in changing, unstable and dynamic environments, with the knowledge-intensity of the SMEs’ core resources being efficient enabling firms to adapt quickly (Kuivalainen *et al.*, 2010). This explains why born global firms usually operate in such particular environments and why they are better able to survive. Conversely, greater “property-based resources” (Autio *et al.*, 2000, pp.913) increase the likelihood of being able

to compete in stable environments. Secondly, although not completely true for tacit knowledge, explicit knowledge is an inherently mobile resource which, combined with other fixed assets, offers flexibility which facilitates the internationalisation process (Autio *et al.*, 2000). To summarize, the development of learning skills that allow adaptation to changing environments and the establishment of a rapid and earlier internationalisation is boosted by knowledge-intensity and so, is a determinant of born global firms (Autio *et al.*, 2000). This result corroborates with the conclusion reached by Yli-Renko *et al.* (2002) thanks to data collected from Finnish technology-based new firms which confirms the correlation between knowledge-intensity and international growth.

However, despite the fact that traditional SMEs assign a different role to knowledge by using it as a regulator of resources commitment in foreign markets, this does not minimize its necessity and determination in the traditional internationalisation pattern. What matters for SMEs following a traditional international pattern is not the knowledge-intensity of its resources but the progressive accumulation of knowledge about the foreign markets, called “foreign market knowledge” by Yli-Renko *et al.* (2002, pp.282). They have defined it as “the extent to which a firm possesses information and experiential knowledge about its international operating environment (e.g. on customers, competitors, market condition) (Yli-Renko *et al.*, 2002, pp.283). Foreign market knowledge reflects the “accumulation of primarily managerial learning” (Yli-Renko *et al.*, 2002, pp.283).

No information about the role that knowledge plays in born again global SMEs has been found in the literature. However, one can suppose that they enjoy strong “foreign market knowledge” (Yli-Renko *et al.*, 2002, pp.282) when focusing on their domestic markets but also possess knowledge-intensive resources that enable them to suddenly embrace worldwide markets.

What this section reflects is that knowledge plays a major role for all international SMEs even if they differ in the treatment of knowledge, depending on the internationalisation pattern they follow. Indeed, since SMEs tend to have fewer resources than large companies, they need to possess and use knowledge strategically and have capabilities to exploit it to rival larger companies.

### G. Communication capabilities

As mentioned above, since the creation and exploitation of knowledge have become a growing value-added resource in the current business environment, leveraging the ability to acquire, evaluate and exploit relevant knowledge is crucial for a SMEs' longevity and is one specific feature of born global firms (Yli-Renko *et al.*, 2002, pp.280 ss.). In some respects, organisational communication is one factor in facilitating the sharing of both tacit and explicit knowledge.

Communication capabilities are often defined as the firm's abilities to provide the right incentives to foster communication between individuals and units within the organisation, to promote creativity and idea sharing and to encourage the accumulation of intellectual capital (Yli-Renko *et al.*, 2002; Olejnik and Swoboda, 2012). In this section, we are considering the communication capabilities at the organisational level, which is in line with the concept of firm-internal social capital demonstrated in the paper of Yli-Renko *et al.* (2002). It argues that a greater firm-internal social capital contributes to the build-up of a common language which enables "the firm to quickly assess knowledge items and to discard irrelevant ones" (Yli-Renko *et al.*, 2002, pp.283). Moreover, individuals within the firm are best placed to combine knowledge items in a new way and to "develop new concepts" (Yli-Renko *et al.*, 2002, pp.283), thus favouring the development of technological knowledge. This technological knowledge is then transformed into knowledge-intensity. Since knowledge-intensity is one of the features of born global SMEs, firm-internal social capital and communication capacity could determine those. Moreover, through their rapid and non-incremental international expansion, born globals are distinguishable by their immediate international sales growth which may partially be explained by the firm-internal social capital as well since Yli-Renko *et al.* (2002) have empirically found a positive correlation between firm-internal social capital, knowledge-intensity and international sales growth. However, Yli-Renko *et al.* (2002) have also tested the effect of firm-internal social capital on foreign market knowledge which, as argued in the previous section, plays a central role in the international process of traditional SMEs and, notwithstanding their opposite theoretical prediction, have established no significant relationship between these two elements. The possible explanation is that, given our focus on SMEs, there is little limited "amount of uncaptured information stored within the organization" (Yli-Renko *et al.*, 2002, pp.300).

Communication capabilities also promote innovation by fostering creativity through facilitated information and the flow of ideas between different units of the organisation, by speeding up the resource exchanges and by building a common language for all individuals (Amabile *et al.*, 1996; Yli-Renko *et al.*, 2002).

From a theoretical perspective, different elements suggest that greater communication capabilities increase the likelihood of SMEs to follow a born global internationalisation pattern since they take greater advantage of it and so boost their organisational learning. However, Olejnik and Swoboda (2012) have empirically found that communication capabilities are connected to the traditional internationalisation pattern which casts doubt on what has been stated above. Unfortunately, it is again impossible to identify a regular and systematic correlation between communication capabilities of SMEs and the internationalisation pattern it follows. Please note that this section does not contain information about the role of communication capabilities in born again global firms because no information has been found.

#### H. Network

In this section, we will maintain the guiding line used in the two previous sections and examine how network enhances knowledge gain and subsequently technological or/and managerial learning. Since Yli-Renko *et al.* (2002) have seen firm-external social capital as “the exchange relationships between firms and individuals representing these” (Yli-Renko *et al.*, 2002, pp.283), we can consider the concept of network as being in line with the one of firm-external social capital. Drawing on an empirical data study based on Finnish technology-based new firms, Yli-Renko *et al.* (2002) have established a positive relationship, on the one hand, between firm-external social capital and foreign market knowledge and, on the other hand, between firm-external social capital and knowledge-intensity. Consequently, although this is not a discriminating element, between traditional SMEs and born global SMEs, network facilitates the acquisition of knowledge and the internationalisation process. This finding brings empirical support to what can be theoretically predicted. This is developed in the next paragraph.

Network plays a central role in the traditional, born global and born again global internationalisation models. Indeed, in the first stages of the establishment chain of the Uppsala model, firms enter international markets thanks to intermediaries they usually know

from diverse contacts rather than through subsidiaries because it involves less risk and the commitment of fewer resources. On a similar note, born globals often use experiential and market knowledge of their business networks in order to rapidly embrace the international scene (Chetty and Campbell-Hunt, 2004, pp.64). By acting like this, they avoid having to wait to acquire this knowledge themselves (Chetty and Campbell-Hunt, 2004, pp.64). As for born again global SMEs, they suddenly turn to international markets due to a critical incident which is usually a change in the ownership (Bell *et al.*, 2003). One reason why these firms are able to enter new and unknown markets is because they use the “newly acquired networks” (Crick and Spence, 2005, pp.170).

Having strong firm-external social capital is one efficient strategy for SMEs to overcome their primary limited firm resources and lack of managerial skills (OECD, 2009). SMEs’ founders or managers typically will first use their personal ties to build their social capital and develop their network (Yli-Renko *et al.*, 2002). The usual prior international experience of born global managers, mentioned in the section on owner/manager’s mind-set, increases the extent of their private contacts, facilitating the development of their business networks (Chetty and Campbell-Hunt, 2004, pp.63). Another advantage of business networks is in their ability to create “synergetic relationships with other firms, small and large, which complement each other’s resources at various stages in the value chain” (Crick and Spence, 2005, pp.171). In the same vein, born globals, by operating in niche markets, can rely on their business networks to spread their reputation (Crick and Spence, 2005, pp.179).

Although having a network is a considerable weapon for all internationalisation processes, there are some differences on optimal one for the three types of SMEs. Since traditional firms expand to new foreign markets progressively, their initial business network can be relatively limited as compared to the networks of the born globals and born again globals which should be extensive in order to support them to reach a global position rapidly or to embrace a sudden internationalisation (Chetty and Campbell-Hunt, 2004, pp.64). Consequently, for this section, what differentiates born global, born again global and traditional SMEs is not how they use their business network or whether they use it, but the extent and rapidity of the development of their networks (Chetty and Campbell-Hunt, 2004, pp.75).

## I. Firm strategy and environment

In their paper, Johanson and Wiedersheim-Paul (1975) underline the effect of firm strategy in the internationalisation process, explaining that strategic decisions influence the speed and scope of the internationalisation. It should be noted that the strategy adopted by a firm must be consistent with the environment in which it operates. For this reason, this section will focus on firm strategy and environment at the same time.

Born global SMEs aim to be global leaders in niche or emerging markets, thus focusing on innovation, technology and specialisation (Chetty and Campbell-Hunt, 2004, pp.64 ss.). These entrepreneurial firms target specific customers and their firm strategy is to be as close and available as possible by proposing customized products. Far from being always true, born global tend to have a strategic focus on high-technology sectors, thus requiring an educated and skilled workforce (Crick and Spence, 2005). Since born again global firms have been shown to invest less in R&D than the born global, they are assumed to be less innovative (Gabrielsson and Kirpalani, 2012).

Because traditional SMEs operate in more stable environments than born globals, they enjoy a strong and clear market position, and they have long terms goals and systematic strategies (Crick and Spence, 2005). Their firm strategy does not place high value in reactivity contrary to the born global which, because they progress in fast moving environments, need capabilities to change and adapt rapidly in order to avoid the obsolescence of their product range (Crick and Spence, 2005, pp.169). The propensity of born globals to move quickly rests on their entrepreneurial culture and not on a long company history (Crick and Spence, 2005, pp.169).

However, it should be noted that by progressing in such changing environments, the strategies of born globals are likely to move rapidly as well and are impacted by a multitude of internal and external factors (Crick and Spence, 2005, pp.172). For instance, thanks to their extensive networks, these entrepreneurial firms could have an unplanned but “potentially viable contact” (Crick and Spence, 2005, pp.172) or an unforeseen but valuable opportunity in a country and so could decide to enter the market of this country, thus affecting their strategy. Consequently, they are characterized by an entrepreneurial learning, usually answering spontaneously to unpremeditated events and are opportunistic (Crick and Spence, 2005,

pp.178). Even if traditional and born again global firms operate in more stable environments, they may also face some unplanned events which force them to readjust their market or firm strategy. What is necessary for these firms is to behave in a way that will increase their chances of being confronted to serendipitous events and especially to have an appropriate reaction to take advantage of such situations. However, the usual limited entrepreneurial capabilities of traditional and born again global SMEs stop them from seizing opportunities. (Crick and Spence, 2005).

## J. Conclusion

The goal of this chapter was to identify the main determinants of the traditional, born global and born again global internationalisation patterns and to understand how these determinants influence those three processes. Following this comparative explanatory framework approach, we can conclude that different attributes shape the three internationalisation processes followed by SMEs in various ways. A good indicator of the applicability of this is that the nine determinants we have identified are, in some respects, in line with the factors engendering the early internationalisation path named by Rialp *et al.* (2005a, pp.160). Although drawing precise conclusions would be irrelevant in a field that is so context-specific, the findings described above give some clues as to what determines the three internationalisation patterns and they are summarized in this section.

What determines the internationalisation patterns followed by SMEs can be grouped into three groups. The first one includes the development and efficient use of specific resources and capabilities which allow SMEs to be better prepared to enter new international markets by following one internationalisation pattern. For instance, managerial resources such as prior international knowledge and international growth orientation as well as financial resources and knowledge-based resources are relevant indicators of born global internationalisation pattern. The second one covers the environment in which SMEs operate and the strategy they decide to adopt in this environment also determine the internationalisation pattern that SMEs follow. Whereas traditional SMEs act in a stable environment, have long-term goals and systematic strategy, born global SMEs are found in a changing environment, focus on short-term goals and intuitive strategy. Finally, the speed of development of the business network and its scope are central to determine the SMEs internationalisation patterns. As such, it appears that different views can be used to conceptualize the three internationalisation

patterns: the resources-based view, the environment view and the networking view. In fact, no single existing view can fully explain these.

It would be wrong to conclude that the internationalisation patterns can be conceptualized through a precise set of determinants. However, even if there is sometimes lack of congruence between different researchers and studies and even if the multiple aspects and variances of these three complex processes cannot be connected to the above attributes, the tendencies described in each section are relevant to conceptualize the internationalisation patterns and give us important indications for the next parts of this master's thesis.



## Part III: Practical part

---

Now that we have theoretically examined the two first research questions, this practical part conducts a qualitative research in order to add a concrete dimension to this master's thesis and to better reflect the reality. To do so, we interviewed the managers of four Belgian SMEs operating in different sectors and having an international dimension. These meetings had dual objectives. The first objective is to obtain a parallel between the theory and the practise. In concrete terms, we want to identify the internationalisation pattern followed by these four SMEs based on what has been learned and understood in the previous part and to check on whether the theoretical determinants of these patterns can be verified in the field. The second objective is to gain a deeper understanding about what shapes the SMEs internationalisation by understanding the experience and the expertise of these managers.

This third part is organised into two chapters. The first one explains the research methodology we decided to use to conduct our interviews and the second one analyses the interviewed SMEs by describing them and by identifying their internationalisation pattern and their determinants.

### Chapter 1: Research methodology

In some respects, the validity and reliability of the results from a research are determined by the quality of its preparation. With this in mind, this chapter aims to present the methodological approach that was selected to perform the research. Different aspects of research methods will be presented along with the justifications of the choices we made in order to assure the excellence of this master's thesis.

The research methodology describes the research purpose, the research approach, the research strategy, the data collection method, the sample selection and the interview questionnaire design. For all these themes, the theory is first mooted and is then followed by the explanation of our personal choice.

36.

#### A. Research purpose

As commonly agreed by the research community, the purpose of a study enables one to classify it into three categories: exploratory, descriptive or explanatory research.

An exploratory study explores an area where few or no researches have worked before and so where the information available on that field is limited (Sekaran, 1992). The primary goal of such study is to better discern the phenomena under study by collecting as much information and observations as possible about it (Sekaran, 1992). An exploratory study is undertaken to answer the “what” of a question (Yin, 2003).

A descriptive study depicts the characteristics of the variables of interest in a situation (Sekaran, 1992). The primary goal of such study is to describe the relevant aspects of a phenomena of interest in order to provide a profile of the problem from an individual or organisational perspective (Sekaran, 1992). A descriptive study is undertaken to answer the “how” and the “who” of a question (Yin, 2003).

Finally, an explanatory study focuses on understanding the relationships that exist amongst the variables of interest in a situation by formulating assumptions and empirically testing them (Sekaran, 1992). The primary goal of such a study is to identify the patterns that shape the phenomena of interest. An explanatory study is undertaken to answer the “how” and the “why” of a question (Yin, 2003).

Let's remember that the first goal of this research is to determine whether what has been theoretically stated is applicable in the field by checking if we are able to identify the internationalisation patterns and their determinants of the four interviewed SMEs. Therefore, we want to establish relationships between the characteristics of SMEs and the internationalisation pattern they pursue. The second goal of this research is to expand our understanding about the internationalisation patterns and what shapes them by meeting and examining real cases. As such, our research purpose is explanatory.

#### B. Research approach

Quantitative and qualitative are the two common approaches that can be used when conducting a research. The main distinction between both is about the treatment of data and not about the research strategy (Yin, 2003). Quantitative and qualitative approaches are not

necessarily incompatible and can support each other to provide richer information about the phenomena of interest. Each has a different role to play in a scientist's investigation but one is not less relevant than the other one (Sekaran, 1992).

When research is approached from a quantitative perspective, the data are usually collected through structured questions since the goal is to transform them into precise numbers in order to realise a statistical analysis (Sekaran, 1992). Conversely, a qualitative approach usually gathers data that emerges from a discussion based on open questions (Sekaran, 1992). This difference in the data collection method reflects the contrast in their purpose. Whereas the goal of a quantitative research is to obtain objective generalisations that help to explain and control a phenomena, the qualitative research focuses on developing a better understanding of the research problems (Guest *et al.*, 2013). Finally, quantitative research results in a series of numbers that are often presented in statistics or graphs. On the other hand, a synthesis emerges from a qualitative research (Sekaran, 1992).

Since, as mentioned in the introduction of this third part, we desire to deal with our stated research questions in depth and to gain a better understanding of how the SMEs internationalisation patterns are shaped, a qualitative approach is more appropriate to provide a relevant answer to these questions. Moreover, the field in which the research is made is context-specific and multiple realities exist for entrepreneurs. To capture these variations, we believe that a quantitative approach would not be suitable and that the qualitative approach better copes with the ambition of our research.

### C. Research strategy

Yin (2003) have highlighted five research strategies, namely the experiment, the survey, the history, the analysis of archival information and the case study, which all present some advantages and disadvantages. The choice of one specific strategy depends on the answer of these three questions: "(a) the type of research question, (b) the control an investigator has over actual behavioural events, and (c) the focus on contemporary as opposed to historical phenomena" (Yin, 2003, pp.1).

"Figure 2: Relevant situations for different research strategies (Yin, 2003, pp.5)" resumes how the answers to these three questions affect the relevant research strategy to adopt. However,

it should be understood that despite the fact that these strategies present distinct features, the distinction is not as clear as this table shows it and some overlaps remain (Yin, 2003).

In the research conducted as part of this master's thesis, the investigator clearly does not have control over behavioural events and focuses on contemporary event. The type of research questions we try to answer to in this master's thesis refer more to the category relevant for the survey. Consequently, even if the case study would have been relevant, we decided to choose a survey research strategy because we believe it is more appropriate to our research questions.

Figure 2: Relevant situations for different research strategies (Yin, 2003, pp.5)

Strategy	Form of Research Question	Requires Control of Behavioral Events?	Focuses on Contemporary Events?
Experiment	how, why?	Yes	Yes
Survey	who, what, where, how many, how much?	No	Yes
Archival analysis	who, what, where, how many, how much?	No	Yes/No
History	how, why?	No	No
Case study	how, why?	No	Yes

#### D. Data collection method

The choice of the data collection method is guided by the research purpose, approach and strategy but not only these factors. Indeed, the researcher may have preferences for some type of data to obtain and the researcher may also face some practical issues related to time, access to data and resources (Denscombe, 2003, pp.131). However, what should most influence the decision of the researcher when selecting a data collection method is the match to the project at hand and suitability of the method in practise (Denscombe, 2003, pp.131). Despite a long debate in the research community about the existence of one superior data collection method, it is evident that all methods have strengths and weakness. From this point of view, the most important is that the investigator is aware of these as well as of the underlying assumptions of each method when adopting one.

Denscombe (2003) has identified five commonly used sources of data: namely, the questionnaire, the interview, the direct observations, participant observations and the

documents. The main strengths and weaknesses of these four data collection methods are summarized in appendix C.

Based on the strengths and weaknesses of each method, we decided to focus on an interview data collection method. What is more, the others one are inappropriate to use in our given situation and purpose. Actually, the questionnaire is relevant when the investigator is looking for unambiguous answers and when there are significant numbers of respondents. Therefore, the questionnaire is usually used when a quantitative approach is adopted (Denscombe, 2003). The systematic observation is usually related to a quantitative approach as well and participant observation is, for obvious reasons included the length of the studied phenomena, impossible to realise (Denscombe, 2003, pp.192). Finally, the document data collection method would have been inappropriate for us because we wish to capture the experience of the SMEs' managers, which is not contained in documents. However, it is obvious that we used it in the literature review part in order to build our theoretical framework and to have well-established knowledge so that we are well prepared to conduct the research part. Denscombe (2003) has argued that the interview allows the research to gain a deeper understanding of a topic and is a wise choice when having few respondents. Consequently, in order to evaluate the decision of an interview data collection method, Denscombe (2003) advises to answer these two questions: (a) "does the research really require the kind of detailed information that interviews supply?", (b) "is it reasonable to rely on information gathered from a small number of informants?" (Denscombe, 2003, pp.164). For the reasons that have already been mentioned above and since we conduct a qualitative research with the goal of employing the expertise and experience of the respondents, we believe that the interview is the most suitable data collection method.

Since we have personally conducted the interviews, we have obtained data from primary sources. As explained by Sekaran (1992), data can be collected from primary or secondary sources. Primary data refer to data that are acquired by the researcher for the specific goal of a study, whereas secondary data are related to data acquired by another research for another purpose. Obviously, in terms of ease to access and gather as well as in terms of time and money saving, secondary data own several advantages but is accompanied by the question of reliability. Since primary data are collected by the investigator himself, they are more trustworthy which a considerable advantage in our research is.

Taking all these considerations into account, we agreed to conduct one-to-one interviews in our chosen companies (Denscombe, 2003, pp.167). These interviews took place in during June 2015 and all lasted approximately two hours, providing essential information for the second chapter of these third part.

#### E. Sample selection

Many different sample selection techniques are proposed to a researcher. As for the data collection method, the decision of the sample selection must be considered at the same time with the research purpose, approach and strategy and with some practical considerations. In order to strike the right balance between those two factors, we have picked the convenient sampling selection method. "Convenience sampling refers to the collection of information from members of the population who are conveniently available to provide it" (Sekaran, 1992, pp.291). This method presents different strengths and weaknesses as all the other sample selection techniques but what matters is to have full knowledge of these. According to Sekaran (1992), the convenient sample selection method suits well with a qualitative approach which is a major advantage in our view. The main weakness of such a sample selection method is the usual incapacity to generalize the results obtained from the research. Despite this disadvantage, we decided to select this method because, as explained previously, our ambition remains to select few SMEs to be able to have an in-depth understanding of their internationalisation process and what has determined the internationalisation pattern they followed. As it can be observed in the rest of this paper, we do not pretend to reach generalisations thanks to what we have learned by interviewing the four SMEs.

Although we have chosen a convenience sampling, we did not select our companies randomly among the available and accessible ones. Our selection criteria are the following: (a) being a SME as it has been defined in chapter 1, part II, (b) being international as it has been defined in chapter 1, part II, (c) being a Belgian company. Whereas the two first criteria follow naturally from the master's thesis's scope, it is less obvious for the third one. The first justification rests on the desire to conduct face-to-face interviews in order to enjoy flexibility and reactivity. Then, our restricted time and financial resources have forced us to limit our sample selection to Belgian businesses. Finally, it was easier to make contacts and to obtain permission from Belgian companies to interview them. As will be noticed, no criterion defines the sector in

which SMEs must operate because in this master's thesis we do not focus on one particular industry.

We chose four companies, namely EUREMI, Lisam, Fishing Cactus and Ipratech, which all comply with the above selection criteria. The next chapter contains a more detailed description of these SMEs and their internationalisation process.

#### F. Interview questionnaire design

Denscombe (2003) has identified three types of research interview with each necessitating a different approach to the questionnaire design.

The first type is called the structured interview and is characterised by precise questions with limited possible answers (Denscombe, 2003, pp.166). In such a situation, the researcher follows a rigorous questionnaire and does not deviate from it in such a way that it could generate quantitative data thanks to a standardisation of answers (Yin, 2003, pp.91). A structured type of research interview can be compared to a questionnaire usually formed of composite measures and is carried out face-to-face more than to a real sharing (Denscombe, 2003). Although it could be suitable to some circumstances and purposes, it does not match with what we are looking for since we wish to gain insight into the SMEs internationalisation field by having an open exchange with some experienced managers.

Conversely, the semi-structured interview proposes open-ended questions offering freedom to the respondent (Yin, 2003, pp.90). However, the interviewer acts in accordance with a prepared questionnaire and tries to get an answer to his questions (Denscombe, 2003, pp.167). With the structured interview, the researcher must be prepared to add some questions and must accept to adjust the position of his questions depending on the information that he receives (Denscombe, 2003).

Finally, with the unstructured interview, the aim is to capture the thoughts and experiences of the interviewee as much as possible by initially explaining to him the subject of the research and by letting him speak freely (Denscombe, 2003, pp.167). According to Yin (2003, pp.90), the respondent should be considered as an informant in an unstructured interview. However, it should be noted that the separation line between the semi-structured and unstructured type of interview is not obvious. As noted by Denscombe (2003, pp.167), "what they have in

common, and what separates them from structured interviews, is their willingness to allow interviewees to use their own words and develop their own thoughts”.

We chose to conduct a semi-structured interview for two reasons. The first one is that this is the type of research interview that fits best with our desire to have answers to some of our questions and to see if the theory corroborates with what has been established theoretically (Yin, 2003). However, as already stated, we do not pretend to build generalisations. The second reason is that it is less stressful to perform a semi-structured interview than an unstructured one in that we can rely on our questionnaire. Consequently, we built a questionnaire that was appropriate to this type of research interview. The research community commonly identifies three possible types of questions to construct one questionnaire namely the open-ended questions, the closed-ended questions and the Likert scales where the respondent usually has to provide an answer in a continuum scale. Even if we performed a semi-structured interview, our questionnaire includes at once some open-ended questions and some closed-ended questions as you can notice in appendix A. The questionnaire has been divided into four main parts which cope with our research objectives detailed in the introduction of this third part. The questionnaire and so the interview is structured as follows: the introduction, the identification of the internationalisation pattern, the evaluation of the determinants and the ending comments. We tried to write neutral questions and we also decided to present the detailed subject of this master’s thesis after the interview so that the interviewee is not influenced by external factors.

## Chapter 2: SMEs analysis

Now that the methodology used to conduct our research has been detailed theoretically, the four interviewed SMEs will be examined to enable us to draw conclusions on the internationalisation patterns followed by SMEs and their determinants. For the sake of clarity, the SMEs will be analysed one by one. For each, the reasoning is divided into three paragraphs. First, a presentation of the SME and its activities are done in order to set the scene and to provide basic knowledge of its business. The next step consists of identifying the internationalisation pattern that the four interviewed SMEs follow. In this perspective, this second paragraph aims to check if what has been proposed theoretically can be put into practise. However, it should be understood that the distinction between the internationalisation patterns is not absolutely precise and so the difficulty with that approach

is that things are not black and white. Thirdly, based on the identification of the internationalisation pattern followed by the interviewed SMEs, the matching between the determinants predicted theoretically and what can be observed in the reality is assessed without for all that establishing generalisations. The goal of this last paragraph is to add a concrete and realistic dimension to the answers of the second research question.

This chapter ends on a conclusion that aims to answer the two first research questions thanks to the SMEs analysis and to assess the matching between the theoretical predictions and what has been observed in the reality.

It should be noted that all the information contained in this chapter stems from the SMEs' website, the interviews and the documents put in appendix B.

## A. EUREMI

### *Presentation*

EUREMI S.A., which stands for European Engineering and Manufacturing Industry, was founded in 1985 by three partners. This SME provides services in all industrial sectors such as quarries, cement industry, sugar industry and electrical power plants (EUREMI, 2015). The interviewee, Rockmans Michel, is one of founders and has actually known the very beginning of EUREMI which was called EMI at that time. The Ltd.<sup>3</sup> EMI still exists, but due to the growing success and the increased number of orders of EMI, the need for a more secure structure appeared. Consequently, the three partners decided to additionally create EUREMI which is a limited company. Nowadays, EMI Ltd. owns the business building and the personnel whereas EUREMI S.A. represents the commercial company that is known from the consumers.

Thirteen years after its establishment, EUREMI is identified as one major engineering office that competes on the European stage. The range of products and services it proposes can be divided into five categories: engineering, bulk products continuous handling, processing units, alternative fuels and specific equipment (EUREMI, 2015). The Belgian company, whose the head office is located in Ghislenghien, is composed of 18 workers including two project managers, three project engineers, 13 project and industrial designers as well as an administrative staff. Their competitive advantage rests on their ability to provide full service

---

<sup>3</sup> Limited

44.

to their clients by covering their needs from basic engineering to turn-key installations but also on their flexibility and dynamism that are made possible by their small size. By being able to satisfy their customers, the company's reputation has been rapidly spreading around the industry and EURMI is now working with the most important international companies such as GDF Suez, Holcim Group and Solvay.

Although the internationalisation process of EUREMI will be detailed in the next paragraph, it is crucial to explain that exportation represents a significant part of its business and has sometimes reach 80% of the total turnover. To name but a few, EUREMI has already exported in Portugal, Norway, Italia, Chili, Egypt, Gabon and Thailand.

*Identification of the internationalisation pattern*

The SME EUREMI has grown in incremental steps. Between 1985 and the end of the 1980s, the scope of their activities was limited to the Belgian market where they progressively acquire significant clients. Relatively quickly, EUREMI operated in markets characterized with close psychic distance like France or Luxembourg thanks to customers asking them to take action in some of their plants. The interviewee, Rockmans Michel, actually does not consider it as a real internationalisation. He explains that at this time, EUREMI does not have the structure and the mastery of English required for overseas exportation. However, the internationalisation was progressively spreading around Belgium: France, Netherlands, Portugal and then the Eastern countries with Poland and the Czech Republic. Through these different expeditions, the company has acquired knowledge of international business and knowledge of languages.

In the early 1990s, their clients who, for the most part, were very satisfied with EUREMI, decided to place their confidence in this small company and entrusted it with some significant international projects. This is how in 1993 EUREMI undertook its first overseas exportation in Africa for Holcim group. Ten years later, EUREMI also acquired projects in Asia for the first time, in Thailand and Indonesia. During these types of overseas projects, the client typically tries to produce locally as much as possible since it is cheaper and engage with EUREMI for their technical expertise and for the project management. The reputation of EUREMI has quickly spread in the heavy industry sector, which is the main reason for their internationalisation. Since all of their customers are acquainted with each other, a good or a bad reputation is a decisive ingredient of the business's longevity.

In order to identify the internationalisation pattern followed by EUREMI, we will use the four discriminatory criteria that are summarized in “Figure 1: Summary of SMEs internationalisation patterns (Falize and Coeurderoy, 2012, pp.6)”. According to Rockmans Michel, EUREMI was well established in its home markets before going abroad even if they entered a low psychic distance market fairly soon. As such, EUREMI belongs to none of the three internationalisation patterns identified since they neither operated for a long time in their domestic markets before internationalising nor aimed to enter international markets from their founding. However, on the other criteria, the belonging of EUREMI to one of the categories appears more clearly. Indeed, from the speed and scope perspective, they entered international markets progressively and one by one being so characterized by market concentration at the beginning of the internationalisation process. Finally, by operating successively in more and more foreign markets, EUREMI had a progressive export ratio at the beginning of its internationalisation after having entered successively more and more European countries. Currently however, the export ratio of EUREMI is widely fluctuating over time. According Rockmans Michel, it can reach up to 80% during significant foreign project as in Thailand and can go down until 20% when the company has no international projects.

Based on this information, we can conclude that EURMI has followed a traditional internationalisation pattern. In fact, it was well-established in its domestic markets before venturing abroad and amplified its operations abroad gradually by entering international markets with successively greater psychic distance. After having accumulated enough knowledge about foreign markets and good experience that enhanced its reputation, the Belgian SME felt ready for overseas exportation. Moreover, as the Uppsala model predicts, it is the increasing offers from their clients to broaden their operations abroad that has boosted the internationalisation process.

#### *Evaluation of the determinants*

The managers’ characteristics and mind-set have only been analysed for Rockmans Michel and should not be considered as a generality for the whole of EUREMI’s managers. Rockmans Michel is a Belgian citizen of 58 years old with a college degree in computer science. At the beginning of the internationalisation process, Rockmans Michel felt only comfortable with French and had no previous international experience. Even though he has always appreciated

travelling, he had never worked, studied or lived abroad. Knowing that Acedo and Jones (2007) have taken the language ability, the experience abroad and the education level into account to assess the international orientation of a manager, Rockmans Michel is seen as having a low international orientation. In his own words, Rockmans Michel cannot be characterized as ambitious which he explains by his nature and his technician's schooling. All these features cope with the theoretical description of a traditional manager.

In the other hand, according to Acedo and Jones (2007) model, the low level of international orientation of Rockmans Michel should lead to a low level of proactivity and a higher level of risks perception. However, the interview failed to identify Rockmans Michel as being not proactive since he enjoys running several projects and seeing his ideas come to life which are, according to Olejnik and Swoboda (2012) some attributes of a proactive person. Rockmans Michel is also an optimistic person with a tendency to consider the internationalisation as a positive process for EUREMI which has already saved his company in the past. In this way, he has developed an enthusiastic attitude toward foreign markets and do not contemplate them as risky and costly. What is more, EUREMI never takes technical risks or financial risks on the international markets since the foreign projects are run with their Belgian or European clients which pay them in euros and with which they are well acquainted. All these elements have been used as a measure of the risks perception by Olejnik and Swoboda (2012) and by taking them all into account, Rockmans Michel cannot be considered as having a high level of risks perception.

What appears as a significant determinant of the traditional internationalisation pattern taken by EUREMI in terms of managers' characteristics is the lack of prior international experience and international orientation. The managers have never planned to open a subsidiary or to have an independent representative abroad as it is explained in the next paragraph.

Since its founding, EUREMI has never been oriented on growth or on international growth. As specified by Rockmans Michel, the basic policy of EUREMI is founded on the desire to develop but not to over-develop since the partners have always wanted to protect and guide "their baby" which is also due to their technician's nature. Knowing whether this has been a good thing for the business is tricky and delicate according to the interviewee because, on the one hand, EUREMI could have become a bigger company if they had been oriented toward international growth, but on the other hand, it could have gone bankrupt as well. In any event,

EUREMI does not demonstrate a particular motivation to pursue growth through the international markets. Knowing that EUREMI has been identified as a traditional SME, this is in line with what the theory about international growth orientation predicts.

EUREMI possesses a strong reputation of offering quality and complete services to their customers. They master everything in details which requires a demanding and meticulous workforce as well as strong industry-specific know-how. From the point of view of Tupputa *et al.* (2008), EUREMI is associated with a strong accumulated expertise. However, this case-study does not establish the supposed positive correlation between the accumulated expertise and the international growth orientation demonstrated by Tupputa *et al.* (2008).

Regarding the generation of intelligence, all foreign operations are systematically prepared thanks to the study phase, during which a significant dossier including analysis of the manufacturing and the assembly is built by EUREMI. When EUREMI conducts any international operations, it is always because their clients approach them and ask them to do it and not because EUREMI perceives an opportunity. From this point of view, the information about international markets are generated by the clients of EUREMI but are indirectly used by EUREMI. EUREMI has a fixed schedule for 6 months or more depending on the economic situation and does not adopt unplanned strategies. The high intelligence generation of EUREMI, by way of its clients, fits with the traditional internationalisation patterns.

Even though EUREMI does not carry out any advertising campaigns, it has developed the strong capabilities to identify and fully satisfy the needs of their customers. This SME enjoys excellent relations with their customers and has been able to change and adapt to the business environment to keep up. Consequently, their core business has progressed from the coal to the quarry, and then to cement and now EUREMI focuses on waste recycling. What is more, EUREMI understands its industry sector very well. From this point of view, EUREMI matches with the empirical study realised by Kuivalainen *et al.* (2010) which, though opposed to the theoretical intention, shows a positive relationships between the marketing capabilities and the likelihood to follow a traditional internationalisation pattern. To conclude this paragraph about the marketing capabilities, EUREMI does not standardize its marketing program since the customers' needs are different for each project. As such, the standardisation of the price, one criterion used by Olejnik and Swoboda (2012) to evaluate

the marketing standardisation, is impossible. However, whereas the marketing capabilities of EUREMI has play a central role in its success, it emerges from the discussion with Rockmans Michel that it does not really influence the internationalisation pattern followed.

At the beginning for their internationalisation process, EUREMI did not possess financial resources and capabilities. Currently, the SME still does not have any financial investor but it has hired an external accountant that cares about financial investment as well as the financial situation and reports of EUREMI. Consequently, EUREMI has developed better financial expertise over time but has never been helped financially by any investor or venture capitalist and so never has access to multiple financial resources. Since EUREMI has followed a traditional international pattern, this corroborates with what Kuivalainen *et al.* (2010) and Preece *et al.* (1998) predicts.

Let's now focus on the role of knowledge in the SME having followed a traditional internationalisation pattern. EUREMI has built a strong reputation based on the industry-specific know-how and knowledge it possesses. Given that all of its business operations and activities require a high level of knowledge, the workforce is composed of skilled people as engineers and draughtsmen. Consequently, the core resources of EUREMI can be characterized as knowledge-intensive. Theoretically, this attribute should lead the SME to follow a born global internationalisation pattern. Even though it does not represent a generality, this is not true for EUREMI since it took a traditional internationalisation pattern despite the "knowledge-intensity of the core resources of the firms" (Yli-Renko *et al.*, 2002, pp.282). About the "foreign market knowledge" (Yli-Renko *et al.*, 2002, pp.282), EUREMI has always known their foreign competitors because it operates in a specific sector and consequently meets them often in exhibitions or other events. Moreover, EUREMI has sometimes had to collaborate with them on some international projects. This SME appears as having a relevant insight into their foreign markets which corroborates with what the theory concludes.

By having a fairly small structure, communications are facilitated. Even if EUREMI is separated into two departments, namely the handling and the waste recycling, both merge together and the employees move from one to another. What is more, the communication is fostered by the hierarchical structure of each project, international or not, which is composed of one chief engineer, one experienced draughtsman and several draughtsman depending on the size of

the project. All the projects are controlled and supervised by the co-founders. However, we can conclude that the communication capabilities did not influence significantly the internationalisation pattern followed by EUREMI in the way that it appears as meaningless compared to some other elements that will be summarized in the conclusion section.

As it happens, the network has been one major ingredient in the internationalisation pattern of EUREMI. Before creating EUREMI, Rockmans Michel worked for another engineering office. A short time after he left, that engineering office went bankrupt and EUREMI got back some clients. This is the source of the initial business network of EUREMI but after, thanks to word of mouth, it has expanded and a positive synergy has been developed. Even if the initial network has been important for the success and internationalisation of this SME, the network was not extensive enough to able EUREMI to follow a born global internationalisation pattern.

The last part of this analysis focuses on the strategy chosen by the firm and the environment in which it operates. On that point, EUREMI and its traditional internationalisation pattern contradicts what has been highlighted as one determinant in the theory. Whereas traditional SMEs usually operate in stable markets, EUREMI competes in a dynamic and fast moving environment. This requires EUREMI to establish short-term objectives and projects since it never knows what the future will bring. As Rockmans Michel explained, EUREMI acts on a case-by-case basis. It only proposes customized services and is very close to their customers. In all these areas, EUREMI matches with the determinants of born global SMEs.

## B. Fishing Cactus

### *Presentation*

Fishing Cactus is a young Belgian SME specialised in the development of video games and serious games. This company is located in Mons and was founded in 2008 by four partners. In 2012, it won the AWEX Export Award which has boosted its reputation. Currently, it hires about 30 employees, mixing some graphic designers and programmers, who put all their knowledge and creativity into the service of this small and growing enterprise. Fishing Cactus creates some branded video games, but this activity is limited, and mainly develops games for subcontracted third-parties.

50.

Fishing Cactus is one pioneer in the serious game sector. Serious gaming is a relatively recent concept tool aiming to leverage education, safety and training through a video that can be broadcast in companies, schools, museums, exhibitions, airports and other places. A concrete example is the development of a therapeutic game called R.O.G.E.R. that is used by neurologists on brain-damaged patients (Fishing Cactus, 2012). On that field and since 2010, Fishing Cactus has been working for some first-class companies such as Child Focus, GlaxoSmithKline and Dassault Aviation.

This SME masters different programming languages and is able to develop games for diverse platforms such as IOS, Android, etc. It aims to stay at the cutting edge of digital distribution and technology and proposes to care about your game project from the beginning to the end, offering a full gaming experience.

*Identification of the internationalisation pattern*

Although the company was created in 2008, it began its commercial activity in 2009. Its first client was an American company which was responsible of the biggest gaming portal of the world "Armor Game". At this time, the game "Shift", which has had great success, was hosted and owned by "Armor Game". Fishing Cactus decided to be opportunistic and to contact them to design the iPhone version of "Shift" given that the iPhone was rapidly expanding. The partners simply approached the American client by phone and Skype. In exchange for having the permission to make use of the game, Fishing Cactus proposed to develop it for free which was accepted by the American company. After that, Fishing Cactus adapted the game "Shift" to the Asian markets by modifying the interface, the texts and some buttons but by keeping the same body of the game, were able to save money. The internationalisation process has continued thanks to a contract landed in South-Korea with Samsung where Fishing Cactus will make five of the 30 games for a new mobile phone version. Meanwhile, Fishing Cactus also obtained contracts in Belgium and France.

Fishing Cactus owns a limited liability company in United-States but this is an empty shell to the extent that there are no associated personnel. It is used by Fishing Cactus when it needs to make an American contract. Additionally, the SME hires one representative in England and one in United-States who promote Fishing Cactus in their given country and land contracts.

Given that the first client of Fishing Cactus was an overseas client and that the international operations represent about 70% of the turnover since the foundation, we can conclude that Fishing Cactus followed a born global internationalisation pattern. However, born global SMEs are supposed to have a global mind-set and to make no distinction related to the countries between the markets. On this point, Fishing Cactus does not totally fit with the theory insofar as it separates the world markets into two parts: the developed one that includes Western Europe and North America, and the others. Fishing Cactus entered the first category very soon after its founding. Business has been done with the second category of countries “only” about five years after its establishment.

#### *Evaluation of the determinants*

The person we met for the interview of Fishing Cactus is named Grumiaux Laurent who have been the commercial director for the past five years. Before entering Fishing Cactus, this young man with a master’s degree in Finance worked in England where he created his own company. After that, he came back in Belgium and worked as a consultant for three years. Fishing Cactus has been founded by four men who had worked in another video games company, 10Tacle Belgium, for many years which had an international orientation as well. Consequently, the four managers had prior international experience. All employees in Fishing Cactus speak English and it is the corporate language because the workers do not all speak the same language. Each of the four managers possesses a master’s degree in various fields such as computer engineering, computer science and game design. Based on the criteria used by Acedo and Jones (2007) to evaluate the international orientation, namely the language ability, the education level and the experience abroad, we can conclude that the managers of Fishing Cactus have a strong international orientation.

According to Grumiaux Laurent, all the employees and particularly the managers have a high tolerance to risk and uncertainties since the risk is omnipresent and is even promoted in the company. Characterized by a flat hierarchal structure, each employee is free to invent new processes or takes initiatives, even if it involves some risks. The philosophy of Fishing Cactus is “if you do not progress, you move back” which has pushed the workers to surpass themselves and to be proactive. Regarding the perceived risks, Fishing Cactus is aware that the serious games, for which the clients are usually Belgian, are less risky because the purpose

is more precise. From that point of view, selling products on the international markets involves more risks. However, that doesn't mean that Fishing Cactus turns more toward the domestic markets. On the contrary, it views the international markets and the risks it includes as more exciting. The managers regard the foreign markets as something positive and as an important opportunity for their business, leading to a low level of perceived risks. Moreover, this SME values creativity and innovation. Based on all of the elements cited above, we can affirm that the managers and the philosophy of Fishing Cactus are aligned with the company's born global internationalisation. However, the managers do not put high value in aggressiveness and social recognition unlike what Kotey and Meredith (1997) predicted.

Fishing Cactus sees its future growth as oriented toward the international markets. This conception is forced by the limited size and importance of the Belgian market on the worldwide video game scene. Consequently, the SME aims for a growth of the Belgian office up to 50 employees maximum and desires to open some related studios in countries such as Canada and England. Consequently, the family spirit of the company could be preserved in Belgium and could be found in the related studios as well. Moreover, the prior international experience in the video games of the managers enhances their "experience-based knowledge and know-how" (Tuppura *et al.*, 2008, pp.476) and thus their accumulated expertise. For these reasons, Fishing Cactus has a strong international growth orientation that probably plays a role in the born global internationalisation pattern it follows.

Fishing Cactus makes video games market scanning to obtain information about the sector. However, Grumiaux Laurent confided to us that a daily data analysis of the video games industry is not done by Fishing Cactus in order to generate information about the market since they consider the job as intuitive and based on feelings. The decision to continue investing time and money within a project is taken depending on the success that a prototype reaches. If the success is convincing, the investment keeps going. Otherwise, the SME moves on. Consequently, a project progresses through trial and error, and is divided into multiple development steps which involve a different degree of risks. Fishing Cactus has a non-structured approach to internationalisation, thus a low intelligence generation, which enables it to be flexible and reactive.

A deep analysis of the marketing capabilities and standardisation of Fishing Cactus is groundless since Grumiaux Laurent considers that the SME spends nothing on it. Moreover,

he explained to us that Fishing Cactus is not well-known on the international scene of video games development, which is not true for the Belgian scene. Therefore, the company appears as having low marketing capabilities despite the fact that they have good relationships with their clients.

Unlike the other SMEs, Fishing Cactus decided to open its capital to investors. In 2008 and 2009, all financial resources consisted of personal investment. In 2010, a seed capital of 100 000€ was invested by a Belgian investor that Fishing Cactus knew from its business network. In 2012, a capital increase of 521 000€ was realised by a public investment fund which aids creatives companies. Even though these two sources have contributed to the growth of Fishing Cactus, it should be noted that Fishing Cactus needs between 100 000€ and 1 000 000€ to fully develop a project. At the beginning of its activities and also its internationalisation, Fishing Cactus has benefited from a crucial investment that enables it to launch activities and to push financial resources, which supports the view of Preece *et al.* (1998). Grumiaux Laurent told us that at the moment, the lack of financial resources remain the main barrier to boost its growth.

The core resources of Fishing Cactus are their workers which are considered as super talented, creative and skilful. This SME attributes its success to the staff and their passion. This core resource can be viewed as knowledge-intensive as it involves people with highly specific skills, ability and expertise within their field. However, Fishing Cactus admits that it does not have significant foreign market knowledge because the video game market is so huge that there are new clients and there are new competitors every minute. The only competitors Fishing Cactus knows are the heavyweights that have full power on the market. However, it tries to perform better in that sector and forges links with some competitors and potential partners. On this knowledge point, Fishing Cactus matches exactly with what the born global theory predicts.

Based on the information that has been given in the theoretical part, it can be stated that Fishing Cactus possesses strong communication capabilities. The firm-internal social capital is leveraged through multiple communication channels, including physical meetings, utilisation of internal platforms and decentralized software. The flat hierarchical structure and the fun culture also facilitate the exchange between the employees and the managers. The emphasis

54.

is put on dynamic and innovative interactions between the individuals with, for example, an agile meeting room with no seating. The thinking of this SME rests on the belief that there are more good ideas in multiple brains than in one brain, thus boosting the communication, cooperation and exchange between the members. The workplace is built in a way to encourage the communication thanks to an open space office and a recreation room including a kicker. As defended by Yli-Renko *et al.* (2002), this could partially explain the born global internationalisation pattern of Fishing Cactus.

The business network of Fishing Cactus is extensively used to obtain clients, to find financial support and to make it known. Grumiaux Laurent confided us that the SME never makes market research or impersonal advertising since it is not effective. Consequently, maintaining and widening its network is part of Fishing Cactus's strategy. To do so, it attends events, exhibitions and trade shows and Fishing Cactus has the support of national television that easily can broadcast images of the company's activities. It is currently trying to become widespread and to enter business networks that are interrelated to the video games sector. Regarding the first client of Fishing Cactus, Grumiaux Laurent told us that they contacted him through internet but it was probably a secondary contact since the four partners worked in the video games business for a long time.

The firm's strategy is currently experiencing a change, shifting from a client orientation to a product orientation while at the beginning of its internationalisation, Fishing Cactus focused on the clients. Adopting a product-oriented strategy is opposed to what the born global theory predicts. The workforce is highly skilled and for the most part highly qualified. Nevertheless, the degree obtained is not what matters in the recruitment selection criteria of Fishing Cactus since some self-taught men work in the company. The five year vision of the company is very precise and constructed on a detailed business plan, which is projected and subject to changes. The ten year vision is very large; the main objective being to replace the outsourcing part by some Fishing Cactus branded video games. Founded in 2008, the SME is not characterized by a strong company history. All these elements corroborate with what the theory says about the born global internationalisation determinants.

The market in which Fishing Cactus operates is not stable yet since it is exploding in the Arab and Asian countries. Moreover, new technologies appear every year and require the firms to be flexible and capable to adapt to changes. However, a divergence between Fishing Cactus

case and the theoretical predictions must be underlined. The video game market is at the opposite of a niche market since it represents 7 billion euro each year which is more than the cinema and music markets together.

### C. Lisam

#### *Presentation*

Lisam Group is the biggest SME we interviewed during our research. Created in 1999 by three partners including Hemberg Michel, our interviewee, Lisam is today a leader in “software and service solutions for Environmental Health and Safety compliance management of the chemical, energy, cosmetics, detergent, paint and covering, and special chemicals industry sectors” (Lisam, 2015). Lisam’s objective is to develop and commercialize software, including its own software ExESS, which enables the traceability of chemical products thanks to a Safety Data Sheet. This sheet is an official document that must legally accompany the chemical product during its transportation and distribution and which contains full information about its identification, its composition, its function and its dangers. Basically, Lisam proposes a five year rental contract of its software ExESS to many companies. This method is obviously adjustable to the needs and wishes of the client.

At the beginning of its life, Lisam made use of the software OMNIS which enabled the creation of the Safety Data Sheet. But in 2009, Lisam decided to take over one of its main concurrent competitors, “HEMMIS” located in Belgium too. This company had developed a computer program named ExESS which Lisam chose to keep along with the employees that worked on that software. The managers agreed to progressively give up OMNIS in favour of ExESS which is now their single software.

Lisam has been able to develop its own strengths to support its business and growth. The first main competitive advantage of Lisam is the newness of its ExESS software since it has been introduced in the market in 2009 and is at the cutting edge of technology. By investing a lot in R&D, Lisam is working indefatigably to follow the new technological advancement and continuously cope with the needs and the technology of the moment. The second competitive advantage of Lisam is based on the price it offers. The installation of its software does not require significant changes in the informatics structure of the client and so is relatively cheap.

56.

On the one hand, Lisam proposes a standard and customisable software offering minimum services to attract small companies. On the other hand, the software is adaptable and can present full high quality services which attract bigger companies like l'Oreal. From this perspective, Lisam targets a large customer's panel.

By serving more than 800 customers and hiring more than 70 employees all over the world, this Belgian SME appears like a global actor in the chemical safety sector. Its internationalisation process will be detailed in the next paragraph but at the moment, Lisam owns 16 distributors allocated in ten different countries as well as several subsidiaries. Today, Lisam is a worldwide company that has been able to rely on its meticulousness and its important network of partners and distributors to enjoy a rapid growth.

#### *Identification of the internationalisation pattern*

At first, the internationalisation of Lisam was limited to France and the Netherlands. From 1999 to 2009, its activities and its product OMNIS were built on European chemical safety regulations with a market restricted to Belgium, France and the Netherlands. What is more, the lack of resources put a stop to a larger internationalisation since, until 2007, Lisam was composed of only 4 employees. Given that these three countries brought enough work for these four employees and that the profitability of the product it sold at this time was relatively small due to its small size, Lisam had neither the financial capacity nor the necessity to realise an international expansion.

However, in 2006, Lisam took over the French company TELEGIS along with its experience in regulatory consultancy. More importantly, in 2009, Lisam bought HEMMIS, its Belgian competitor. This Flemish SME had built a technical architecture based on a modern technology which Lisam has enjoyed by taking it over. To this architecture, Lisam added its own business knowledge and moved from OMNIS to its new software ExESS. This allows Lisam to be relevant for bigger companies and to attract them. Additionally, in 2009, the regulations related to the chemical safety moved from European to worldwide and were so harmonized all over the world. This unplanned event is a godsend for Lisam that chose to radically change its strategy and undertook a sudden global expansion. Hemberg Michel and the other partners estimated that in order to be global, they need to go outside Europe. This is in this situation that they signed a distribution agreement with one Japanese company in order to enter the Asian and

Pacific markets. One independent representative was selected to deal with the customer relationships, the software installation and adaptation to the Japanese market in order to manage the language and culture difficulties. Five months later, Lisam opened a subsidiary in Texas to conquer the American markets and was supported by the creation of a Canadian subsidiary shortly after. After that, the internationalisation process was on the rise and subsidiaries in Germany, Romania and Turkey as well as distribution centres in many places have been launched. This intensive internationalisation is still not over since Lisam plans to expand to new countries like Brazil and Australia very soon and has already established a contact.

All these elements drive us to characterise the internationalisation pattern of Lisam as born again global. Even while it included France and the Netherlands, Lisam has been well established in its domestic markets and did not show special interest for an international expansion during almost ten years. The succession of two events namely the acquisition of a Flemish company and the change in regulations has been the tipping point for the sudden internationalisation process of Lisam. At this point, the strategy totally changed and Lisam desired to become a global company. Because, after a long period focused on its domestic markets, Lisam embraced worldwide markets rapidly and suddenly due to some events, we can affirm that this SME follows a born again global internationalisation pattern.

#### *Evaluation of the determinants*

Hemberg Michel, the interviewee, was born at the beginning of the 60s and graduated in engineer construction. Before leading Lisam, this Belgian citizen has worked in Euroclear Bank for 25 years as a computer engineer. As part of this job, Hemberg Michel had founded a SME specialised in banking IT services that he sold at the beginning of the 2000s to Deutsch Bank, so when Lisam had already been created since it was in 1999. The acquisition agreement signed with Deutsch Bank stipulated that he had to go to USA during one year. This is why in 2001, Hemberg Michel has left the Belgium to go living with his family in New-York. Even though he estimates that this experience did not knowingly help him during the internationalisation process of Lisam, no prior international experience can be judged as unbeneficial. Whatever, this year abroad enabled the interviewee to perfectly master the English. Together with his partners, they cover three languages namely French, English and

Dutch. Based on the criteria used by Acedo and Jones (2007) to assess the international orientation (language ability, experience abroad and education level), Hemberg Michel can be considered as having a strong international orientation what is in line with what Olejnik and Swoboda (2012) predicted for the born again global manager.

A strong tolerance to ambiguity also characterises the interviewee. According to him, Lisam knew mainly two periods of uncertainty. The first one has been at the beginning of the foundation when the partners were not confident in their ability to create a client portfolio for Lisam. They were looking for an appropriate commercial proposition and strategy. After four years and one hundred clients, Lisam entered in a stable period where it attracted many new clients and where it has been able to free up money for its second life. In 2009-2010, Lisam faced the second wave of uncertainty when it decided to go global. One of the partner chose to exit the SME because he did not feel ready to endure this risk what put financial pressure on the other partners that had to buy his share. This is also during that time that Lisam moves from its old software OMNIS to the new one, ExESS. Many employees that had worked hard on the old product felt abandoned and did not understand the choice made by the partners to go international. Consequently, many of them quitted the company. Despite all these difficulties, Hemberg Michel, the CEO, stayed the course and dealt with the uncertainty. What is more, he is proactive, ambitious, optimist, highly creative and likes challenge. As such, Hemberg Michel possesses the attributes of a born global manager that probably help him to radically change the strategy of Lisam and initiate a sudden internationalisation.

During its first 10 years, Lisam had not a strong international growth orientation. It aims at being present in the French, Netherlands and Belgian markets but not further. The environment conditions and the applicable regulation made a more aggressive internationalisation impossible. In 2009, the acquisition of HEMMIS as well as the global harmonisation of the law radically modified the vision of Lisam that suddenly took a strong international growth orientation. The managers deliberately wanted to appear as global on their sectors and so agreed to move outside of Europe. In few years, Lisam signed an agreement with several worldwide distributors and opened several subsidiaries. Moreover, Lisam is a SME with a strong accumulate expertise that enjoys a strong reputation based on a

specific industry knowledge. These results corroborate with what Tuppura *et al.* (2008) and Olejnik and Swoboda (2012) predict.

Hemberg Michel confides us that when Lisam opens a new subsidiary, he plans a meeting every week to have a feedback and to control the operations abroad. However, once Hemberg Michel estimates that the subsidiary functions well, the systematic meeting are cancelled. As such, the subsidiaries located in U.S.A., England, France and Germany are now autonomous in commercial terms. What is more, figures about international markets, such as the number of potential clients, are also used and the managers plan what are the next steps of the internationalisation what drives us to see the internationalisation of Lisam as structured and based on a strong generation capability.

Although the budget of Lisam allocated to the marketing is relatively small, the SME is well-known in its sector, fosters good client relationships and possesses good knowledge about the actors of the industry in which it operates. Lisam uses mainly three ways in order to make itself known and keep a good corporate image: its website, some ads in specialized magazines and the exhibitions. This last tool is profitable to meet their competitors, clients and potential partners as well as to reinforce the business network. For all these reasons, Lisam has good marketing capabilities.

The marketing used by Lisam is pretty standardized, as well as the product and the price. This is defended by Hemberg Michel in arguing that the needs of the Lisam's clients are similar across the world since the creation of worldwide regulations. To cope with the specificities of a particular market, the subsidiaries themselves are responsible of assuring the commercial services in their domestic markets. This supports the view of Cavusgil *et al.* (1993) arguing that technology-intensive products do not require a customized marketing because their customers have similar tastes and habits around the world.

Lisam has never opened its capital to investors. Hemberg Michel argues that the goal of the company is not to capitalize money and that consequently, Lisam does not invest any money, leading to a low financial resources and capabilities. This SME uses a short term credit in order to finance its activity during transitional period where it has spent all the royalties it received at the beginning of the year and where it receives the royalties for the next year. This does

60.

not corroborate with what the theory supposed and so, the financial capabilities are not what has determined the born again global internationalisation pattern of Lisam.

Lisam possesses the two types of knowledge described in the theory. On the one hand, the software rent by Lisam is based on the knowledge-intensity of its resources. It has required the intelligence of multiple highly-skilled workers including computer engineers and civil engineers. The second category of expertise rests on its knowledge about the chemical safety regulations. Lisam must be able to master it and to know in details every small differences in local legislation, which remains despite the worldwide regulation. Based on this very specific knowledge, Lisam got a strong reputation. On the other hand, Lisam perfectly knows its foreign competitors and classifies them into two categories. Firstly, they are those which propose global solution to their clients. This represents a very small lists of about 4 companies all over the world. On this category, the competitive advantage of Lisam relies on its price. The second category are the local competitors which do not export but have more aggressive price than Lisam because they face smaller development costs. Lisam has no Belgian competitor anymore but has competitor on the French, German and the Netherlands markets. What is more, Lisam pictures its potential clients perfectly and can even say that they are 10 000 in the United-States market. So, Lisam enjoys a strong foreign market knowledge and had the theoretical characteristics of both traditional and born global SMEs.

Despite appearances, the network of Lisam has not played a central role in its internationalisation. As argued by Hemberg Michel himself, the first overseas step realised in Japan has been done thanks to its acquisition of HEMMIS that had established a contact with the given company in Japan. However, it was not in the personal network of any partners. To go in United-States, Lisam appeals to the program proposed by AWEX which was not in its network either. As all company, Lisam has acquired a business network during its life but not an extensive enough to explain its rapid and successful internationalisation.

Finally, the environment in which Lisam operates is considered as stable and its market as a niche. The strategy of this SME focuses on long-term objectives. Hemberg Michel estimates the lifespan of 20 years for its software but is already working on a new technology to support it which will bring the company until 2040. Since Hemberg Michel will be retired in about 13 years, he is already focusing on future of its company by thinking about how will take his place. As such, the strategy of Lisam does not seem intuitive but rather planned. However, past

events have shown that Lisam stay open to unforeseen events and is capable of seized unplanned opportunities. This can give clue about the environment and the strategy used by the born again global SMEs without for all that generalizing.

Please, note that the information we collected does not enable us to judge the communication capabilities of Lisam in details.

#### D. Ipratech

##### *Presentation*

Established in 2007 by two partners, Ipratech concentrates on the automation of cell-based production processes. The company is now divided into three legal entities: Ipratech, Iprasense and APIcells. Headquartered in Mons, Ipratech itself includes two branches namely IpraCell and IpraBio. IpraCell is a biological activity which has been purchased to CILBiotech in 2012 and which focuses “on the production and exploitation of mammalian cells” (IpraCell, 2013). IpraBio markets technical and proprietary products and technologies designed by the company itself which aims to produce cell culture process. IpraBio is the engineering activity of Ipratech. Iprasense is a technical subsidiary of Ipratech located in Montpellier. Its activity can be compared to the one of IpraBio in that Iprasense develops patented equipment for the monitoring of cell cultures (Iprasense, 2014). Finally, created in 2013, APIcells is a commercial subsidiary of Ipratech and is headquartered in Lowell, United States. Its goal is to promote and to sell the proprietary technologies of Ipratech on the North America market.

Sergeant David, our interviewee and founder of Ipratech, was introduced to cell culture work during his university studies in 2004 due to a project proposed by a non-profit organisation that he accepted to manage. At this point, he was accompanied by a university friend who is no longer working for Ipratech but is still a shareholder. As part of this project, Sergeant David and his friend met Professor Miller who had worked in the cell culture field for many years and was the CEO of a cell culture company named CILBiotech. At that time, Sergeant David was surprised by the number of cell production steps that were performed manually while the cell culture field was heralded as being a high-tech sector. Consequently, Sergeant David identified an opportunity and decided to give his time to this project while finishing his studies. During three years, Professor Miller provided access to his laboratory to Sergeant David and

his friend; a period during which Sergeant David acquired knowledge and understanding of the specialized cell world. The actual partner of Sergeant David was the administrator of CILBiotech.

The strengths of Ipratech are many and diverse. Regarding cell production, Ipratech possesses a specific cell line from CILBiotech that it has worked with since the 1980s. This cell line grows faster than others and so can be produced cheaper. Then, Ipratech invests significantly in Research and Development to provide innovative and avant-garde products and services to its customers. Finally, by coupling the reproduction of cells and the production of cell culture technologies, Ipratech has both biological and technical skills. What is more, the laboratory that is used for cell reproduction is used to test the technologies developed for the IpraBio activities. This represents a key advantage since the other providers of cell technological solutions do not have their own laboratories and need to develop collaborations which come with risks and costs.

#### *Identification of the internationalisation pattern*

The internationalisation of Ipratech took place immediately since its very first client was German. The initial plan of the managers was not to sell during the two first years since they wished to continue developing their products. However, at this point CILBiotech was producing cells for a huge German client. Due to the insecurity of having only one producer, this client was looking for another company that was able to provide cells of good quality. Ipratech accepted to be their second supplier and this is how the company signed its first client contract which was an international one.

Almost no cells have been sold in Belgium since the creation of the company. Given that it only requires shipping, Ipratech is selling its cells all over the world from Singapore to Canada. Sergeant David explained us that this is mainly academic or private centres of research that are interested in his cells. Since this very specific field survives on scientist publications, a paper that includes a company name and is associated with good results will bring a significant number of clients to that company. That is what happened with Ipratech and what enabled it to go international so quickly. About the selling of cell culture equipment, Sergeant David does not provide to Asian countries because it is very difficult to perform quality client support and it requires a bigger structure. Consequently, IpraBio is selling mainly in Europe, Middle East

and America. As indicated above, Ipratech opened two subsidiaries in the United States and France in 2013.

It appears from what has been described above that Ipratech followed a born global internationalisation pattern since it has embraced the worldwide market early.

*Evaluation of the determinants*

Sergeant David, our interviewee, is Belgian, born in 1983 and graduated with a degree in civil engineering. Before being at the helm of Ipratech, he was a student; making this his first job. The other manager of Ipratech had previous experience in the cell culture world since he was previously the manager of CILBiotech. In the framework of that previous job, he accumulated some experience abroad and already had worked in an international company. As for our interviewee, he never lived, worked or studied abroad before working for Ipratech and even stated that he was not attracted by foreign countries. Finally, whereas Sergeant David did not speak English after his university studies and learnt it in the field, his partner mastered English perfectly. Based on this information and the criterion used by Acedo and Jones (2007) to assess the international orientation, Sergeant David has a low international orientation, which is just the opposite of the other partner who appears to have a high international orientation. However, it should be noted that the main manager of Ipratech is Sergeant David and not his partner. Consequently, what the theory predicts about the profile of born global manager clashes with the case we met in Ipratech.

Even if the uncertainties faced by Ipratech are decreasing the more it progresses, a major risk remains and will always remain. This is the fact that the value of the company can increase and decrease significantly within two days because it is left to the mercy of the sudden appearance of a new and revolutionary technology that Ipratech did not anticipate. Sergeant David confided to us that he had the feeling that the technology developed by Ipratech on microscopy had been a bad surprise for many players on the markets. As the area in which Ipratech operates is described as very conservative and secretive, it is challenging to obtain information about the competitors and what they prepare, which increases the uncertainties. However, Sergeant David and his partners consider that this risk is part of their business and they choose to accept it, showing a high tolerance to ambiguity. Moreover, based on the criterion of Acedo and Jones (2007), the two managers have low risk perceptions since they

perceive the international activity has something positive for their business and they consider that Ipratech has a high probability of success on the foreign markets. This is in line with the theoretical description of the born global manager. However, Sergeant David admitted to not being proactive or ambitious. However, he places high value on honesty, creativity and innovation.

Due to the limited size of the domestic market for cell cultures, Ipratech is forced to have a strong international growth orientation. Moreover, most of the potential Belgian clients seem to produce their cells internally. Consequently, this SME does not desire to grow on the domestic markets and considers that its future resides on the international one. Once all the products developed by Ipratech would be perfectly finished and the earnings of these products assured, Ipratech would be ready to push its growth on the Asian countries. However, it does not yet feel ready for this since its business still requires important investments in technology. Moreover, the company is currently working on new international projects in North Africa and wishes to continue increasing its international presence. This high international growth orientation could be driven by the accumulated expertise of Ipratech which clearly owns strong industry-specific expertise and an extensive reputation in its market.

Based on the information collected during our interview, Ipratech built its international market selection strategy on the opportunity rather than on data analysis. It never knows what will be the next step. When Ipratech receives a proposition for a contract on a new market, the managers analyse it simply and move forward. Even though it appears like a simplistic decision-making process, they judge the advantage of entering this new market, the necessary investment in technologies it requires and the potential earnings. Ipratech does not carry out daily foreign data analysis or any cell culture market scanning, characterising it with a low intelligence generation that enables it to be flexible.

Ipratech allocates a low budget to marketing and mainly depends on the scientist publications. However, it possesses a good understanding of the needs of its customers and has good relationships with the others actors of the industry, considering that the progress of one actor in the industry enables the others to improve. These both elements are viewed by Kuivalainen *et al.* (2010) as associated with high marketing capabilities. If Ipratech would undertake any marketing campaigns, they would probably be standardised across the world since the needs

of the clients are similar everywhere. However, the marketing capabilities and standardisation appears to be a minor determinant of the internationalisation pattern followed by Ipratech and a component to which Sergeant David attributes little importance.

When they decided to create Ipratech, Sergeant David and his partner knew that they needed to form a limited company in order to increase their credibility. The initial capital was provided by four people namely Sergeant David, his partner, Sergeant David's friend from university and a public fund. That way, 65 000€ was injected to start the business. Additional capital has been raised twice for the creation of the subsidiaries in France and U.S.A. However, the shareholders have not changed. Ipratech has been approached by some venture capitalists but since Sergeant David estimates that the company value will still increase, he did not want to dilute ownership. The financial management is assured thanks to the partner of Sergeant David who manages that component. He has strong experience in that field since he is also the CFO of another company. Sergeant David states that on the whole, it is not financial resources and capabilities that limit their growth. It can be said that Ipratech has good financial resources and capabilities which have probably helped it to internationalise rapidly and early.

All the employees of Ipratech are highly qualified and their products are knowledge intensive. The competitive advantage of Ipratech rests on its proprietary, innovative and avant-garde technologies which have been built on the knowledge that the Ipratech's workers possess. This represents one main determinant of the born global internationalisation pattern followed by Ipratech. However, because the interviewee himself recognised that he has only begun to acquire good knowledge about the international markets, it can be concluded that Ipratech has low foreign market knowledge. An explanation is the conservatism and confidentiality maintained in the cell culture world that makes the knowledge acquisition about foreign markets complicated and difficult. Therefore, it requires time to accumulate knowledge about international markets.

The communication within Ipratech is not a significant determinant of its born global internationalisation because the structure and the number of employees do not call for specific communication rooms or channels. In order to facilitate the communication between the subsidiaries, Skype meeting are organized every Friday afternoon. Yli-Renko *et al.* (2002) argued that the communication capabilities are enhanced by the team work and when the

employees are capable to perform the jobs of the others. From this point of view, Ipratech has low communication capabilities because the employees tend to work alone and are indispensable to the extent that they are the only one able to carry out their tasks.

At the beginning of the internationalisation of Ipratech, Sergeant David and his partner immediately owned an extensive network by proxy, which was the one of CILBiotech. Sergeant David considers that his own network is efficient only for the past year but recognises that he has used the one of Professor Miller and CILBiotech largely. Also we note that it is thanks to this network that Ipratech obtained their first client. Because Ipratech had the opportunity to use the network of another company specialised in the same sector, it has been helped to internationalise so soon after its foundation.

Ipratech operates in a specific sector that is viewed as a niche. However, due to the conservatism and the long procedures involved with introducing new technologies, the market is not dynamic at all. Sergeant David qualifies it as “very stable” since innovative techniques are not welcomed. There are considerable validation time and testing which pose significant entry barriers. This is one reason that Ipratech chose to be product-oriented instead of client-oriented. In fact, the market being so keen to, the clients will never initiate a change on their own initiative. Being product-oriented enables Ipratech to decree the change itself. Ipratech does not have long term objectives and stays open to unforeseen events. Its strategy is globally planned for the next five years but not longer.

#### E. Conclusion

After the examination of these four SMEs, we are able to add some elements to the theoretical answers of the two first research questions as well as to study the similarities and disparities between the theory and the observed reality. To reach these goals, this conclusion is separated into two paragraphs whose each focuses on one research question.

As a reminder, the first research question we desire to answer is “*What are the internationalisation patterns followed by SMEs?*”. Based on the literature review, we evidenced three main internationalisation patterns namely the traditional one, the born global one and the born again global one as well as the features that enable to differentiate them. In a real-life context, we have been able to identify the internationalisation pattern followed by the interviewed SMEs. To a large extent, the theoretical characteristics are found in the field as

well. The traditional internationalisation pattern followed by EUREMI corresponds to the academic description on many points. However, after 30 years of existence, EUREMI is still placed on the first step of the establishment chain namely “no regular export activities”. Because EUREMI does not yearn to change on this point, we can affirm that this SME will probably never obey to this scale. As underlined by Johanson and Wiedersheim-Paul (1975), what matters is not the perfect matching to this establishment chain but is that the firm gradually devotes more resources to the international markets which is respected by EUREMI. The born global internationalisation pattern matches with the internationalisation followed by Fishing Cactus and Ipratech. However, a significant difference between the theory and the practise has been observed in both cases. These SMEs do not sense the market as one place, what is predicted in theory, since they consider Asia as a “no man’s land”. According to us, this represents a main difference with the theory even if this cannot be generalised. Based on this observation, it seems that our two born globals embrace worldwide markets soon after their founding what copes with the definition of Oviatt and McDougall (1994) but still take into account the psychic distance when deciding which countries to enter. However, it should be borne that their psychic distance is reduced thanks to many elements such as the prior international experience of the managers what facilitates the entry to countries as United-States or Eastern Europe. Finally, Lisam and its born again global internationalisation pattern copes with the description of this pattern given in the literature revue. Although not focusing on worldwide markets before, this company has decided to change its strategy and to internationalise suddenly due to two successive events, namely the acquisition of HEMMIS and the harmonization of regulation.

As an answer to our first research question, we can state that the study made on the four SMEs confirms what the theory concludes; three internationalisation patterns, namely the traditional one, the born global one and the born again global one, are followed by the SMEs. These patterns exhibits distinct characteristics. The literature revue enabled us to associate the interviewed SMEs to one of the internationalisation pattern even if concrete SMEs may differ from the theory on some points.

The second research question this master’s thesis focuses on is “*What are the determinants of these internationalisation patterns?*”. Based on many studies realised by the research community on this field, nine determinants, influencing the internationalisation patterns in

different directions, have been retained as relevant: managers' characteristics and mind-set, international growth orientation, intelligence generation, marketing capabilities, financial resources and capabilities, knowledge, communication capabilities, network and finally firm strategy and environment. These nine determinants are all firm-internal and can be classified into either the organisational or managerial capability. Although the internationalisation pattern followed by a company is impacted by many factors, it results from the interviewed SMEs that some factors are more decisive than others.

It appears that the non-commercial and technician's nature of the managers of EUREMI is the main determinant to its traditional internationalisation pattern since Rockmans Michel himself admits that it pushes himself to wrap EUREMI in cotton wool. After the interview, Rockmans Michel also confessed us that the fact that the foundation of EUREMI dates back to the 80s has also highly determined its internationalisation pattern since, at that time, the internationalisation of SMEs was less promoted. Aside from that, EUREMI possesses some elements that are typical of born global as a strong reputation based on industry-specific knowledge. However, having followed a traditional internationalisation pattern does not stop having certain born global characteristics. Fishing cactus, even though progressing in an environment that is opposite to the one of a born global, has internationalised soon and rapidly by relying on its network and the previous experience of its four founders. This young SME has enjoyed the recent trend of globalisation and has dared to immediately go abroad. It has chosen to use information communication technologies to reach its clients, showing modernity. Despite being a SME with less resources and experience operating in a large market, this company has been able to go abroad immediately and differ from its competitors thanks to its network, audacity and mind-set. All the incentives to communication should also be highlighted as an important determinant to its born global internationalisation. As for Ipratech, which also followed a born global internationalisation pattern, it contrasts with Fishing Cactus since its main strengths to internationalise soon and rapidly have been its knowledge and technologies protected by intellectual property that are used in a niche market that is exploited thanks to a network by proxy. Consequently, the major determinant of the internationalisation pattern of Ipratech is not the characteristics of the managers. Finally, one crucial determinants of the born again global internationalisation pattern of Lisam is the international orientation and tolerance to ambiguity of Hemberg Michel as well as the

standardisation of the product that has been possible thanks to the worldwide harmonization of the law.

With its concrete dimension, the SMEs analysis gives us more precision about the answer to the second research question. The reality does not clash with the theory but some theoretical determinants played a more crucial role than others. This is the case for the managers' characteristics, the international growth orientation, the knowledge, the network and the environment. It should be noted that this result cannot be generalised since the analysis has been done only on four SMEs. Another determinant, which is the date of foundation of the SME, should be added to the list. The older the company is, the higher the likelihood to follow a traditional or born again global internationalisation pattern. This is explained by some recent trends such as the globalisation, the government support to go abroad and the emphasis put on the importance of going abroad during the study.



## Part IV: The managerial implications

---

The preceding parts enable to understand the different internationalisation patterns and their determinants and so to provide answers to the first two research questions. As part of a scientist and business approaches, we believe that it is relevant to use the results obtained so far in order to draw some managerial implications. This part presents two managerial implications

Firstly, this paper proves that managers have a certain control over the internationalisation pattern followed by their SME. This managerial implication is important in that the literature may present the internationalisation patterns in a way that make them deterministic. By describing the determinants of the internationalisation patterns, we show that managers may take actions to influence their internationalisation and that this is even possible for them to radically change their internationalisation strategy over time, which is often reflected by a born again global internationalisation pattern. By the same token, an implication of this master's thesis is that the managerial capabilities themselves influence the internationalisation patterns.

Secondly, whatever which internationalisation pattern SMEs follow, this study underlines the growing importance and necessity of the SMEs internationalisation. The 21<sup>st</sup> century is symbolized by the globalisation, and all its consequences as the borders opening and the free trade of good, workers and capital, that facilitates the internationalisation and increases the competition on national market. Consequently, more and more entrepreneurs must take the risks and costs of the internationalisation upon themselves and are not necessary prepared for that. The results of the two first research questions give clue about how to be prepared for an internationalisation process: building a significant network, having appropriate personal characteristics, considering the financial resources, *etc.* This globalisation trend concerns also the governments since it impacts the competitiveness of their country. Being aware of the growing significance of SMEs internationalisation also enables the managers to make use of the government aid program organised by their government.



## Part V: Conclusion

---

In this final part, we come back to the work carried out along with the limitations and the possible future research.

The globalisation trend of the 21<sup>st</sup> century has modified the view and opinion of SMEs on the need of internationalisation. Within this specific context, new types of internationalisation pattern, namely the born global and born again global one, are growing and gain recognition. This is in this situation that we decided to conduct a master's thesis whose goal is to highlight the internationalisation pattern followed by SMEs, to establish their determinants and to draw the managerial implications that come out of these results.

### Chapter 1: Summary

In order to reach these three goals, this paper has been divided into 5 parts: the introduction, the literature review, the practical part, the managerial implications and this conclusions.

The theoretical part presents the literature review and set the academic basis. It concentrates what the research community has already affirmed about the internationalisation patterns of SMEs and their determinants. To summarise, three internationalisation patterns are followed by SMEs. The first one is named the traditional internationalisation pattern and is based on the Uppsala theory. It states that after firstly being well established in their domestic market, the SMEs internationalise gradually and enter foreign countries with successively greater psychic distance. The second one, called born global internationalisation pattern, has assert itself more recently. It includes SMEs that internationalise very soon after their establishment by penetrating simultaneously multiple countries. These SMEs looks for acquiring advantage from international markets from their birth. Finally, the last type of internationalisation pattern is the born again global one. During a number of years, these SMEs do not give attention to the international markets. However, a certain event, e.g. the change of ownership, leads the firm to radically modify its strategy and to internationalise rapidly. After that, we identify nine firm-internal determinants of these three internationalisation patterns: managers' characteristics and mind-set, international growth orientation, intelligence generation, marketing capabilities, financial resources and capabilities, knowledge,

communication capabilities, network and finally firm strategy and environment. We describe how these nine determinants influence each internationalisation pattern.

The practical part aims at bringing a real dimension to this master's thesis by interviewing four SMEs in order to identify and analyse their internationalisation patterns. This part firstly present the methodology used to conduct these interviews and secondly analyse them. Four Belgian SMEs have been interviewed namely EUREMI, Lisam, Fishing cactus and Ipratech. While EUREMI has been identified as following a traditional internationalisation pattern, Fishing Cactus and Ipratech have been classified into the born global category. Finally, Lisam belongs to the last type of internationalisation pattern; the born again global one. After that, each of the nine determinants presented into the theoretical part are evaluated for each company in order to assess the matching between the theory and the practice and in order to evaluate what has determined the internationalisation pattern followed by our four SMEs. We conclude that, for our four SMEs, some determinants plays a more important role than others like the managers' characteristics, the international growth orientation, the knowledge, the network and the environment. However, it should be borne that these are not statistically and convincing results since it is based on the interviews of four SMEs.

Finally, we ventures two managerial implications based on the results obtained to the two first research questions in order to answer the third one.

## Chapter 2: Limitations

The paper presents a number of limitations that are essential to note.

In terms of theoretical approach, we selected the different internationalisation patterns followed by SMEs by focusing and differentiating them according to four criteria namely the precocity, the speed, the scope and the scale. By choosing to axe our approach on these criteria, we have obtained three specific internationalisation patterns. However, by using different criteria, theories or approaches, other internationalisation patterns could have been found as well; the internationalisation pattern depending on what you focus on. Moreover, we decided to concentrate on firm-internal determinants. Nine main determinants have been studied but this list is not exhaustive. In the same token, we did not consider the firm-external determinants like the country or the government aid programs.

In terms of analytical approach, this paper does not provide statistical results since these are based on only four SMEs. The information obtained about the SMEs have been collected through one single interview. However, we do consider this information as reliable since the interviews have been made with the CEO or the commercial manager in charge of the internationalisation process.

Our research findings opens up prospects for future research and these limitations can be viewed as possible tracks for it. Firstly, we believe that statistical and empirical studies are needed to confirm the trends that have been identified in this master's thesis. Secondly, a possible extension of this master's thesis will be to examine the firm-external determinants of the internationalisation patterns identified in order to have the full understanding about what shapes these SMEs internationalisation patterns.



## Bibliography

---

- Acedo, F., & Jones, M. (2007). Speed of internationalization and entrepreneurial cognition: Insights and a comparison between international new ventures, exporters and domestic firms. *Journal of World Business, 42*, 236 – 252.
- Ageron, B., & Huault, I. (2002). Complexité du processus d'internationalisation de la PME: vers un enrichissement de l'analyse behavioriste. *Management International, 6*(2), 43 – 53.
- Al-Hyari, K., Al-Weshah, G., & Alnsour, M. (2012). Barriers to internationalisation in SMEs: evidence from Jordan. *Marketing Intelligence & Planning, 30*(2), 188 – 211.
- Amabile, T., Conti, R., Coon, H., Lazenby, J., & Herron, M. (1996). Assessing the work environment for creativity. *Academy of Management Journal, 39*(5), 1154 – 1184.
- Andersen, O. (1993). On the internationalization process of firms: a critical analysis. *Journal of International Business Studies, 24*(2), 209 – 231.
- Andersson, S. (2011). International entrepreneurship, born globals and the theory of effectuation. *Journal of Small Business and Enterprise Development, 18*(3), 627 – 643.
- Autio, E., Sapienza, H., & Almeida, J. (2000). Effects of age at entry, knowledge intensity, and imitability on international growth. *Academy of Management Journal, 43*(5), 909 – 924.
- Bell, J. (1995). The internationalization of small computer software firms – A further challenge to “stage” theories. *European Journal of Marketing, 29*(8), 60 – 75.
- Bell, J., McNaughton, R., & Young, S. (2001). ‘Born-again global firms – An extension to the ‘born global’ phenomenon. *Journal of International Management, 7*, 173 – 189.
- Bell, J., MacNaughton, R., Young, S., & Crick, D. (2003). Towards an integrative model of small firm internationalization. *Journal of International Entrepreneurship, 1*(4), 339-362.
- Benito, G., & Gripsrud, G. (1992). The expansion of foreign direct investments: discrete rational location choices or cultural learning process? *Journal of International Business Studies, 23*(3), 461 – 476.
- Cavusgil, S., Zou, S., and Naidu, G. (1993). Product and promotion adaptation in export ventures: an empirical investigation. *Journal of International Business Studies, 24*(3), 479 – 506.
- Chetty, S., & Campbell-Hunt, C. (2004). A Strategic Approach to Internationalization: A Traditional Versus a “Born-Global » Approach. *Journal of International Marketing, 12*(1), 57 – 81.

Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises. (2003). *Official Journal of the European Union*. Extract of Article 2 of the Annex of Recommendation 2003/361/EC.

Coviello, N.E., & McAuley, A. (1999). Internationalisation and the Smaller Firm: A Review of Contemporary Empirical Research. *Management International Review*, 39(3), 223 – 256.

Covin, J., & Slevin, D. (1991). A conceptual model of entrepreneurship as firm behaviour. *Entrepreneurship Theory and Practice*, 16(1), 7 – 25

Crick, D., & Spence, M. (2005). The internationalisation of 'high performing' UK high-tech SMEs: a study of planned and unplanned strategies. *International Business Review*, 14(2), 167 – 185.

Denscombe, M. (2003). *The Good Research Guide for small-scale social research projects*. Philadelphia: Open University Press.

EUREMI (2015). *Profile*. <http://www.euremi.com/en/profile/> (Retrieved on 09/06/2015) Official website of EUREMI.

Falize, M., & Coeurderoy, R. (2012). The network approach to rapid internationalization among Born-Global and Born-again Global firms: the case of the "Global Innovation Network". *Louvain School of Management Research Institute*, 1 – 29.

Fishing Cactus. (2012). *R.O.G.E.R.*  
[http://seriousgaming.fishingcactus.com/en/Projets/Roger/roger\\_ulb\\_hemi\\_negligence\\_kinect\\_medical.html](http://seriousgaming.fishingcactus.com/en/Projets/Roger/roger_ulb_hemi_negligence_kinect_medical.html)  
 (Retrieved on 20/06/15) Official website of Fishing Cactus.

Freeman, S., & Cavusgil, S. (2007). Toward a Typology of Commitment States Among Managers of Born-Global Firms: A Study of Accelerated Internationalization. *Journal of International Marketing*, 15(4), 1 – 40.

Gabrielsson, M., & Kirpalani, V.H. (2012). *Handbook of Research on Born Globals*. United-Kingdom and USA: Ed. Edward Elgar.

Gooderham, P., Grøgaard, B., & Nordhaug, O. (2013). *International management – Theory and practice*. United-Kingdom and USA: Ed. Edward Elgar.

Griffith, D., Chandra, A., & Ryans, J. (2003). Examining the intricacies of promotion standardization: factors influencing advertising message and packaging. *Journal of International Marketing*, 11(3), 30 – 47.

Guest, G., Namey, E.E., Mitchell, M.L. (2013). *Collecting Qualitative Data*. Thousand Oaks: Sage Publication Inc.

Haaland, J. (2015). *INB427: globalisation and integration – Lecture 5: within industries – firm heterogeneity and trade*. Unpublished document, Norges Handelshøyskole.

He, X., & Wei, Y. (2011). Linking market orientation to international market selection and international performance. *International Business Review*, 20, 535 – 546.

- Ipracell. (2013). *IPRACELL*. <http://www.ipracell.be/> (Retrieved on 22/06/2015) Official website of Ipracell.
- Iprasense. (2014). *IPRASENSE*. <http://www.iprasense.com/> (Retrieved on 22/06/2015) Official website of Iprasense.
- Johanson, J., & Wiedersheim-Paul, F. (1975). The internationalization of the firm – four Swedish cases”. *The Journal of Management Studies*, 12(3), 305 – 323.
- Johanson, J., & Vahlne, J.-E. (1977). The internationalization process of the firm – a model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23 – 32.
- Johanson, J., & Vahlne, J.-E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40(9), 1411 – 1431.
- Knight, G., & Cavusgil, S. (1996). The born global firm: a challenge to traditional internationalization theory”. *Advances in International Marketing*, 8(1), 11 – 26.
- Knight, G., & Cavusgil, S. (2004). Innovation, organizational capabilities, and the born-global firm. *Journal of International Business Studies*, 35(4), 124 – 141.
- Kotey, B., & Meredith, G. (1997). Relationships among Owner/Manager Personal Values, Business Strategies, and Enterprise Performance. *Journal of Small Business Management*, 35(2), 37 – 64.
- Kuivalainen, O., Puumalainen, K., Sintonen, S., & Kyläheiko, K. (2010). Organisational capabilities and internationalisation of the small and medium-sized information and communications technology firms. *Journal of International Entrepreneurship*, 8(2), 135 – 155.
- Lisam (2015). *About Lisam systems group*. <http://www.lisam.com/About-Lisam-Systems> (Retrieved on 15/06/2015) Official website of Lisam.
- Madsen, T., & Servais, P. (1997). The internationalization of Born Globals: an Evolutionary Process? *International Business Review*, 6(6), 561 – 583.
- McDougall, P., & Oviatt, B. (2000). International entrepreneurship: the intersection of two research paths. *Academy of Management Journal*, 43(5), 902 – 906.
- Moen, O, & Servais, P. (2002). Born global or gradual global? Examining the export behavior of small and medium-sized enterprises. *Journal of International Marketing*, 10(3), 49 – 72.
- Nummela, N., Saarenketo, S., & Puumalainen, K. (2004). A Global Mindset: A prerequisite for Successful Internationalization? *Canadian Journal of Administrative Sciences*, 21(1), 51 – 64.
- Nummela, N., Puumalainen, K. & Saarenketo, S. (2005). International growth orientation of knowledge-intensive SMES. *Journal of International Entrepreneurship*, 3(1), 5 – 18.

O’Cass, A., & Weerawardena, J. (2009). Examining the role of international entrepreneurship, innovation and international market performance in SME internationalisation. *European Journal of Marketing*, 43(11-12), 1325 – 1348.

O’Grady, S., & Lane, H. (1996). The psychic Distance Paradox. *Journal of International Business Studies*, 27(2), 309 – 333.

OECD (2009), “Top Barriers and Drivers to SME Internationalisation”, Report by the OECD Working Party on SMEs and Entrepreneurship, OECD.

Olejnik, E., & Swoboda, E. (2012). SMEs’ internationalization patterns: descriptives, dynamics and determinants. *International Marketing Review*, 29(5), 466 – 495.

Oviatt, B., & McDougall, P. (1994). Toward a theory of international new ventures. *Journal of International Business Studies*, 25(1), 45 – 64.

Preece, S.B., Miles, G., & Baetz, M.C. (1998). Explaining the international intensity and global diversity of early-stage technology-based firms. *Journal of Business Venturing*, 14(3), 259 – 281.

Rialp, A., Rialp, J., & Knight, G.A. (2005a). The phenomenon of early internationalization firms: what do we know after a decade (1993 – 2003) of scientific inquiry? *International Business Review*, 14, 147 – 166.

Rialp, A., Rialp J., Urbano, D., & Vaillant, Y. (2005b). The Born-Global Phenomenon: A comparative Case Study Research. *Journal of International Entrepreneurship*, 3, 133 – 171.

Rennie, M. (1993). Born global. *The McKinsey Quarterly*, 4, 45 – 52.

Schueffel, P., Baldegger, R., & Amann, W. (2014). Behavioral patterns in born-again global firms – Towards a conceptual framework of the internationalization activities of mature SMEs. *The Multinational Business Review*, 22(4), 418 – 441.

Sekaran, U. (1992). *Research Methods for Business: A skill-Building Approach*. Brisbane: John Wiley & Sons Inc.

Sharma, D., & Blomstermo, A. (2003). The internationalization process of Born Globals: a network view. *International business review*, 12, 739 – 753.

Sullivan, D., & Bauerschmidt, A. (1990). Incremental Internationalization: A Test of Johanson and Vahlne’s Thesis. *Management International Review*, 30(1), 19 – 30.

Tuppura, A., Saarenketo, S., Puumalainen, K., Jantunen, A., & Kyläheiko, K. (2008). Linking knowledge, entry timing and internationalization strategy. *International Business Review*, 17, 473 – 487.

Weerawardena, J., Mort, G., Liesch, P., & Knight, G. (2007). Conceptualizing accelerated internationalization in the born global firm: A dynamic capabilities perspective. *Journal of World Business*, 42, 294 – 306.

Yin, R.K. (2003). *Case Study Research: Design & Methods*. Thousand Oaks: Sage Publications Inc.

Yli-Renko, H., Autio, E., & Tontti, V. (2002). Social capital, knowledge, and the international growth of technology-based new firms. *International Business Review*, 11(3), 279 – 304.

Zahra, S., Ireland, R., & Hitt, M. (2000). International expansion by new venture firms: international diversity, mode of market entry, technological learning, and performance. *Academy of Management Journal*, 43(5), pp. 925 – 950.

Zahra, S., Korri, J., & Yu, J. (2005). Cognition and international entrepreneurship: implications for research on international opportunity recognition and exploitation. *International Business Review*, 14(2), 129 – 146.

