a scientific quarterly

EBER

Entrepreneurial Business and Economics Review

ISSN 2353-883X eISSN 2353-8821 2015, Vol. 3, No. 2

International Entrepreneurial Orientation: Theoretical Perspective

edited by
Krzysztof Wach

Cracow University of Economics
Faculty of Economics and International Relations
Centre for Strategic and International Entrepreneurship

a scientific quarterly

EBER

Entrepreneurial Business and Economics Review

ISSN 2353-883X eISSN 2353-8821 2015, Vol. 3, No. 2

International Entrepreneurial Orientation: Theoretical Perspective

edited by
Krzysztof Wach

Cracow University of Economics
Faculty of Economics and International Relations
Centre for Strategic and International Entrepreneurship

Original Version

The printed journal is the primary and reference version.
Both printed and online versions are original and identical.

ISSN 2353-883X (printed version)
eISSN 2353-8821 (online version)
ISBN 978-83-65262-00-4 (book)

Publisher

Cracow University of Economics
Faculty of Economics and International Relations
Centre for Strategic and International Entrepreneurship
ul. Rakowicka 27, 31-510 Kraków, Poland
phone +48 12 293 5376, -5327, fax +48 12 293 5042
e-mail: eber@uek.krakow.pl
www.eber.uek.krakow.pl

Cover and DTP: Marek Sieja

Printing and Bounding

Drukarnia K&K Kraków
www.kandk.com.pl

International Advisory Board

Reviewers:

All articles are double-blinded peer-reviewed by at least two independent reviewers.
The detailed list of reviewers is published at our website once a year.

Abstracting/Indexing:

The journal, and all its articles, is abstracting and/or indexing
in international databases, including:

ERIH Plus (Norway)
ABI/INFORM Global (USA)
ProQuest Entrepreneurship (USA)
EBSCO Business Source Ultimate (USA)
EBSCO Business Source Corporate Plus (USA)
EconPapers – RePEc (Sweden)
CEEOL (Germany)
Google Scholar (USA)
Index Copernicus (Poland)
BazEkon (Poland)
BazHum (Poland)

as well as
PBN, CeON, ROAD, ECONIS, ECONBIZ, ZDB, EZB, WZB, OAJI, WorldCat, Arianta

All articles published in EBER are tagged with an identification number
employing the Digital Object Identifier (DOI) System.

Entrepreneurial Business and Economics Review

2015, Vol. 3, No. 2

Thematic Issue Published also as the Monograph

International Entrepreneurial Orientation: Theoretical Perspective
edited by
Krzysztof Wach

Table of Contents

Editorial: International Entrepreneurial Orientation **7**
Krzysztof Wach

Entrepreneurial Orientation and Business Internationalisation Process: The Theoretical Foundations of International Entrepreneurship **9**
Krzysztof Wach

Opportunity Identification and Creation as Factors in Internationalisation Processes in Firms **25**
Agnieszka Żur

The Speed and Extent of New Venture Internationalisation in the Emerging Economy Context **41**
Rūta Kazlauskaitė, Erkko Autio, Tadas Šarapovas, Šarūnas Abramavičius, Modestas Gelbūda

The Resource-based View and SME Internationalisation: An Emerging Economy Perspective **53**
Rūta Kazlauskaitė, Erkko Autio, Modestas Gelbūda, Tadas Šarapovas

Innovation Processes as a Stimulant of Internationalisation Process of Firms **65**
Małgorzata Kosała

Risk Taking Propensity and Firm Internationalisation Process **85**
Janusz Fudaliński

Export Barriers for Small and Medium-sized Enterprises: A Literature Review based on Leonidou's Model **105**
Vijay Narayanan

Factors Stimulating Internationalisation of Firms: An Attempted Holistic Synthesis **125**
Magdalena Belniak

Assessment of a Country's Regional Economic Development on the Basis of Estimation of a Single Process (ESP) Method **141**
Romualdas Ginevičius, Dainora Gedvilaitė, Šarūnas Bruzgė

EBER in Focus **155**

Call for Papers **156**

Reviewing Policy and Procedures **157**

Publication History **158**

Entrepreneurial Business and Economics Review
2015, Vol. 3, No. 2
DOI: 10.15678/EBER.2015.030201

Editorial: International Entrepreneurial Orientation

In recent decades, both the theory of internationalisation of the firm and/or the theory of international business have developed. Recent developments in international business studies prove that entrepreneurial orientation (EO) emerges as one of the important potential factors contributing to the intensification of the processes of internationalisation of the firm (Etemad, 2015; Gupta & Gupta, 2015). It seems that international entrepreneurship (IE) has been flourishing. The general theory of entrepreneurship indicates that market opportunities are a common and dominant link for all entrepreneurial activities. The entrepreneurship theory refers to the identification or creation opportunities, their evaluation and exploitation. The expansion into new geographic markets is undoubtedly an important market opportunity for growth and development. The internationalisation as a response to the market opportunity takes diverse paths. Based on the in-depth literature search, this issue of our journal aims to determine whether, why and how, in the context of diverse environmental conditions, the pursuit of market opportunities contributes to the increase of internationalisation of the firm (Dimitratos & Plakoyiannaki, 2003; Dimitratos, Voudouris, Plakoyiannaki & Nakos, 2012; Wach, 2015).

Krzysztof Wach in his article entitled *Entrepreneurial Orientation and Business Internationalisation Process: The Theoretical Foundations of International Entrepreneurship* introduces the three-dimensional concept of international entrepreneurial orientation IEO (proactiveness, innovativeness, risk taking – discussed in details in the following three chapters). It deals with general issues of the international entrepreneurship trying to show how the theory of entrepreneurship can advance our knowledge in international business studies.

The second article entitled *Opportunity Identification and Creation as Factors in Internationalisation Processes in Firms*, written by Agnieszka Żur, focuses on the first dimension of international entrepreneurial orientation that is proactiveness. Usually it is understood as the opportunities creation (Schumpeterian stream) or the opportunity identification (Kirznerian stream). This article deals with the opportunity-based view (OBV) in international business.

Rūta Kazlauskaitė, Erkko Autio, Tadas Šarapovas, Šarūnas Abramavičius, and Modestas Gelbūda in their article entitled *The Speed and Extent of New Venture Internationalisation in the Emerging Economy Context* focus on various patterns of the internationalisation taking international new ventures (INVs) into special consideration. The articles is based on in-depth literature study.

The fourth article entitled *The Resource-based View and SME Internationalisation: An Emerging Economy Perspective*, written by Rūta Kazlauskaitė, Erkko Autio, Modestas

Gelbūda and Tadas Šarapovas, focuses on the use of RBV perspective while discussing the internationalisation of firms from emerging economies.

Małgorzata Kosała in her article entitled *Innovation Processes as a Stimulant of Internationalisation Process of the Firms*, concentrates on the second dimension of IEO , which is innovativeness. It shows how the implementation of new ideas and new solutions stimulates the internationalisation process of the firm, which *per se* is treated as one of five forms of innovation – entering or opening new markets.

The fifth article entitled *Risk Taking Propensity and Firm Internationalisation Process*, written by Janusz Fudaliński shows how important is entrepreneurial risk in international business. Risk taking, as the third dimension of IEO, occurs permanently in the process of internationalisation of the firm. The article reveals also how to manage risk in internationally-orientated firms.

Vijay Narayanan in his article entitled *Export Barriers for Small and Medium-sized Enterprises: A Literature Review based on Leonidou's Model* presents the summary of in-depth literature studies identifying export barriers among SMEs both from theoretical and empirical perspective of various investigators.

The last but not least article entitled *Factors Stimulating Internationalisation of Firms: An Attempted Holistic Synthesis*, written by Magdalena Belniak, concludes all above-mentioned stimulants for the internationalisation of the firm as it attempts to draw a holistic illustration of the internationalisation factors – both internal and external ones. This article makes the whole study complete by applying a very important issue (variable) of the international entrepreneurship that is the external environment.

The last but not least article entitled *Assessment of a Country's Regional Economic Development on the Basis of Estimation of a Single Process (ESP) Method*, written by Romualdas Ginevičius, Dainora Gedvilaitė and Šarūnas Bruzgė focus on regional development in Lithuania.

Krzysztof Wach
Editor-in-Chief

REFERENCES

Dimitratos, P., & Plakoyiannaki, E. (2003). Theoretical Foundations of an International Entrepreneurial Culture. *Journal of International Entrepreneurship*, 1(2), 187–215.

Dimitratos, P., Voudouris, I., Plakoyiannaki, E., & Nakos, G. (2012). International Entrepreneurial Culture – Toward a Comprehensive Opportunity-based Operationalization of International Entrepreneurship. *International Business Review*, 21(4), 708-721.

Etemad, H. (2015). Entrepreneurial Orientation – Performance Relationship in the International Context. *Journal of International Entrepreneurship*, 13(1), 1-6.

Gupta, V.K, & Gupta, A. (2015). Relationship between Entrepreneurial Orientation and Firm Performance in Large Organizations over Time. *Journal of International Entrepreneurship*, 13(1), 7-27.

Wach, K. (2015). Impact of Cultural and Social Norms on Entrepreneurship in the EU: Cross-Country Evidence based on GEM Survey Results. *Zarządzanie w Kulturze*, 16(1), 15-29. doi: 10.4467/20843976ZK.15.002.3037.

Entrepreneurial Business and Economics Review

OPEN ACCESS

2015, Vol. 3, No. 2 DOI: 10.15678/EBER.2015.030202

Entrepreneurial Orientation and Business Internationalisation Process: The Theoretical Foundations of International Entrepreneurship

Krzysztof Wach

ABSTRACT

Objective: The main goal of the article is to discuss and elaborate on the basics of international entrepreneurial orientation (IEO), its fundamentals and principles.

Research Design & Methods: The paper reviews these three important terms by trying to link them and suggests a holistic framework. The article is of descriptive character, thus it is based on literature review and its constructive critics.

Findings: Firstly, international entrepreneurial process was discussed from the international entrepreneurship perspective. Secondly, the paper introduces the conceptualisation of entrepreneurial orientation from both three- and multi-dimensional perspectives. Thirdly, IEO is conceptualised and operationalised from the perspective of entrepreneurial internationalisation of firms.

Implications & Recommendations: IEO is a multi-dimensional concept. IEO can be considered both an individual and firm-level construct. IEO enables business to identify and exploit internationalisation opportunities. IEO reflects the firms overall proactiveness and aggressiveness in its pursuit of international markets.

Contribution & Value Added: The article is an attempted synthesis of the concept of international entrepreneurial orientation. It focuses on IEO as the implementation of one of the most important research theme in the theory of entrepreneurship, which is entrepreneurial orientation (EO) into the studies of international entrepreneurship (IE).

Article type:	conceptual article
Keywords:	international entrepreneurship; entrepreneurial orientation; international entrepreneurial orientation; entrepreneurship; business internationalisation; entrepreneurial process
JEL codes:	F23, O30, M16

Received: 2 February 2015 Revised: 9 April 2015 Accepted: 22 May 2015

Suggested citation:

Wach, K. (2015). Entrepreneurial Orientation and Business Internationalisation Process: The Theoretical Foundations of International Entrepreneurship. *Entrepreneurial Business and Economics Review, 3*(2), 9-24. doi: 10.15678/EBER.2015.030202

INTRODUCTION

This article focuses on entrepreneurial orientation during the internationalisation process of the firm, which is one of the main research streams within international entrepreneurship, that applies entrepreneurship theory within international business studies. While internationalisation generally refers to any type of cross-border activities of firms (Wach, 2014a; Autio, Sapienza & Almeida, 2000) and entrepreneurship is about "identification and exploitation of entrepreneurial opportunities" focusing on innovation, novelty and value creation (Volkmann *et al.*, 2010, p. 4), thus international entrepreneurship has been conceptualised as "the discovery, enactment, evaluation and exploitation of opportunities – across national borders – to create future goods and services" (Oviatt & McDougall, 2005). Determinants and factors contributing to fostering and blooming of international entrepreneurship are varied and multifaceted. International entrepreneurial culture or international entrepreneurial orientation is a part of the multidimensional structure supporting and influencing international entrepreneurship from the cross-country and cross-culture perspective (Obloj, Weinstein & Zhang, 2013; Claar *et al.*, 2012; Wach, 2015).

The main goal of the article is to discuss and elaborate on the basics of international entrepreneurial orientation, its fundamentals and principles. The article is descriptive in character, thus it is based on literature review and its constructive critics.

MATERIAL AND METHODS

In recent decades, both the theory of internationalisation of the firm and/or the theory of international business have developed. Recent developments in international business studies prove that entrepreneurial orientation (EO) emerges as one of the important potential factors contributing to the intensification of the processes of internationalisation of the firm. Thus the notion of international entrepreneurship (IE) has been flourishing as well.

General theory of entrepreneurship indicates that market opportunities are a common and dominant link of all entrepreneurial activities. Entrepreneurship theory refers to the identification or creation opportunities, their evaluation and exploitation. The expansion into new geographic markets is undoubtedly an important market opportunity for growth and development. The internationalisation as a response to the market opportunity takes diverse paths. Based on the in-depth literature search, this study aims to determine whether, why and how, in the context of diverse environmental conditions, the pursuit of market opportunities contributes to increasing the internationalisation of firms.

In its main objective, the article focuses on the presentation, discussion and elaboration on the basics of international entrepreneurial orientation, its fundamentals and principles.

Smooth and efficient conducting of scientific research requires a procedure according to pre-determined steps in order to obtain the most valuable cognitive effects of the research process (Babbie, 2012, pp. 112-113). The nature of the research project is multidimensional, it realises exploratory, descriptive, analytical and predictive purposes

(Collis & Hussey, 2009, p. 5). The thorough literature study was prepared in order to conceptualise and operationalise the research project. Therefore, the main research method was literature review and its constructive critics. Five-stages model of a critical literature review proposed by Fisher (2010) was applied in this study (Figure 1).

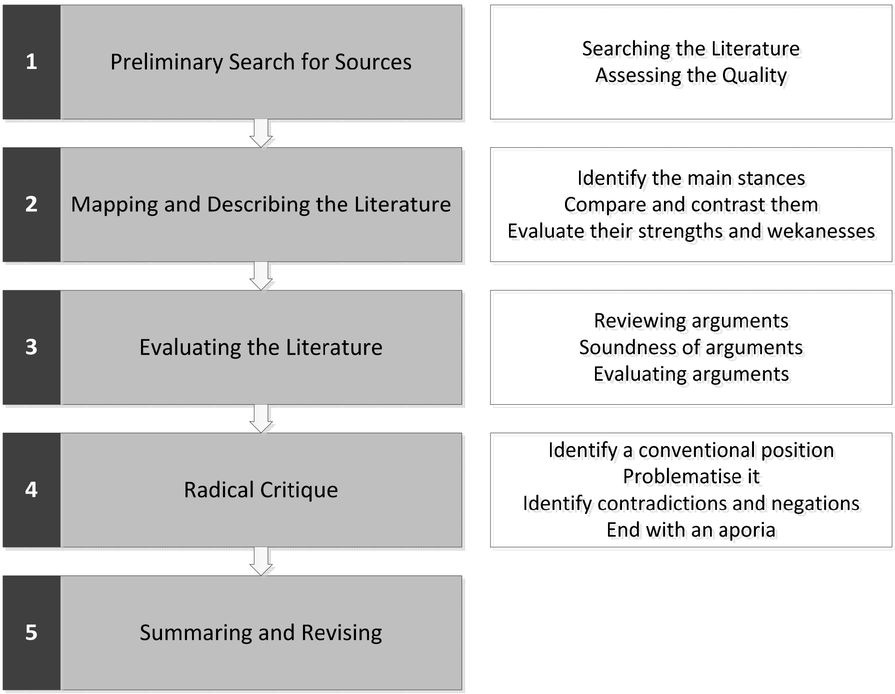

Figure 1. Methodological process of a critical literature review
Source: own study based on Fisher *et al.* (2010, pp. 94-130).

The preliminary literature review and the established objectives of this study, led to prepare the conceptual framework of the research project based on a literature review with the line of deductive reasoning. This kind of the research model will include the deductive approach, making the whole study structure logical and resultative.

LITERATURE REVIEW AND THEORY DEVELOPMENT

Entrepreneurial Process from the International Entrepreneurship Perspective

International entrepreneurship (IE) has become a popular research field since its emergence in the late 1980s as well as its intensive and influential bloom in the mid-1990s. Still a new research field, there is a lot of controversy over the delimitation of IE as well as serious disputes on whether IE is a separate discipline or not. International entrepreneurship "has become an important research domain at the intersection of entrepreneurship and international business" (McDougall-Covin *et al.*, 2014, p. 2); however, it is influenced not only by business disciplines (economics, management), but also from non-business disciplines "as diverse as sociology, economic geography, political science, development economics, and psychology" (McDougall-Covin *et al.*, 2014, p. 2).

International entrepreneurship (IE) specifically examines and prioritises the role of the entrepreneur as a key factor in the internationalisation process of the firm, especially SMEs (Daszkiewicz, 2014a; 2014b). IE describes internationalisation as a "combination of innovative, pro-active, and risk-seeking behavior that crosses national borders and is intended to create value in organizations" (McDougall & Oviatt, 2000, p. 903).

As already mentioned, international entrepreneurship is reported to be a research domain at the intersection of two fields, namely entrepreneurship and international business (McDougall-Covin *et al.*, 2014). Zucchella & Sciabini (2007) add one more very important fundamental pillar, which is strategic management (Figure 2), however strategic management is included also in entrepreneurship (strategic entrepreneurship) as well as in international business (business strategy approach). Nevertheless, its rich productivity and influence can also be analysed separately.

Figure 2. International entrepreneurship as the amalgamation of three fields
Source: adapted and extended from Zucchella & Sciabini (2007, p. 22).

International entrepreneurship can be treated dichotomously: firstly, as a research area within the theory of entrepreneurship or the theory of internationalisation. Secondly, it can be considered an autonomous area of research. The latter trend is becoming more and more popular and quite widely accepted by international scholars, as is noticeable in top scientific journals publishing articles on IE, especially after 2010.

There are many ways in explaining internationalisation of firms in business studies, from both economics and management perspectives. It is necessary to distinguish six main research strands and their development from stages models to holistic approaches (Wach, 2012, p. 99):

– stages models (including innovation-related models),
– resource-based view,
– network approach,
– business strategy approach,
– international entrepreneurship approach,
– integrative approach (holistic models).

Taking into account the overall theory of economics in general, but especially the narrow understanding of international business, international entrepreneurship can be regarded only as one of the research approaches to the issues of internationalisation of a firm (Andersson & Florén, 2008; Ruzzier *et al.*, 2006). IE has made an important contribution to international business and to the theory of internationalisation of the firm. The rich heritage of this school fully justifies its distinction as a separate stream within the framework of internationalisation theory, firstly because of its important contribution and, secondly, by its nature, which puts the spotlight on SMEs.

In a broad understanding, international entrepreneurship includes at least two different research areas (Wach, 2014b, p.434):

– creative process of recognition and exploitation of opportunities in foreign markets; in this sense, this research area is the same as the traditional approach of the theory and practice of entrepreneurship, using the same analytical tools as in the case of establishment of domestic ventures; what is crucial, it is characterised by a high degree of creativity, innovation and entrepreneurship, and a special role in the internationalisation process is attributed to the entrepreneur (Figure 3),
– international studies and comparative research in the field of entrepreneurship; in this sense, this research area is the same as with traditional international comparative studies, placing entrepreneurship as the main subject of these comparative studies (e.g. GEM).

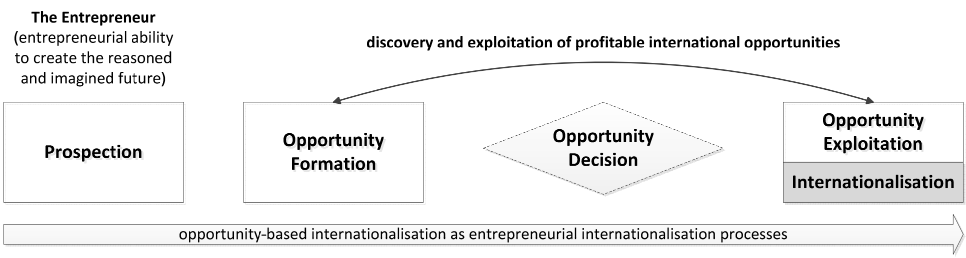

Figure 3. The internationalisation process in the international entrepreneurship
Source: adapted and extended from Oyson & Whittaker (2010, p. 9).

It can be noticed that international entrepreneurship theory focuses on three main research issues, which are (i) the entrepreneur, (ii) the external business environment and (iii) the entrepreneurial process (Coviello *et al.*, 2011; Wach, 2012, p. 113). Zucchella & Sciabini (2007) emphasize that IE develops the typical internationalisation process sequence starting from opportunities recognition and ending with corporate performance, in which resource mobilisation and dynamic capabilities play a major role (Figure 4). Internationalisation is a learning process of key employees based on opportunity recognition, opportunity seeking and opportunity taking (Zucchella & Scabini, 2007).

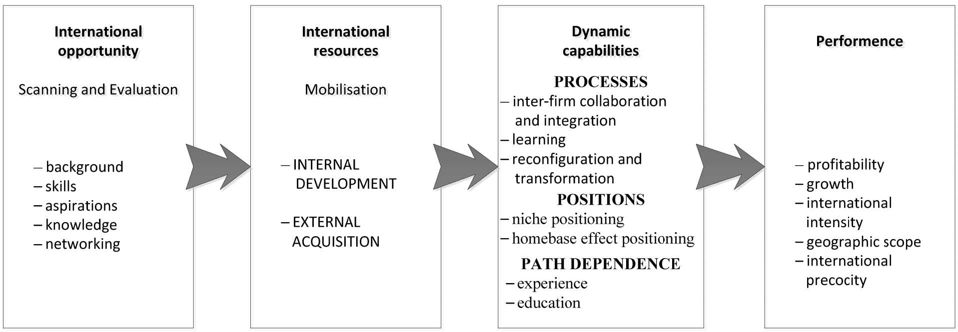

Figure 4. An interpretative model for international entrepreneurship
Source: Zucchella & Sciabini (2007, p. 126).

The literature review and the above mentioned facts reveal that investigating the internationalisation process of firms from the perspective of entrepreneurship theory, in terms of making use of entrepreneurial and innovation processes (stimulating the firm-level internationalisation), constitutes a new and blooming research domain for international entrepreneurship. It is crucial, form the perspective of entrepreneurship, to focus on entrepreneurial processes while studying business internationalisation.

Conceptualisation of Entrepreneurial Orientation

Entrepreneurship is an ambiguous and multi-faceted term (Gaweł, 2008, p. 21), however entrepreneurship in its broad sense is understood as entrepreneurial orientation (Gaweł, 2013, p. 17), which first of all helps us to conceptualise entrepreneurship itself, and what is more it helps us also apply the theory of entrepreneurship in the internationalisation and business studies much easier. Żur and Wałęga (2015, p. 120) notice that two parallel terms coexist in academic writing regarding firm-level entrepreneurship, namely entrepreneurial orientation (EO) and corporate entrepreneurship (CE). Zahra (1996) as well as Dess and Lumpkin (2005) suggest that EO represents potential entrepreneurial intentions and attitudes of a firm, while CE represents actual entrepreneurial activities of a firm. Antoncic and Hisrich (2001) and many other authors believe that these two constructs complement each other.

There are many attempts to define EO, and various researchers offer their own insights on this issue, however they have one thing in common: they treat entrepreneurship as a firm-level phenomenon. Basso, Fayolle and Bouchard (2009) found that EO can be traced to the pioneering writings of Mintzberg (1973), Khandwalla (1976/1977), and Miller (1983).

Miller (1983) and later Covin and Slevin (1989) introduced a three-dimensional concept of EO (a composite construct), represented by such qualities as (i) proactive, (ii) innovative, and (iii) risk taking behaviours of a firm. Lumpkin and Dess (1996) proposed a

Table 1. The Miller / Covin and Slein EO Scale (M/C&S Scale)

Innovativeness items		
EO1: In general the top managers of my firm favour ….		
… a strong emphasis on the marketing of tried-and-true products and services.	**1 2 3 4 5 6 7**	… a strong emphasis on R&D, technological leadership and innovations.
(Item originally proposed by Khandwalla [1976/977])		
EO2: How many new lines of products or services has marketed in the past 5 years (or since its establishment)?		
No new lines of products or services.	**1 2 3 4 5 6 7**	Very many new lines of products or services.
[Item originally proposed by Miller and Friesen (1982)]		
EO3: Changes in products or services lines …		
…have been mostly of a minor nature.	**1 2 3 4 5 6 7**	…have usually been quite dramatic.
[Item originally proposed by Miller and Friesen (1982)]		
Proactiveness items		
EO4: In dealing with its competitors, my firm …		
…typically responds to actions that competitors initiate.	**1 2 3 4 5 6 7**	…typically initiate actions to which competitors then respond.
[Item originally proposed by Covin and Slein (1989)]		
EO5: In dealing with its competitors, my firm …		
…is very seldom the first business to introduce new products/services, administrative techniques, operating technologies, etc.	**1 2 3 4 5 6 7**	…is very often the first business to introduce new products/services, administrative techniques, operating technologies, etc.
[Item originally proposed by Covin and Slein (1989)]		
EO6: In dealing with its competitors, my firm …		
…typically seeks to avoid competitive clashes, performing a "live0an-let-live" posture.	**1 2 3 4 5 6 7**	…typically adopts a very competitive, "undo-the-competitors" posture.
(Item originally proposed by Covin and Slein [1989])		
Risk-taking items		
EO7: In general the top managers of my firm have ….		
…a strong proclivity for low-risk projects (with normal and certain rates of return).	**1 2 3 4 5 6 7**	…a strong proclivity for high-risk projects (with chances of very high returns).
[Item originally proposed by Khandwalla (1976/1977)]		
EO8: In general the top managers of my firm believe that ….		
…owing to the nature of the environment, it is best to explore it gradually via cautious, incremental behaviour.	**1 2 3 4 5 6 7**	…owing to the nature of the environment, bold wide-ranging acts are necessary to achieve the firm's objective.
[Item originally proposed by Miller and Friesen (1982)]		
EO9: When confronted with decision-making situations involving uncertainty, my firm …		
…typically adopts a cautious "wait-and-see" posture in order to minimalize the probability of making costly decisions.	**1 2 3 4 5 6 7**	…typically adopts a bold aggressive posture in order to maximize the probability of exploiting potential opportunities.
[Item originally proposed by Covin and Slein (1989)]		

Source: Covin & Miller (2014, p. 36).

multidimensional construct in which (i) proactiveness, (ii) innovativeness, (iii) risk taking, (iv) competitive aggressiveness, and (v) autonomy are treated as independent behavioural dimensions. Moreover, Covin and Lumpkin (2011) noted that these two concepts should be considered as different and separate perspectives, yet not competitive ones. However, most researchers apply the three-dimensional concept of EO (Table 2).

Table 2. The construct of EO

No.	Basic Dimensions	Composite Qualities
		Three-dimensional Construct of EO
1	**Proactiveness**	– predicting future market changes (Rauch *et al.*, 2009) – opportunity creation vs. opportunity identification (Sundqvist, Kylaheiko & Kuivalainen, 2012; Covin & Slevin, 1989)
2	**Innovativeness**	– openness to new ideas (Frishammar & Horte, 2007) – process and product creativity (Dess & Lumpkin, 2005) – pursuit of creative or novel solutions (Knight, 2001)
3	**Risk taking**	– decisions in uncertainty (Dess & Lumplik, 2005) – implementation of projects entailing significant chances of costly failure (Davis *et al.*, 1991; Khandwalla, 1977; Miller & Friesen, 1984)
		Multi-dimensional Construct of EO
4	**Competitive aggressiveness**	– competitive advantage over competitors (Dess & Lumplin, 2005) – aggressive posturing relative to competitors (Knight, 2001)
5	**Autonomy**	– independent human activities (Dess & Lumplin, 2005) – self-acting (Lumpkin & Dess, 1996)

Source: Own study.

Most of the empirical research applies the EO scale proposed by Miller (1983) as well as Covin and Slevin (1989) measuring three dimensions of EO by nine items and using 7-point Likert scale (Table 1).

While discussing the theoretical construct of Entrepreneurial Orientation based on three dimensions, it is worth noting that the strict requirement of exhibiting high levels of each dimension in order to be recognized as an EO firm was significantly relaxed. Kreiser *et al.* (2002) as well as Lumpkin and Dess (1996) found that various levels of the three dimensions can equally shape EO of a given firm.

International Entrepreneurial Orientation in International Firms

Covin and Miller (2014) hold that discussing the issue of international entrepreneurial orientation (IEO), it should be investigated with the relation to EO and IE. These definitional matters resulted in the in-depth study of the phenomenon of IEO by Covin and Miller (2014). EO has been one of the main research themes within entrepreneurship for more than three decades, while its usage in international business studies is much younger. Kuivalainen, Sundqvist and Servais (2007, p. 253) notice that "both home-country and an international entrepreneurial orientation (EO and IEO, correspondingly) could be seen as antecedents that explain growth strategy and performance differences in firms" in the international context.

As one of the first researchers, Knight (1997) tried to explore EO of firms operating across different cultures. While defining IE, McDougall and Oviatt (2000) focused on three elements, namely (i) innovative, (ii) proactive and (iii) risk taking behaviours, which applied the concept of EO. Covin and Miller (2014) stress that more recent definitions focus less explicitly on EO (Table 4). Most of the authors believes that IEO makes use of the three-dimensional concept of EO (Dai, Maksimov, Gilbert & Fernhaber, 2014; Etemad, 2015; Gupta & Gupta, 2015) supplementing the international context of entrepreneurship and international business (Table 5).

Table 4. A chronicle development of selected definitions of IEO

IEO "reflects the firm's overall pro-activeness and aggressiveness in its pursuit of international markets" **(Knight, 2001, p. 159)**
IEO reflects "the firm's overall innovativeness and proactiveness in the pursuit of international markets. It is associated with innovativeness, managerial vision and proactive competitive posture" **(Knight & Cavusgil, 2004, p. 129)**
IOE is "a set of attributes commonly acknowledged as helpful for overcoming obstacles in the internationalization process" **(Jones & Coviello, 2005)**
IOE "refers to the behavior elements of a global orientation and captures top management's propensity for risk taking, innovativeness, and proactiveness." **(Freeman & Cavusgil, 2007, p. 3)**
IOE is "a set of behaviors associated with the potential creation of value, which manifest themselves as proactive and innovative methods, risk taking activity, autonomous actions, and an emphasis on outperforming rivals, all variously aimed at discovering, enacting, evaluating, and exploiting opportunities across national borders." **(Sundqvist, Kylaheiko & Kuivalainen, 2012, p. 205)**
"IOE is not treated as a construct distinct from EO. Rather, 'international' is simply a context in which the EO phenomenon is explored." **(Covin & Miller, 2013, p. 14)**

Source: own study.

Knight (2001) is convinced that three-dimensional international entrepreneurial orientation is the major success factor determining the international performance of the firm (Figure 4). Strategic behaviour theory is especially important for a firm operating in international markets where various environmental parameters pose special challenges to the entering firm. Two additional factors supporting international performance of firms are (i) internationalisation preparation entailing market research conducting or resources commitment to international operations and (ii) technology acquisition enabling to acquire technologies that will augment the firm's ability to compete in international markets by implementing innovative products and behaviours.

International entrepreneurial culture (IEC) can be considered as a parallel and complimentary concept to IEO. Dimitratos and Plakoyiannaki (2003) suggest that an international entrepreneurial culture embodies six dimensions, namely (i) the market orientation towards international activities, (ii) the learning orientation focused foreign markets and the alertness to opportunities that exist in these markets, (iii) the innovation propensity, (iv) the risk attitudes in pursuit of new opportunities in foreign markets, (v) the networking orientation, (vi) the motivation orientation in order to explore and exploit opportunities in foreign markets. Zahra (2005) claims it would instructive to apply these six dimensions while explaining international new ventures or born globals.

Table 5. The three-dimensional construct of IEO

Dimensions	Composite Qualities
Proactiveness	– aggressive positioning relative to competitors in pursuit of the firms international market objectives (Knight, 2001). – capitalising on new and existing international business opportunities (Wiklund & Shepherd, 2005).
Innovativeness	– a firm's tendency to enter into experimentation, support new international ideas and depart from established practices (Lumpkin & Dess, 1996; Miller, 1983; Wiklund & Shepherd, 2005). – the development or enhancement of products and services (Knight, 2001)
Risk taking	– willingness of the international entrepreneur to make investments and commit resources to projects that have uncertain outcomes or unusually high profits and/or losses (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2005)

Source: own study based on Glavas & Mathews (2014, p. 230).

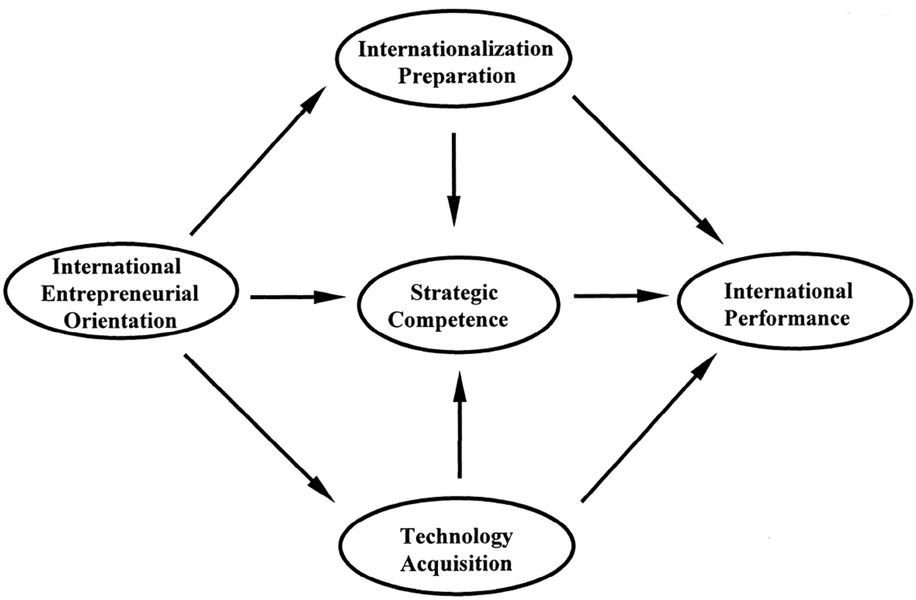

Figure 5. Entrepreneurial orientation as a key performance antecedent of the firm-level internationalisation

Source: Knight (2001, p. 160).

The above theoretical developments suggest building a three-step process of international entrepreneurship (Figure 5). International entrepreneurial orientation makes its first and major step, being the quintessence of entrepreneurial internationalisation (McDougall & Oviatt, 2000). The most important in the entrepreneurial process is the entrepreneurial decision making process itself, especially the decision to enter new international markets or to enhance the presence into international markets, which can be considered as innovation. Strategic international decisions usually focus on three patters such as (i) scope, (ii) scale or extent and (iii) time or pace/speed (Zahra & George, 2002; Kuivalainen, Sundqvist & Saarenko, 2012; Wach, 2014c). Knight (2001, p. 165) notices that IEO "appears to drive key strategic initiatives intended to enhance organizational performance".

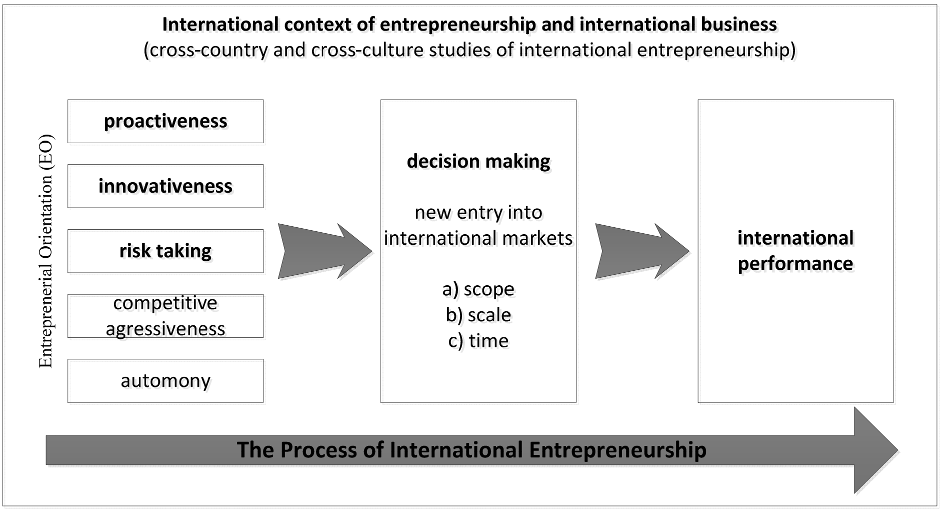

Figure 6. International entrepreneurship from the process-and-contextuality perspective
Source: own study.

CONCLUSIONS

International entrepreneurship focuses on the entrepreneur as well as on innovation and entrepreneurial processes concerning recognition and exploitation of international opportunities in the context of institutional environment and entrepreneurship culture (Bruton, Lau & Obloj, 2014). Therefore, international entrepreneurial orientation "can be meaningfully extended into the field of IE as a way of examining and explaining the cross-border internationalisation of firms" (Glavas & Mathews, 2014, p. 230). It seems that creating a solid and unique methodology for international entrepreneurship is essential to recognise international entrepreneurship as a separate research discipline, as is true currently in the case of international business. Taking into account the interdisciplinary character of entrepreneurship, it is possible that international entrepreneurship will fully become 'a hub and a spoke' (Mtigwe, 2006, p. 19) and a binder for all internationalisation theories and approaches constituting the base for the integrative models. While summarising the issue of international entrepreneurial orientation, Glavas and Mathews (2014, p. 230) stress that:

- IEO is a multi-dimensional concept (Covin & Slevin, 1991),
- IEO can be considered both an individual and firm-level construct (Knight, 2001),
- IEO enables business to identify and exploit internationalisation opportunities (Mostafa, Wheeler & Jones, 2006; Slevin & Terjesen, 2011),
- IEO reflects the firms overall proactiveness and aggressiveness in its pursuit of international markets (Knight, 2001),
- IEO involves taking advantage of international market offerings and taking risks in international environments (Jantunen, Puumalainen, Saarenketo & Kylaheiko, 2005; Wang, 2008).

REFERENCES

Autio, E., Sapienza, H.J., & Almeida, J.G. (2000). Effects of age at entry, knowledge intensity, and imitability on international growth. *Academy of Management Journal*, 43(5), 909-924.

Andersson, S., & Florén, H. (2008). Exploring managerial behavior in small international firms. *Journal of Small Business and Enterprise Development*, 15(1), 31-50.

Antoncic, B., & Hisrich, R.D. (2001). Intrapreneurship: Construct refinement and crosscultural validation. *Journal of Business Venturing,* 16(5), 495-527.

Babbie, E. (2012). *The Practice of Social Research*. 13th ed., Belmont, CA: Wadsworth Cengage Learning.

Basso, O., Fayolle, A., & Bouchard, V. (2009). Entrepreneurial orientation: The making of a concept. *Entrepreneurship and Innovation*, 10(4), 313-321.

Bruton, G.D., Lau, C-M., & Obloj, K. (2014). Institutions, resources and firm strategies: a comparative analysis of entrepreneurial firms in three transitional economies. *European Journal of International Management*, 8(6), 697-720.

Claar, V., Frey, R., Szarucki, M., & TenHaken, V.R. (2012). Hope for the East: Entrepreneurial Attitudes of MBA Students in Two Transition Economies relative to those in the USA. *Business Excellence,* 5(3), 220-237.

Collis, J., & Hussey, R. (2009). *Business Research: A Practical Guide for Undergraduate & Postgraduate Students.* 3rd ed., London: Palgrave Macmillan.

Coviello, N.E., McDougall, P.P., & Oviatt, B.M. (2011). The emergence, advance and future of international entrepreneurship research — An introduction to the special forum. *Journal of Business Venturing*, 26(6), 625-631.

Covin, J., & Slevin, D. (1989). Strategic management of small firms in hostile and benign environments. *Strategic Management Journal*, 10(1), 75-87.

Covin, J.G, & Lumpkin, G.T., (2011). Entrepreneurial Orientation Theory and Research: Reflections on a Needed Construct. *Entrepreneurship Theory and Practice*, 35(5), 855-872.

Covin, J.G., & Miller, D. (2014). International entrepreneurial orientation: conceptual considerations, research themes, measurement issues, and future research directions. *Entrepreneurship Theory and Practice*, 38(1), 11-44. doi: 10.1111/etap.12027.

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

Dai, L., Maksimov, V., Gilbert, B.A., & Fernhaber, S.A. (2014). Entrepreneurial orientation and international scope: The differential roles of innovativeness, proactiveness, and risk-taking. *Journal of Business Venturing*, 29(4), 511-524.

Daszkiewicz, N. (2014a). Internacjonalizacja polskich przedsiębiorstw rodzinnych z perspektywy przedsiębiorczości międzynarodowej. *Przedsiębiorczość i Zarządzanie,* XV(7[1]), 243-251.

Daszkiewicz, N. (2014b). Przedsiębiorczość międzynarodowa jako nowy obszar badań w teorii internacjonalizacji. In: A. Budnikowski, A. Kuźnar (Ed.), *Nowe procesy w gospodarce światowej: wnioski dla Polski* (pp. 207-219). Warszawa: Oficyna Wydawnicza Szkoły Głównej Handlowej.

Davis, D., Morris, M., & Allen, J. (1991). Perceived environmental turbulence and its effect on selected entrepreneurship, marketing, and organizational characteristics in industrial firms. *Journal of the Academy of Marketing Science,* 19 (1), 43-51.

Dess, G.G., & Lumpkin, G.T. (2005). The role of entrepreneurial orientation in stimulating corporate entrepreneurship: research briefs. *Academy of Management Executive* , 19(1), 147-156.

Dimitratos, P., & Plakoyiannaki, E. (2003). Theoretical foundations of an international entrepreneurial culture. *Journal of International Entrepreneurship*, 1(2), 187-215.

Etemad, H. (2015). Entrepreneurial Orientation – Performance Relationship in the International Context. *Journal of International Entrepreneurship,* 13(1), 1-6.

Fisher, C. *et al.* (2010). *Researching and Writing a Dissertation.* 3rd edition. Harlow: Prentice Hall.

Freeman, S., & Cavusgil, S.T. (2007). Toward a typology of commitment states among managers of bornglobal firms: A study of accelerated internationalization. *Journal of International Marketing*, 15(4), 1-40.

Frishammar, J., & Andersson, S. (2009). The overestimated role of strategic orientations for international performance in smaller firms. *Journal of International Entrepreneurship*, 7(1), 57-77.

Fudaliński, J. (2014). Dysfunctions of NPOs and NGOs in Poland in the Global Context: Some International Comparisons. *Entrepreneurial Business and Economics Review*, 2(1), 81-94. doi: 10.15678/EBER.2014.020107.

Gaweł, A. (2008). Entrepreneurship – A Theoretical Approach (chapter 1). In: M. Rekowski (Ed.), *Entrepreneurial Tissue and Regional Economy: Case Studies of Selected Polish and Spanish Regions* (pp. 11-25). Poznań: The Poznan University of Economics Publishing House.

Gaweł, A. (2013). *Proces przedsiębiorczy: tworzenie nowych przedsiębiorstw*. Warszawa: Difin.

Gelbuda, M., Meyer, K.E., Delios, A. (2008). International business and institutional development in Central and Eastern Europe. *Journal of International Management*, 14(1), 1-11. doi: 10.1016/j.intman.2007.05.011.

Glavas, Ch., & Mathews, Sh. (2014). How international entrepreneurship characteristics influence Internet capabilities for the international business processes of the firm. *International Business Review*, 23(1), 228–245. doi: 10.1016/j.ibusrev.2013.04.001.

Gupta, V.K, & Gupta, A. (2015). Relationship between Entrepreneurial Orientation and Firm Performance in Large Organizations over Time. *Journal of International Entrepreneurship,* 13(1), 7-27.

Jantunen, A., Puumalainen, K., Saarenketo, S., & Kylaheiko, K. (2005). Entrepreneurial orientation, dynamic capabilities and international performance. *Journal of International Entrepreneurship*, 3(3), 232–243.

Jones, M., & Coviello, N.E. (2005). Internationalization: Conceptualising an Entrepreneurial Process of Behaviour in Time. *Journal of International Business Studies*, 36(3), 284-303.

Khandwalla, P. (1977). The Design of Organizations. Harcourt Brace Jovanovich, New York.

Knight, G.A. (1997). *Emerging paradigm for international marketing: The born-global firm*. Doctoral dissertation. East Lansign, MI: Michigan State University.

Knight, G.A. (2001). Entrepreneurship and strategy in the international SME. *Journal of International Management*, 7(3), 155-171.

Knight, G.A., & Cavusgil, S.T. (2004). Innovation, organizational capabilities, and the born global firm. *Journal of International Business Studies*, 35(2), 124-141.

Knight, G.A. (2001). Entrepreneurship and strategy in the international SME. *Journal of International Management*, 7(3), 155-71.

Kuivalainen, O., Sundqvist, S. & Saarenko, S. (2012). Internationalization Patterns of Small and Medium-sized Enterprises. *International Marketing Review*, 29(5), 448-465.

Kuivalainen, O., Sundqvist, S., & Servais, P. (2007). Firms' degree of born-globalness, international entrepreneurial orientation and expert performance. *Journal of World Business*, 42(3), 253-267.

Lumpkin, G.T., & Dess, G.G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review*, 21(1), 135-172.

Lumpkin, G.T., & Dess, G.G. (2001). Linking two dimensions of entrepreneurial orientation to firm performance: The moderating role of environment and industry life cycle. *Journal of Business Venturing*, 16(5), 429-451.

McDougall, P.P., & Ovatt, B.M. (2000). International entrepreneurship: The intersection of two research paths. *Academy of Management Journal*, 43(5), 902-909.

McDougall-Covin, P., Jones, M.V. & Serapio, M.G. (2014). High-Potential Concepts, Phenomena, and Theories for the Advancement of Entrepreneurship Research. *Entrepreneurship Theory and Practice,* 38(1), 1-10.

Meyer, K.E., & Gelbuda, M. (2006). Process perspectives in international business research in CEE. *Management International Review*, 46(2), 143-164. doi: 10.1007/s11575-006-0042-5.

Miller, D. (1983). The correlates of entrepreneurship in three types of firms. *Management Science*, 29(7), 770-791.

Miller, D., & Friesen, P. (1984). *Organizations: A Quantum View*. Englewood Cliffs: Prentice-Hall, NJ.

Mintzberg, H. (1973). Strategy-making in three modes. *California Management Review*, 16(2), 44-53.

Mostafa, R.H.A., Wheeler, C., & Jones, M.V. (2006). Entrepreneurial orientation, commitment to the Internet and export performance in small and medium sized exporting firms. *Journal of International Entrepreneurship*, 3(1), 291-302.

Mtigwe, B. (2006). Theoretical Milestones in International Business: The Journey to International Entrepreneurship Theory. *Journal of International Entrepreneurship*, 4(1), 5-25.

Obloj, K., Weinstein, M., & Zhang, Sh. (2013). Self-Limiting Dominant Logic: An Exploratory Study of Chinese Entrepreneurial Firms. *Journal of East-West Business*, 19(4), 291-316. doi: 10.1080/10669868.2013.847888.

Oviatt B.M., & McDougall, P.P. (1994). Towards a Theory of International New Ventures. *Journal of International Business Studies*, 25(1), 44-64.

Oviatt, B.M., & McDougall, P.P. (2005). Defining international entrepreneurship and modeling the speed of internationalization. *Entrepreneurship Theory and Practice, 29*(5), 537-553.

Oyson, M., & Whittaker, D.W. (2010). An Opportunity-Based Approach to International Entrepreneurship: Pursuing Opportunities Internationally through Prospection. *Proceedings of the 18th Annual High Technology Small Firms Conference,* May 27-28, 2010, The Netherlands.

Rauch, A., Wiklund, J., Lumpkin, G.T., & Frese, M. (2009). Entrepreneurial orientation and business performance: An assessment of past research and suggestions for the future. *Entrepreneurship Theory and Practice*, 33(3), 761-787.

Ruzzier M., Hisrich, R.D., & Antoncic, B. (2006). SME Internationalization Research: Past, Present, and Future*. Journal of Small Business and Enterprise Development*, 13(4), 476-497.

Slevin, D., & Terjesen, P.S.A. (2011). Entrepreneurial orientation: Reviewing three papers and implications for further theoretical and methodological development. *Entrepreneurship Theory and Practice*, 35(5), 973-987.

Sundqvist, S., Kylaheiko, K., & Kuivalainen, O. (2012). Kirznerian and Schumpeterian entrepreneurialoriented behavior in turbulent export markets. *International Marketing Review*, 29(2), 203-219.

Volkmann, C.K., Tokarski, K.O., & Grunhagen, M. (2010). *Entrepreneurship in a European Perspective*. Berlin: Gabler Verlag.

Wach, K. (2012). *Europeizacja małych i średnich przedsiębiorstw: rozwój przez umiędzynarodowienie.* Warszawa: PWN.

Wach, K. (2014a). Internationalisation and Globalisation as a Wider Context of Europeanisation from Micro and Macroeconomic Perspective. *Horyzonty Polityki,* 5(10), 11-30.

Wach, K. (2014b). Przedsiębiorczość międzynarodowa jako nowy kierunek badań w obrębie teorii internacjonalizacji przedsiębiorstwa (Chapter 28). In S. Wydymus & M. Maciejewski (eds), *Tradycyjne i nowe kierunki rozwoju handlu międzynarodowego* (pp. 433-446). Warszawa: CeDeWu.

Wach, K. (2014c). Theoretical Framework of the Firm-Level Internationalisation in Business Studies (chapter 1). In: A. Duréndez & K. Wach (Eds.), *Patterns of Business Internationalisation in Visegrad Countries – In Search for Regional Specifics* (pp. 13-30). Cartagena: Universidad Politécnica de Cartagena.

Wach, K. (2015). Impact of Cultural and Social Norms on Entrepreneurship in the EU: Cross-Country Evidence based on GEM Survey Results. *Zarządzanie w Kulturze*, 16(1), 15-29. doi: 10.4467/20843976ZK.15.002.3037

Wang, C.L. (2008). Entrepreneurial orientation, learning orientation, and firm performance. *Entrepreneurship Theory and Practice*, 32(4), 635–657.

Wiklund, J., & Shepherd, D., (2005). Entrepreneurial orientation and small business performance: a configurational approach. *Journal of Business Venturing*, 20(1), 71–91.

Zahra, S.A. (1996). Governance, ownership, and corporate entrepreneurship: the moderating impact of industry technical opportunities. *The Academy of Management Journal*, 39(6), 1713-1735. doi: 10.2307/257076.

Zucchella, A., & Scabini, P. (2007). *International Entrepreneurship – Theoretical foundations and Practice*. New York: Palgrave Macmillan.

Żur, A. (2013). Entrepreneurial Orientation and Firm Performance – Challenges for Research and Practice. *Entrepreneurial Business and Economics Review*, 1(2), 7-28. doi: 10.15678/EBER.2013.010202.

Żur, A., & Wałęga, A. (2015). Routines do matter: role of internal communication in firm-level entrepreneurship. *Baltic Journal of Management,* 10(1), 119-139. doi: 10.1108/BJM-11-2013-0166.

Author

Krzysztof Wach

Associate Professor of the Cracow University of Economics (Poland). Habilitated doctor of economics (DEcon), PhD in management, specialist in international entrepreneurship, author of several books and over 150 scientific articles, editor-in-chief of the scientific quarterly 'Entrepreneurial Business and Economics Review', member of editorial boards of several scientific journals, including 'Business Excellence' (Croatia), 'Studia Negtia' (Romania), 'Entrepreneurship – Education' (Poland); in the years 2012-2014 an OECD and the European Commission national expert for entrepreneurship, participant of various international education and research projects (e.g. Jean Monnet, Atlantis, International Visegrad Fund IVF, Central European Initiative CEI), visiting professor in various American and European universities, including Grand Valley State University (Grand Rapids, USA), Roosevelt University (Chicago, USA), University of Detroit Mercy (Detroit, USA), Loyola University Chicago (Chicago, USA), Northumbria University (Newcastle, UK), University College London (UK), Technical University of Cartagena (Cartagena, Spain).

Correspondence to:

Prof. UEK dr hab. Krzysztof Wach
Cracow University of Economics
Faculty of Economics and International Relations
Department of Entrepreneurship and Innovation
31-510 Kraków, ul. Rakowicka 27, Poland
wachk@uek.krakow.pl

Acknowledgements and Financial Disclosure

The article came into being within the statutory research project no. 121/WE-KPI/03/2014/S/4317 entitled "Entrepreneurial and Innovation Processes as Catalyst and Stabilizers of Business Internationalisation" coordinated by K. Wach and financed by the Ministry of Science and Higher Education of the Republic of Poland with the funds allocated to development of research potential of the Faculty of Economics and International Relations of the Cracow University of Economics.

Published by the Centre for Strategic and International Entrepreneurship – Krakow, Poland

Entrepreneurial Business and Economics Review

OPEN ACCESS

2015, Vol. 3, No. 2

DOI: 10.15678/EBER.2015.030203

Opportunity Identification and Creation as Factors of Firm Internationalisation

Agnieszka Żur

ABSTRACT

Objective: This paper aims to establish if, why and how, in given institutional and industry contexts, the identification and/or creation and exploitation of opportunity may result in a higher intensity of internationalisation processes in firms.

Research Design & Methods: The study is based on literature review. It synthesizes fragmented pieces of research on international entrepreneurship, mainstream entrepreneurship and entrepreneurial learning theory. In-depth comparative literature studies focus on sources, forms and features of opportunities, as well as the role of both Schumpeterian and Kirznerian opportunities in internationalisation activities of firms.

Findings: Findings bring together state-of-the-art research and extends it by providing a deeper understanding of the feed-back effect of entrepreneurial learning as well as highlighting the progressive nature of opportunity space in the proposed model.

Implications & Recommendations: Expanding firm's operations can be a first step towards a self-reinforcing loop relationship, tying prior experience to future behaviour and moving the entrepreneur to higher levels of international awareness and accuracy in opportunity identification.

Contribution & Value Added: The article presents an integrated process-based view of opportunity antecedents and concludes with a dynamic cyclical path-dependent model of opportunity-based view of firm internationalisation. Hopefully, the proposed model can serve as a useful lens for hypotheses formulation and testing within the research on firm internationalisation determinants.

Article type:	conceptual article
Keywords:	opportunity identification; opportunity recognition; opportunity creation; international entrepreneurship; internationalisation
JEL codes:	L26, F23, M16

Received: 2 February 2015 Revised: 1 April 2015 Accepted: 22 May 2015

Suggested citation:

Żur, A. (2015). Opportunity Identification and Creation as Factors of Firm Internationalisation. *Entrepreneurial Business and Economics Review, 3*(2), 25-39. doi: 10.15678/EBER.2015.030203

INTRODUCTION

Internationalisation in its broad sense refers to the cross border flow of products, services, people, money, information, ideas and more. As such, firm internationalisation encompasses all economic expansion activities undertaken by firms abroad (Pierścionek, 2011, p. 359). Firm internationalisation remains a topic of strong interest to both academic and management circles. Conceptualizing internationalisation, Welch and Luostarinen (1988) emphasize the process through which firms get increasingly involved in international markets. Authors outline two main groups of factors responsible for firm internationalisation: push factors associated with shortage of opportunity in the domestic market and pull factors associated with potential opportunities on foreign markets. Both of these refer to opportunity as central issue. The notion of opportunity creation, recognition and exploitation are traditionally associated with entrepreneurship. Yet, according to some authors, the development of activity in foreign markets, regardless the form, is an entrepreneurial act per se, since it consists of exploiting new risk-related opportunities in new environments (Lu & Beamish, 2001; Ripolles-Melia *et al.*, 2007). This study is based on that assumption.

This study takes the entrepreneurial opportunity lens to internationalisation processes of firms for three reasons. First, understanding the nature of opportunities in international contexts is important because it can enhance firm's performance. Research has shown that some industries and/or geographic regions produce more opportunities than other measured by the number of startups (Shane, 2003). This phenomenon cannot be explained by an individual-centric approach as there is no evidence of wide swings in the allocation of entrepreneurial individuals across countries or industries. The logical explanation turns our attention to a relatively higher amount of business opportunities in certain countries and industries. Simply put, some countries may present more fertile grounds in terms of opportunity than others. Recognizing that phenomena can optimize internationalisation processes of firms. Therefore opportunity as unit of analysis is much advised.

Second, authors have noted that research focused strictly on the firm, may be useful for some domains such as strategic entrepreneurship which compares performance between competitive firms, but it does not add enough insight into the entrepreneurship nexus (Shane & Venkataraman, 2000). Performance advantage over other firms is not a sufficient measure of entrepreneurship, since entrepreneurship is concerned with discovery and exploitation of profitable opportunities. Opportunity as unit of analysis in entrepreneurship research allows the assessment of entrepreneurial acts and provides a deeper understanding of its dynamics. Firm internationalisation as entrepreneurial act is always a response to perceived opportunity and therefore requires an opportunity-based approach as well.

Third, the paper addresses a call made by Zahra and Wright (2011) that research needs to move beyond filling in the potholes in a well-known path. These authors suggest the need for "creative reconstruction" in the field that will bring about a shift in research focus (Zahra & Wright, 2011, p. 69). Examining the role of opportunity in internationalisation processes is a response to that call. Authors have signalled that there is an important area for research in the conceptual gap between innovation and markets, which can be filled by the notion of entrepreneurial opportunity (Sarasvathy *et al.*, 2010, p. 78). Internationalisation as response to opportunity requires advancement, since as some authors claim: “the opportunity side of internationalisation process is not very well developed” (Chandra *et al.*, 2012, p. 75).

The main goal of this paper is to present a model of opportunity-based view (OBV) of firm internationalisation which can hopefully serve as research framework. The article synthesizes the antecedents and conceptualizations of this stream of theory, claiming that OBV provides a useful lens for international business activity analysis. The paper starts with introducing opportunity as a unit of analysis, and then it explores the antecedents of opportunity development to sum up with a proposal of a research model. The major contribution of this study lies in extending the existing body of firm internationalisation research and providing a new perspective, placing opportunity and its cyclical nature, in the centre of the discussion.

MATERIAL AND METHODS

The preliminary literature review and established objectives of the study led to prepare a conceptual framework based on extensive and critical literature review in line with the deductive process. The study synthesizes fragmented pieces of research on international entrepreneurship, mainstream entrepreneurship and entrepreneurial learning theory. In recent decades entrepreneurship theory has grown in scope, developed and split into many sub-streams.

Within recent developments in entrepreneurship theory, entrepreneurial opportunity emerges as a key notion of the entrepreneurial process. This study relies on opportunity as a unit of research and explores the dynamics of opportunity recognition. In-depth comparative literature studies focus on sources, forms and features of opportunities, as well as the role of both Schumpeterian and Kirznerian opportunities in internationalisation activities of firms. On top, it refers to entrepreneurial learning theory as a necessary prism for exploration of internationalisation reinforcement and accuracy in international opportunity exploitation.

The aim of the research is to identify the antecedents of opportunity in firm internationalisation context and, consequently, to propose an integrated model of opportunity-based view of firm internationalisation. The deductive approach provides structure, logic and leads to research results.

LIREATURE REVIEW AND THEORY DEVELOPMENT

Opportunity as a Unit of Analysis

Opportunity is referred to as the dominant thread in current mainstream entrepreneurship research, both individual- and firm-level (Venkataram *et al.*, 2012). According to Stevenson and Jarillo-Mossi (1986) the pursuit of opportunity, defines the ability of the individual, as well as the organization to be entrepreneurial. Contemporary coexisting convictions regarding entrepreneurship are rather completing than competing, all referring to the identification, evaluation and pursuit of opportunity (Stevenson & Jarillo-Mossi, 1986; Jones & Butler, 1992; Shane & Venkataram, 2000).

Early conceptualisations of opportunity define them as situations in which new goods, services, raw materials and organizing methods can be introduced and sold at greater price than their cost of production process (Casson, 1982). As Schumpeter (1934) elaborated, economies operate in a constant state of disequilibrium. Technological, political, social, regulatory, and other types of changes offer a continuous supply of new information about different ways to use resources and create wealth. By making it possible to transform resources into a more valuable form, new information can alter the value of resources and, therefore, the resources' proper equilibrium price. Because information is imperfectly distributed, all players in the market do not simultaneously acquire new information. Some players obtain information before others about resources lying fallow, new discoveries being made, or new markets being created. Those that obtain new information before others can purchase resources at below their equilibrium value and earn an entrepreneurial profit by recombining the resources and then selling them (Schumpeter, 1934). This suggests that time is an important aspects of opportunity exploitations and that early movers are more likely to succeed.

Taken these early findings, opportunities can come in various forms, yet their prerequisite is information asymmetry. Authors still disagree whether opportunities are objective or subjective phenomena. Shane and Venkataram (2000) argue that, although the recognition of opportunity is a subjective process, opportunities themselves are objective phenomena that are not known to all people at all times. An opposing argument developed by others suggests that opportunities may be also created rather than discovered (Li, 2013). Opportunity creation may be driven by subjective beliefs and actions, rather than objective factors. According to some, these are human beings who bring life and meaning to opportunities, as without them opportunities are non-existent. Both positions hold strong arguments in this discussion and might be completing rather than competing, taken the vast array of opportunity sources.

Drucker (1985) depicted three basic sources of opportunities: (i) the creation of new knowledge, usually as a result of technological progress; (ii) market inefficiencies that result from information asymmetry across time and space; and (iii) shifts in the relative costs and benefits of resources resulting from political, regulatory or demographic changes. All of the above sources of opportunity refer directly to business internationalisation. The first case represents a situation when opportunity occurs due to industry specific developments. Technology and new knowledge inefficiencies in some countries can produce high demand for certain goods and offer profitable opportunities for foreign entrepreneurs. Secondly, information asymmetry can occur across geography. This can be related, for example, to weak capital market or institutional structures in developing economies. Information gaps can present an opportunity for foreign entrepreneurs and stimulate them to compete in environments where they hold the advantage of superior access to information. Thirdly, opportunities for internationalisation often occur due to political or regulatory shifts. Institutional or legal transitions, such as privatization processes in post-communist countries offered numerous opportunities for outside investors. Authors have established two other important factors (sources) of international venture opportunities, which do not fall directly into Drucker's classification: cost of capital and cost of labour (Li, 2013). Last decades have provided numerous examples of entrepreneurial opportunities associated with low labour costs.

Shane (2003) offers a different typology of opportunities, based on whether they rely on completely new combinations of means-ends or optimize existing ones. He refers to those two situations as to Schumpeterian and Kirznerian opportunities respectively. This distinction has been followed in later years by other authors and researchers have established that these two perspectives explain to existence of different types of opportunities that can be both present in an economy at the same time (Shane & Venkataraman, 2000), yet they may have different effects on the economic activity of the entrepreneur and bear different effects on the economy.

Schumpeterian opportunities result from disequilibrating forces and result in disrupting the existing system (Table 1). They break away from existing knowledge and rely primarily on new knowledge and innovative ideas. Schumpeterian opportunities make the accumulation of evidence for their value and duration difficult. As a result, they are more risk sensitive and represent high profit potential (Aldrich, 1999). Kirznerian opportunities, on the other hand, result from equilibrating forces and bring the economy closer to equilibrium. They rely on existing information and often replicate exiting organizational forms and established ways of doing things (Shane, 2003). Kirznerian opportunities emerge because prior market players made errors or omissions that have created surpluses or shortages. As such they are idiosyncratic, characteristic to an individual market situation (Shane, 2003) and thus, Kirznerian opportunities are rather identified than created and involve observation and analytical skills in pursue of profit.

Table 1. Shane's Perspective on Schumpeterian and Kirznerian opportunities

Schumpeterian opportunities	**Kirznerian opportunities**
Take advantage of disequilibrating economic/market forces	Take advantage of information asymmetry
Create new combinations of means-ends	Optimize existing combinations of means-ends
Rely primarily on new knowledge	Rely primarily on existing knowledge
Involve imagination and creativity	Involve observation and critical analysis
Rather created than identified	Rather identified than created
Objectively innovating	Rather replicating
Rather rare	Numerous
Rather risk sensitive	Rather risk averse
Result in disrupting the existing equilibrium	Bring the economy closer to equilibrium

Source: own study based on Schumpeter (1934), Kirzner (1973) and Shane (2003).

Features of Opportunities

All opportunities, despite their type and source have two important features: value and longevity (Shane, 2003). The value of opportunity is expressed in the belief that its expected profit will be larger than the cost of other alternatives (Kirzner, 1997). Again, opportunity value is not an objective phenomenon as it is based on subjective judgment and refers to the future. Because the range of options and the consequences of exploiting new opportunities are unknown, internationalisation decisions cannot be made uniquely through an optimization process in which mechanical calculations are made in response to a given set of alternatives. Even if two entrepreneurs might both identify an opportunity for internationalisation, they are very likely to give that opportunity different value. Kirzner (1973) observed that the process of discovery of opportunities requires entrepreneurs to assess customers' expectations about a variety of things, such as accepted level of price, quality or other product attributes. People make decisions on objective as well as subjective basis, often difficult or impossible to measure. Judging these expectations is therefore a highly subjective process.

Another feature of opportunities is their limited duration. Because entrepreneurial opportunities depend on asymmetries of information and beliefs, eventually, they become less profitable or even cost inefficient to pursue. This is for two prime reasons. First, as opportunities are exploited, information diffuses to other members of society who can imitate the entrepreneur and competition increases. Firms that enter foreign markets and generate high profits are usually followed by other entrants. When the entry rate of additional entrepreneurs reaches a level at which the benefits from new entrants exceeds the cost, the incentive for people to pursue the opportunity is reduced, as observed early on by Schumpeter (1934). Second, the exploitation of opportunity provides information to resources providers about the value of the resources that they possess and leads them to raise resource prices over time, in order to capture some profit (Kirzner, 1997).

The aspect of opportunity value and its decrease over time has important implications for firms which operate internationally. Some authors suggest that internationalisation speed plays a fundamental role in the long-term growth of firms (Autio *et al.*, 2000). The notion of speed in internationalisation theory primarily refers to the time elapsing between the company's foundation and its first international entry, and secondly to the pace of subsequent international growth (Casillas & Acedo, 2013). Results in this stream of research suggests that the speed variable helps to explain successful ways of achieving superior performance on the international arena and has prompted a body of work relating to firms that internationalize rapidly, the born-globals. Studies have shown that born-globals break the pattern of gradual internationalisation, since their internationalisation decisions are determined by the perceived opportunity, its current value and remaining durability. Internationalisation as response to opportunity occurs in various modes, following the opportunity-based contingency approach (Chandra *et al.*, 2012), regardless whether the market is in close physical distance. This suggests that some firms realize the limited duration and declining value of opportunity in international contexts.

Taking all of the above into consideration, opportunities in firm internationalisation context can be defined as situations in which new mean-ends combinations in international environments can be created or optimized and that hold value over a limited amount of time.

The study of internationalisation through opportunity lens is referred to as an opportunity-based view (OBV) of internationalisation and conceptualizes firm internationalisation as "the behavioral processes associated with the creation and exchange of value through the identification and exploitation of opportunities that cross national borders" (Chandra *et al.*, 2012, p. 75). In the context of firm internationalisation both information and individual cognitive properties refer to an international context.

Opportunity-based view refers to pull factors of internationalisation, that are situations in which firms identify or create a business opportunity abroad (Daszkiewicz & Wach, 2012, p. 15; 2014, p. 7) and should be considered entrepreneurial internationalisation, which is aligned with the concept of international entrepreneurship (Wach & Wherman, 2014, p. 15). This approach encourages researchers to go beyond the focus on the firm or the entrepreneur and adapt a holistic view of opportunity related behaviours. Authors note that exploration and development of opportunities go beyond the immediate organizational context and that considerable insight can be gained by examining the history, emergence and exploitation of opportunities in internationalisation acts (Styles & Seymore, 2006; Chandra *et al.*, 2012). OBV perspective adapts a process-oriented approach to internationalisation, in which antecedents of opportunity, path dependence and feedback effects are all relevant to our understanding of opportunity dynamics.

Antecedents of Opportunity in Firm Internationalisation Context

It has been asserted in the past that two prime factors influence the probability that people identify and exploit opportunities: the possession of necessary information and cognitive properties of individuals (Shane & Venkataraman, 2000; Shane, 2003; Mitchell *et al.*, 2002).

It has been established by OBV of internationalisation literature that possession of necessary information can be impaired most by the entrepreneur’s prior knowledge and experience and his social networks. Prior experience, especially international experience, both business and non-business related, provides the entrepreneur with various information and knowledge. This knowledge coupled with new observations and information can take on new meaning and transform into a new value. Knowledge building is a dynamic constructivist process that cannot be planned or foreseen. OBV of internationalisation builds on Hayek’s view of new knowledge construction (Hayek, 1945). Opportunity development in the light of that theory is a creative process in which the entrepreneur develops new ideas by recombining dispersed bits of incomplete knowledge that is spread among people, places and time, in novel ways that serve to create new value.

The second factor of information acquisition is social ties. It is an obvious observation that people gain access to information through interactions with other people. The structure of entrepreneurs’ social networks determines what kind of information they receive, in terms of both quantity and quality. The strength of their social ties and their intensity will also determine the speed of the receipt of that information. Much of the important information for international business activity, such as information about locations, market gaps, business environment in various countries or sources of capital, is likely to be spread across a variety of people. Ties to a variety of different people enhances opportunity discovery since diversity of information is unlikely to occur in homogenous networks (Aldrich, 1999). This line of thought is strongly supported by relational theory of firm, which posits networks as strategic assets that enhance the firm’s various capabilities (Kreiser, 2011). The formation and utilization of external networks leads to competitive advantage by providing entrepreneurs with an expanded resource base, and wider opportunities for learning. Authors Adler and Kwon (2002) found that networks provide firms with greater access to information and improve the quality, relevance and timeliness of that information. An extensive social resource base that allows entrepreneurs to discover opportunities more quickly through their network of relationships appears to be critical for firm internationalisation, taken the limited durability of opportunities. In the context of firm internationalisation, network range stands out as a key feature of established networks. Network range refers to the number of unique knowledge pools (networks) with which the entrepreneur is directly connected (Kreiser, 2011). The more these pools are diverse and set in different national settings, the better.

In order to develop an opportunity in his mind, the entrepreneur has to combine and transform the possessed information in new ways. Differences in cognitive processing among people can influence this transformation process and thus individual propensity to identify opportunity. Cognitive processes play a critical role in transforming the acquired knowledge and experience into a global mindset. Some people are better than other at understanding causal links, categorizing information or have a bigger imagination.

Shane (2003) depicted four broad categories underlying the cognitive abilities critical in opportunity recognition: intelligence, perceptive ability, creativity and not seeking risks. The author quotes studies which suggest that differences among people in their intellectual capacity influence their likelihood of opportunity discovery. A person's general intelligence measured by the IQ is correlated in numerous longitudinal studies with the discovery of more valuable opportunities. Perceptive ability is a critical cognitive skill, since opportunity discovery always involves identification, absorption and analysis of information. Similarly, since opportunities rely on novel solutions to open-ended questions another critical skill, is creativity. Shane quotes ample research which confirms that creativity is a cognitive ability, which enhances the chance of opportunity discovery. The fourth component of important cognitive abilities listed by Shane is not seeing risks. This property of individuals refers to the interpretation of information. Some people in new information and new ideas will mainly see risks, others will mainly see opportunities. Environmental changes and uncertainty evoke panic in some people, while excitement in others. Opportunity discovery cannot be stifled by risk aversion.

People exhibiting the possession of these four fundamental cognitive properties, possess or can develop a global mindset, which is the critical cognitive structure in international contexts. Global mindset is a cognitive individual-level meta-structure which "combines an openness to and awareness of diversity across cultures and markets with a propensity and ability to synthesize across this diversity" (Gupta & Govindarajan, 2002, p. 117). According to Bowen and Inpken (2009, p. 241), individuals who possess a global mindset, (1) are capable of perceiving, analysing, and decoding the global operating environment, (2) can accurately identify effective managerial actions in the global operating environment, and (3) possess the behavioural flexibility and discipline to act appropriately.

Since a global mindset is a cognitive ability involving absorption and transformation of information, it appears critical to the process of opportunity identification. Global mindset is built on intellectual, psychological and social capital building blocks that take time to develop and constantly evolve with time as the entrepreneurs experience and relationships change. It is just to assume therefore, that individual's opportunity recognition being determined to much extent by a global mindset, is often a long-term process that can be traced back to prior knowledge and experiences, factors associated in research with shaping cognitive skills (Mitchell *et al.*, 2002). Numerous prior events determine the patterns of persons' cognitive processes.

Figure 1 synthesizes the above discussion and presents a holistic perspective on opportunity antecedents in a firm internationalisation context. In short, new ideas start with prior knowledge and new information often acquired through networks. Cognition processes coupled with global mindset will enhance the capability of the entrepreneur to understand international markets and can transform various sources of knowledge into new ideas. Therefore diversified experiences and rich networks coupled with diverse cognitive abilities (including a global mindset) of the entrepreneur can enhance international market awareness and opportunity alertness, which may result in the identification or creation of internationalisation opportunity.

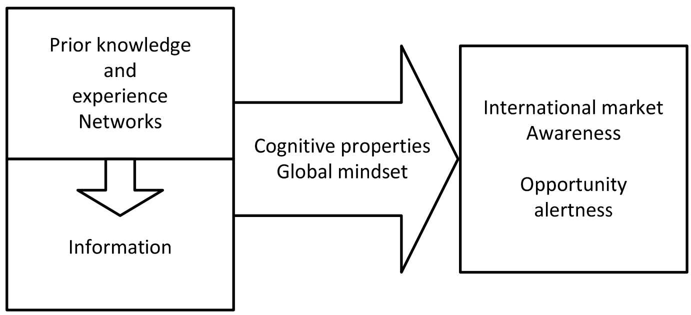

Figure 1. Antecedents of opportunity in firm internationalisation context
Source: own evaluation.

The model indicates that opportunity antecedents are interconnected and all necessary to influence new opportunity recognition. All of the variables of the model differ from one individual to another. Based on their earlier experience, individual cognitive properties and social ties, some entrepreneurs can acquire, utilize and process data on market changes across borders quicker than others. They can therefor make quicker decisions about their firm' internationalisation and receive greater profits.

Feedback Effect of Entrepreneurial Learning

Starting any new business undertaking, especially that of international scope, is based on a number of assumptions that can be tested only by experience. This dynamic process of experimentation and testing assumptions can be referred to as entrepreneurial learning (Cope, 2005). Erdelyi (2010) argues that entrepreneurial learning has two branches: one that involves personal learning and another that involves collective learning. Personal learning focuses on the individual that constitutes the cognitive mechanisms for identifying entrepreneurial business opportunities and making decisions about them, while collective learning arises from the interaction of individuals within a firm or within an ecosystem. And so entrepreneurial learning hits upon a dichotomy between the individual and the networks they are a part of. The relationships the entrepreneur has, both internal and external to the startup, seem to determine the behaviours he/she learns, the opportunities he/she can recognize, and the opportunities he/she can act upon.

At the level of the individual entrepreneur, learning can happen twofold, by (i) repetition of efficient practices or (ii) replacement of incorrect knowledge and practices with new ones based on negative feedback or new information. Cope (2005) looked at critical learning events such as significant successes or failures and found out that both of these can impact substantially the entrepreneur's learning process. Some authors suggest that entrepreneurs can learn more from failure than form success, since the first can alert entrepreneurs of incorrect assumptions and beliefs, while positive outcomes lead entrepreneurs to persist with their selected course of action (Petkova, 2009). Discrepancies between expectations and outcomes often occur in entrepreneurial settings and when coupled with deep cognitive processes, they can trigger learning. Because international entrepreneurs are especially involved in experimentation in new and often unpredictable environments, they are more likely to encounter unexpected outcomes (Petkova, 2009). This would suggest that lack of failure may restrict individuals from exploring alternatives, gathering new information and knowledge and looking for new opportunities. Failure situations might therefore lead to enhanced learning processes.

At the organizational level, entrepreneurial learning occurs as a result of two firm-level processes: (i) the external acquisition of knowledge-based resources outside of the firm's boundaries and/or (ii) internal integration and exploitation of these knowledge-based resources that creates new knowledge within the firm (Kreiser, 2011). New knowledge acquired within various networks can be recombined by individual firms to revise prior knowledge and create novel solutions. The prerequisites of this process are firm-level motivation to participate in knowledge network exchange and the ability to combine these knowledge resources in a way that creates new value (Grant, 1996). Consequently, entrepreneurial learning in international contexts requires firms to exhibit a readiness to seek, absorb and transform new information and knowledge in diverse international contexts. That firm-level competence is a global mindset. As depicted earlier, a global mindset "combines an openness to and awareness of diversity across cultures and markets with a propensity and ability to synthesize across this diversity" (Gupta & Govindarajan, 2002, p. 117) and as such appears to be critical to entrepreneurial learning in the context of firm internationalisation.

As outlined above, the existing conceptualization of entrepreneurial learning suggest that three prime factors influence that process: new knowledge, new experience and social networks. We can therefore assume that all antecedents of internationalisation opportunities provide expanded learning opportunities for entrepreneurs and their firms. We can assume that with time, the entrepreneurial learning process may lead to better opportunity recognition and more accurate decisions regarding opportunity exploitation.

Findings - Conceptual Model of OBV of Firm Internationalisation

Opportunity discovery and exploitation in internationalisation context can take a cyclical path, as suggested below. Opportunities can be either created (Schumpeterian) and involve the creation of new means-ends frameworks or identified (Kirznerian) and optimize the existing means-ends frameworks. Either way, opportunity discovery is based on the transformation of knowledge and experience deriving from various social networks into new ideas, and involves various cognitive abilities, which in the context of internationalisation sum up to form a global mindset. Through the process of entrepreneurial learning the process of opportunity discovery can be strengthened, taken the entrepreneur and the firm exhibit a global mindset. Entrepreneurs learn from prior decisions, construct new knowledge, strengthen their global mindset and expand their networks. Entrepreneurial learning introduces a loop relationship tying prior experience to future behaviour, moving the entrepreneur to higher levels of international awareness and accuracy in opportunity identification. Entrepreneurial learning affects the entrepreneur's ability to develop and expand knowledge and ideas over time and thereby develop better and more diverse opportunities (Chandra *et al.*, 2012).

All of the processes described in the study concern a certain opportunity space, which has been defined for the purpose of this study as the pool of potential opportunities which are identified by the entrepreneur and are possible to exploit. As entrepreneurs acquire new knowledge, tap into new networks and develop a stronger global mindset, they seek new geographical and consumer markets and the pool of identified potential opportunities grows. Therefore the process of entrepreneurial learning can expand the opportunity space, since new knowledge and experience expands the horizons of international opportunity recognition. Figure 2 presents the cyclical process of opportunity discovery based on the feedback effect provided by entrepreneurial learning and the process of opportunity space expansion.

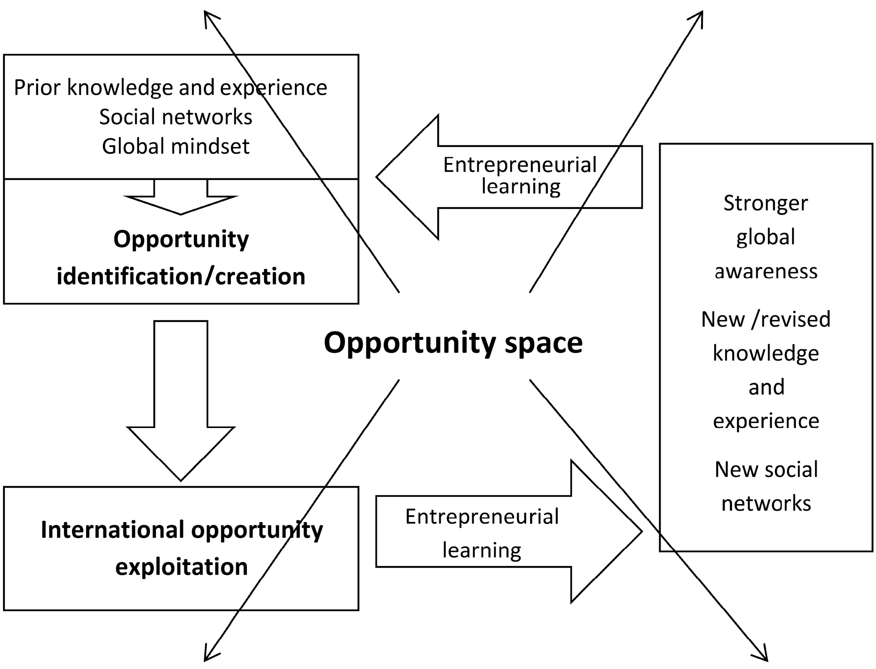

Figure 2. Opportunity-based view of firm internationalisation
Source: own evaluation.

The proposed model draws attention to path-dependency and feedback effects of opportunity exploitation. We can assume that opportunity identification and development is a continuous, cyclical process as one opportunity stimulates other opportunities through exposure to new information, networks and entrepreneurial learning. It shows that the pattern of international opportunity identification and development, as well as commitment to international markets, is cyclical and driven by the feedback effect and by entrepreneurial learning. With time, these processes can significantly enlarge the opportunity space of an entrepreneur. With each "cycle" of opportunity identification or creation, then exploitation and learning, the opportunity space will expand.

Analysing the antecedents and path dependency of international opportunity recognition, provokes some authors to claim that every internationalisation process is set in a period of time longer than we can see and therefore the internationalisation is, in fact, gradual and evolutionary (Chandra *et al.,* 2012). This observation may not be obvious when adapting a strictly firm perspective without looking deeper at the antecedents and entrepreneurial learning cycle of the internationalisation decision. We can assume that many opportunities take long to develop, they grow over time through prior experiences of the entrepreneur. Finally, prior successes and failures, abundant social ties and a strong global mindset might result in a born-global venture. Therefore what by some might be referred to as born global type on internationalisation, in fact, might be a process which goes back in time and may not be that revolutionary.

CONCLUSIONS

This study hopes to contribute to the discussion devoted to opportunity-based approach of firm internationalisation. It synthesizes fragmented pieces of research on international entrepreneurship, mainstream entrepreneurship and entrepreneurial learning theory and proposes a model of OBV of firm internationalisation.

It refers to earlier findings that firms with a strong entrepreneurial commitment perceive new opportunities more quickly, and their proactive character and their will to take risks facilitate the exploitation of these opportunities. Entrepreneurial firms strive on opportunities and international markets are a natural centre of their attention, as they present new and/or different opportunities than their home country. Studies have shown that entrepreneurial orientation positively influences the firm's propensity and speed to internationalize its activities (Zahra & Gravis, 2005; Ripolles-Melia *et al.*, 2007; Żur, 2014). Internationalisation as response to entrepreneurial opportunity occurs in various modes, following the opportunity-based contingency approach. As noted by authors, successful internationalisation is not a question of rational and planned approach, but a pragmatic approach in terms of seeking and taking entrepreneurial business opportunities" (Wach & Wehrmann, 2014; Wach, 2014). Therefore an entrepreneurial lens is relevant as it turns attention to the formation of international ventures in new and existing firms through the exploitation of opportunities. The study synthesizes the complexities inherent to the phenomena of entrepreneurial opportunity and proposes a new research framework.

The proposed model exposes the role of time in international opportunity development, suggesting that opportunity recognition is a path dependent self-reinforcing cyclical process. It incorporates antecedents of opportunities and cognitive process that lead to opportunity recognition, and emphasizes the role of global mindset on both individual and firm level. The proposed research framework brings together state-of-the-art research and extends it by providing a deeper understanding of the feed-back effect of entrepreneurial learning, as well as highlighting the progressive nature of opportunity space. Hopefully, the model can serve as a useful lens for hypotheses formulation and testing within the research domain of firm internationalisation determinants.

REFERENCES

Adler, P.S., & Kwon, S.W. (2002). Social capital: Prospects for a new concept. *Academy of Management Review*, 27(1), 17-40.

Aldrich, H. (1999). *Organizations evolving*, London: Sage Publications.

Autio, E., Sapienza, H.J., & Almeida, J.G. (2000). Effects of age at entry, knowledge intensity and imitability on international growth. *Academy of Management Journal*, 43(5), 909-924.

Bowen, D., & Inkpen, A. (2009). Exploring the role of "Global Mindset" in leading change in international contexts. *The Journal of Applied Behavioral Science*, 45(2), 239-260.

Casillas, J.C., & Acedo, F.J. (2013). Speed in the Internationalization Process of the firm. *International Journal of Management Reviews*, 15(1), 15-29.

Casson, M. (1982). *The entrepreneur*, Totowa, NJ: Barnes & Noble Books.

Chandra, Y., Styles, C., & Wilkinson, I.F. (2009). The Recognition of First Time International Entrepreneurial Opportunities: Evidence from Firms in Knowledge-Based Industries. *International Marketing Review*, 26 (1), 30-61.

Chandra, Y., Styles, C., & Wilkinson, I. (2012). An opportunity-based View of Rapid Internationalization. *Journal of International Marketing*, 20(1), 74-102.

Cope, J. (2005). Toward a dynamic learning perspective of entrepreneurship. *Entrepreneurship Theory and Practice*, 29(4), 373-397.

Daszkiewicz, N., & Wach, K. (2012). *Internationalization of SMEs: Context, Models and Implementation.* Gdańsk: Gdańsk University of Technology.

Daszkiewicz, N., & Wach, K. (2014). Motives for Going International and Entry Modes of Family Firms in Poland. *Journal of Intercultural Management,* 6(2), 5-18.

Erdelyi, P. (2010). The Matter of Entrepreneurial Learning: A Literature Review. *In: International Conference on Organizational Learning, Knowledge and Capabilities (OLKC).* Conference Papers, Northeastern University, Boston, MA, USA. (Official URL: http://www.cba.neu.edu/olkc2010/).

Grant, R.M. (1996). Toward a knowledge-based theory of the firm. *Strategic Management Journal*, 17(2), 109-122.

Hayek, F.A. (1945). The Use of knowledge in Society. *American Economic Review*, 35(4), 519-530.

Jones, G, & Butler, J. (1992). Managing internal corporate entrepreneurship: an agency theory perspective. *Journal of Management*, 18(4), 733-749.

Gupta, A.K., & Govindarajan, V. (2002). Cultivating a global mindset. *Academy of Management Executive* 16(1), 116-126.

Kirzner, I. (1973). *Competition and Entrepreneurship*. Chicago: University of Chicago Press.

Kirzner, I. (1997). Entrepreneurial discovery and the competitive market process: an Austrian approach. *Journal of Economic Literature*, 35(1), 60-85.

Kreiser, P.M. (2011). Entrepreneurial Orientation and Organizational Learning; The Impact of Network Range and Network Closure. *Entrepreneurship Theory and Practice*, 35(5), 1025-1050.

Li, J. (2013). The internationalization of entrepreneurial firms from emerging economies: The role of institutional transitions and market opportunities, *Journal of International Entrepreneurship,* 11(2), 158-171.

Lu, J.W., & Beamish, P. W. (2001). The internationalization and performance of SMEs. *Strategic Management Journal*, 22, 565-686.

Mitchell, R.K., Busenitz L., Lant T., McDougall P. P., Morse E. A, & Smith J. B. (2002). Toward a Theory of Entrepreneurial Cognition: Rethinking the People Side of Entrepreneurship Research. *Entrepreneurship Theory and Practice*, 27(2), 93-104.

Petkova, A.P. (2009). A theory of entrepreneurial learning from performance errors. *International Entrepreneurship Management Journal*, 5(4), 345-367.

Pierścionek, Z. (2011). *Zarządzanie strategiczne w przedsiębiorstwie,* Warszawa: PWN.

Ripolles-Melia, M, Menguzzato-Boulard, M, & Sanchez-Peinado, L. (2007). Entrepreneurial orientation and international commitment. *Journal of International Commitment*, 5(3-4), 65-83.

Sarasvathy, S.D., Dew, N., Velamuri, S.R., & Venkataraman, S. (2010). Three views of entrepreneurial opportunity. In *Handbook of entrepreneurship research* (pp. 77-96). New York: Springer.

Schumpeter, J. (1934). *Capitalism, Socialism, and Democracy*. Harper & Row, New York.

Shane, S. (2003). *A General Theory of Entrepreneurship*, Cheltenham, UK: Edward Elgar.

Shane, S., & Venkataraman, S. (2000). The promise of entrepreneurship as a field of research. *Academy of Management Review*, 25(1), 217-226.

Stevenson, H.H., & Jarillo-Mossi, J.C. (1986). Preserving Entrepreneurship as Companies Grow. *Journal of Business Strategy*, 7(1), 10-34.

Styles, C., & Seymour R.G. (2006). Opportunities for Marketing Researchers in International Entrepreneurship. *International Marketing Review*, 23(2), 126-45.

Venkataraman, S., Dew, N., & Forster, W.R. (2012). Reflections on the 2010 AMR Decade Award: Wither the Promise? Moving Forward with Entrepreneurship as a Science of the Artificial. *Academy of Management Review*, 37(1), 21-33.

Wach, K. (2014). Familiness and Born Globals: Rapid Internationalisation among Polish Family Firms. *Journal of Intercultural Management*, 6(3).

Wach, K & Wehrman, C. (2014). Entrepreneurship in International Business: International Entrepreneurship as the Intersection of Two Fields. In: A.S. Gubik, & K. Wach, (Eds.), *International Entrepreneurship and Corporate Growth in Visegrad Countries* (pp. 9-22). Miskolc: University of Miskolc.

Welch, L. & Luostarinen, R.K. (1988). Internationalization: evolution of concept. *Journal of General Management*, 14(2), 36-64.

Zahra, S.A., Ireland, R.D., & Hitt, M.A. (2000). International Expansion by New Venture Firms: International Diversity, Mode of Market Entry, Technological Learning, and Performance. *Academy of Management Journal*, 43(5), 925-50.

Zahra, S.A., & Garvis, D.M. (2000). International corporate entrepreneurship: the moderating effect of international environment hostility. *Journal of Business Venturing*, 15(5), 469-492.

Zahra, S.A., & Wright, M. (2011). Entrepreneurship's Next Act. *Academy of Management Perspectives*, 25(4), 67-83.

Żur, A. (2014). Corporate Entrepreneurship as an Facilitating Factor in the Rapid Internationalization of firms. The Case of Nowy Styl Group. In: B. Knezevic & K. Wach, (Ed.), *International Business from the Central European Perspective* (pp. 83-96). Zagreb: University of Zagreb.

Author

Agnieszka Żur

Assistant Professor of Entrepreneurship of the Department of Entrepreneurship and Innovation at the Faculty of Economics and International Relations of the Cracow University of Economics (Poland). PhD in management (corporate entrepreneurship). Her current research interests include social entrepreneurship and socially engaged teaching and learning. Author of publications on corporate entrepreneurship and social entrepreneurship. Extensive experience in entrepreneurship and management teaching. Certified trainer and academic OxCam tutor. Member of Academy of Management since 2010. Guest lecturer for Grand Valley State University (Grand Rapids, USA), Western Michigan University (Kalamazoo, USA), Durham University and Luton University (Great Britain), Sodertorn University (Stockholm, Sweden).

Correspondence to:

Agnieszka Żur, PhD
Cracow University of Economics
Faculty of Economics and International Relations
Department of Entrepreneurship and Innovation
31-510 Kraków, ul. Rakowicka 27
zura@uek.krakow.pl

Acknowledgements and Financial Disclosure

The article came into being within the statutory research project no. 121/WE-KPI/03/2014/S/4317 entitled "Entrepreneurial and Innovation Processes as Catalyst and Stabilizers of Business Internationalisation" coordinated by K. Wach and financed by the Ministry of Science and Higher Education of the Republic of Poland with the funds allocated to development of research potential of the Faculty of Economics and International Relations of the Cracow University of Economics.

Copyright and License

Published by the Centre for Strategic and International Entrepreneurship – Krakow, Poland

Entrepreneurial Business and Economics Review

2015, Vol. 3, No. 2

OPEN ACCESS

DOI: 10.15678/EBER.2015.030204

The Speed and Extent of New Venture Internationalisation in the Emerging Economy Context

Rūta Kazlauskaitė, Erkko Autio, Tadas Šarapovas, Šarūnas Abramavičius, Modestas Gelbūda

ABSTRACT

Objective: The objective of this paper is to explore to what extent the patterns of the internationalisation process described in the new venture (NV) internationalisation theory, developed on the experience and practice of advanced economy firms, apply to the emerging economy context.

Research Design & Methods: The paper is a systematic literature review developed on the basis of peer reviewed journal articles on NV internationalisation in emerging economies. It critically evaluates the applicability of arguments proposed by the NV internationalisation theory to the emerging economy context.

Findings: In contrast to firms from advanced economies, internationalisation of NV from emerging economies is mainly driven by push factors related to their domestic markets. Transportation, communication and digital technology play a less relevant role in emerging economies; besides, their significance is more context specific; while their absence does not inhibit rapid internationalisation.

Implications & Recommendations: To better understand the process of NV internationalisation in the emerging economy context, it is necessary to study to what extent other theoretical logics contribute to its explication. Further research should also seek to synthesise findings of research on other major theoretical frameworks.

Contribution & Value Added: The paper contributes to the NV internationalisation theory by offering some propositions on the specifics of international entrepreneurship in the emerging economy context.

Article type:	conceptual article
Keywords:	international entrepreneurship; entry speed; entry scope; emerging economy; international new venture (INV)
JEL codes:	M16, F23, L21, L26

Received: 1 April 2015 Revised: 27 April 2015 Accepted: 18 May 2015

Suggested citation:

Kazlauskaitė, R., Autio, E., Šarapovas, T., Abramavičius, Š., & Gelbūda, M. (2015). The Speed and Extent of New Venture Internationalisation in the Emerging Economy Context. *Entrepreneurial Business and Economics Review, 3*(2), 41-52. doi: 10.15678/EBER.2015.030204

INTRODUCTION

Emerging and transitional economies play an increasingly prominent role in the global economy. Owing to the specifics of the social, political and economic context of emerging and transitional economies, such as high environmental uncertainty, inefficient markets, and active government involvement, research from these economies has challenged existing international business theories (Xu & Meyer, 2013). It is therefore important to critically evaluate to what extent internationalisation theories developed in advanced economy contexts are applicable to emerging and transition economies (Wright, Filatotchev, Hoskisson & Peng, 2005; Wach, 2015). In this article we critically examine and systematically review the applicability of the international new venture theory in emerging economy contexts.

International entrepreneurship research has contributed considerably to the advancement of international business theory (Wach & Wehrmann, 2014). In contrast to the process theory of internationalisation, which argued that firms follow an incremental path of foreign market knowledge acquisition and application in their internationalisation endeavours (Johanson & Vahlne, 1977, 1990), the international new venture theory has proposed that new firms may seek early and proactive internationalisation to exploit opportunities in foreign markets and develop new products and services and enhance their performance (Oviatt & McDougall, 2005). In doing that firms tend to differ in the time-span it takes them to cross the national borders. Some firms do it faster than others, i.e., from or near inception. Specifically, the international new venture theory (Oviatt & McDougall, 1994, 2005) seeks to explain what factors explain the speed of the first foreign entry, the scope of foreign entries, and commitment to foreign sales growth.

The international new venture theory has been applied in research on emerging-economy firm internationalisation rather extensively. Nevertheless, our understanding of international entrepreneurship across different institutional and cultural contexts remains limited (Kiss, Danis & Cavusgil, 2012). First, prior research in the field has mainly focused on the speed and extent of internationalisation, while the country scope has been ignored by and large. It is also noteworthy that a lot of this research has been built following a case-study approach which allows identifying some forces that may have affected the speed and extent of internationalisation rather than confirming their causal effects. With reference to emerging economies, we should also remember that they are quite heterogeneous due to their institutional and cultural context specifics as well as variance in their transitional advancement from planned to market economy.

MATERIAL AND METHODS

To fill the above research gap, in our literature review we explore the following research questions, following the main arguments of the international new venture theory:

- What motives drive accelerated internationalisation and its expansion among emerging-economy firms?
- What forces enable rapid foreign market entry and foreign operation expansion among emerging-economy firms?

- What characteristics of the entrepreneurial actor are critical in international opportunity exploitation from emerging economies?
- What resources facilitate the degree and speed of internationalisation of emerging-economy firms?

The rest of the paper is structured as follows. First, we critically review prior research in order to identify the key motives of internationalisation among new small ventures from emerging economies. At the beginning we intended to limit our review to firms from Central and Eastern European countries; however, as research from those contexts published in quality journals turned out to be limited, we extended our review to a broader emerging economy context, without any geographical restrictions. Secondly, following the international new venture theory arguments, we overview forces that enable new ventures from these economies to enter foreign markets and consolidate their foreign operations. Next, we seek to determine the characteristics of new venture management team that are critical for new venture internationalisation success. We also offer a number of propositions that underline the distinct features of internationalising emerging economy SMEs in comparison to firms from advanced economies. We then refer to resources that were found by prior research to be critical in new venture internationalisation. Finally we offer some conclusions and implications for further research.

As regards the literature review process, we first developed a preliminary list of search terms and then supplemented it based on expert opinion. The search terms used were as follows: internationalisation, international/foreign expansion, outward FDI, export, born global, joint venture, emerging market/economy, CEE, transition market/economy/country. Next, we determined journal quality criteria and developed a list of journals to search for papers. We limited our review to journals included in Harzing (2014) list in the fields of international business, entrepreneurship, strategy and general management.

LITERATURE REVIEW AND THEORY DEVELOPMENT

Motives of Rapid Internationalisation

The international new venture theory views competition as the main motivating force of rapid internationalisation (Oviatt & McDougall, 2005). Firms rush to enter foreign markets for fear that competitors' entry would inhibit their subsequent internationalisation efforts. Findings of research conducted in the emerging-economy context show that rapid internationalisation of small- and medium-sized enterprises (SMEs) is mainly motivated by a number of push factors related to the domestic market. Specifically case studies of Polish (Nowiński & Rialp, 2013) and Estonian (Vissak, 2007) INVs revealed that the smallness of the domestic market was the main push factor for the SME internationalisation. Similarly, low growth potential of the domestic market was found to motivate Turkish firms to expand their foreign operations (Karadeniz & Göçer, 2007). Instability of the domestic market was an internationalisation motive for firms from Brazil (Amal & Rocha Freitag Filho, 2010).

The level of domestic competition is another motivating force of rapid internationalisation that has received research attention in the emerging-economy context. However, empirical findings on its effects on the speed and degree of internationalisation are mixed. For instance, in a study of Chinese firms Alon, Yeheskel, Lerner and Zhang (2013) found that the higher the competition at home, the more likely INVs will seek to enter a foreign market instead of looking for opportunities at home. However, another study of Chinese INVs showed that effects of domestic competition on both the speed of foreign market entry and internationalisation extent were insignificant (Naudé & Rossouw, 2010). The effects of the level of competition in the domestic market on the degree of internationalisation were also found to be insignificant in a study of Turkish firms (Karadeniz & Göçer, 2007). To some extent such mixed findings of the Chinese firm studies can be explained by its institutional context. Domestic government regulations were found to have a negative effect on early internationalisation, but they had a positive effect on export expansion (Naudé & Rossouw, 2010), which is due to the fact that governmental policies are more friendly for state-owned and larger firms than INVs.

A negative country-of-origin effect in the domestic market is another push factor for firm internationalisation in transition economies. A case study of Polish INVs revealed that firms sought rapid internationalisation because domestic customers were unwilling to buy their products until they were accepted in advanced economies or were motivated to internationalisation by a lack of transparency in decision-making among domestic customers (Nowiński & Rialp, 2013).

Given the above research findings, it can be concluded that emerging-economy firms are pushed to seek rapid internationalisation or expand their foreign operations by barriers related to their domestic market entry and its limited growth potential rather than fear of competitors' faster exploitation of the opportunity, which is the case of advanced-economy firms. We therefore raise the following proposition:

Proposition 1: Emerging-economy firms are more likely than firms from advanced economy contexts to seek early internationalisation due to domestic market entry barriers and the unattractiveness of the domestic market.

As seen from the above findings, NVI research on emerging-economy internationalisation has mainly focused on push factors. Studies on the pull factors are few in number. Among the few attempts, Nowiński and Rialp (2013) found that Polish producers of hi-end goods sought to internationalise fast due to potentially higher margins in foreign markets. Industry's degree of internationalisation was an important push and pull motivator for a Vietnamese born globals, as domestic market was either negligible or higher profits could be gained in a foreign market (Amal & Rocha Freitag Filho, 2010; Thai & Chong, 2008). In the first case, higher profits in a foreign market could be achieved due to lower labour costs in the domestic market, while in the latter it could be accounted by lower labour costs and by the fact that the global demand of the product (cashew nuts) exceeded its supply. These findings lead to the following proposition:

Proposition 2: Firms from emerging economies are more likely than firms from advanced economies to seek early internationalisation due to foreign market arbitrage opportunities.

Enablers of Rapid Internationalisation

International entrepreneurship theory argues that advances in transportation and communication infrastructures and digital technology are the main forces enabling rapid internationalisation of firms (Oviatt & McDougall, 2005). Empirical evidence from emerging economies has produced mixed results in respect to their critical role in emerging economy firm internationalisation, however. For instance, ICT technology was found to enable Polish firms to learn about target foreign markets, promote the firm, lower transaction costs and acquire customers (Nowiński & Rialp, 2013). However, empirical evidence from Vietnam shows that limited access to ICT did not inhibit firms' learning about foreign markets or their entrance (Thai & Chong, 2008). This suggests that the role of ICT technologies in rapid internationalisation of emerging-economy firms may be context specific. Availability of ICT technologies varies across emerging-economy countries and INVs in countries with limited access have to substitute it with other means of information acquisition (e.g. exhibitions).

Proposition 3: The quality of transportation and communication infrastructure and digital technology has a more variable impact on the speed of internationalisation among firms from different emerging economies than among firms from different advanced economies; however, its limited availability does not preclude emerging-economy firms from rapid internationalisation.

Characteristics of the Entrepreneurial Actor

The INV perspective proposes that personal characteristics (e.g. international business experience) and psychological traits (e.g. risk-taking propensity) of the entrepreneur or top management team are major moderating forces in new venture internationalisation (Oviatt & McDougall, 2005).

Findings on the role of prior international experience in emerging-economy firm internationalisation speed and degree are mixed. For instance, prior export experience of the entrepreneur was found to be positively associated with the speed of internationalisation (Naudé & Rossouw, 2010; Ciravegna, Majano & Zhan, 2014). Its effects on export intensity were negative, however, which may imply that internationalisation is first and foremost sought by some INVs to enhance the firm's reputation in the domestic market (Naudé & Rossouw, 2010). Liu *et al.* (2008) found in their case study that prior international experience of the entrepreneur is not necessary for rapid internationalisation. In a study of a four-country sample (China, India, Mexico and South Africa) Wood *et al.* (2011) found that effects of foreign education on internationalisation commitment and speed were insignificant, while foreign work experience had a positive impact. Experiential knowledge about foreign markets was accessed instead through exhibition attendance. International experience of the entrepreneur was not a necessary resource for rapid internationalisation in the case of Polish INVs either (Nowiński & Rialp, 2013). This was successfully substituted by ICT technologies which enabled firms to learn about target foreign markets, promote the firm, lower transaction costs and acquire customers. A case study of Vietnamese born-globals has also shown that a lack of foreign market knowledge did not serve as a barrier for early internationalisation (Thai & Chong, 2008). Furthermore, a survey of Chinese early exporters revealed that INVs with top managers who had prior experience with a foreign firm were less probable to internationalise early, which again may imply that international experience is first exploited to boost a firm's competitiveness in the domestic market (Naudé & Rossouw, 2010).

Given the above findings on the effect of international experience on the speed and degree of emerging-economy firm internationalisation, we propose the following:

Proposition 4: International business experience of the entrepreneur or top management is a less likely enabler of early internationalisation among emerging-economy firms in comparison to their counterparts in advanced economies.

Prior research on emerging-economy firm internationalisation has looked into the effects of a number of other characteristics of the entrepreneur. For instance, global orientation of the firm management was one of the fast internationalisation enablers among Estonian born-globals (Vissak, 2007), Brasilian firms (Amal & Rocha Freitag Filho, 2010) and among a sample of Chinese, Indian, Mexican and South African firms (Wood *et al.*, 2011), but did not differentiate born-globals from those following the traditional process of internationalisation in a Brazilian sample (Dib, da Rocha & da Silva, 2010). Proactiveness in the search of the first client abroad was found an important predictor of the degree and scope, but not the speed of internationalisation among Chinese SMEs (Ciravegna, Majano & Zhan, 2014), while entrepreneurial proclivity, or opportunity driven motivation of the entrepreneur, had a positive effect on the speed of internationalisation (Alon, Yeheskel, Lerner & Zhang, 2013). A study of Chilean firms revealed that risk-taking propensity was a predictor of the probability of a firm becoming a micro multinational corporation (MNC), while effects of innovativeness and proactiveness were insignificant (Dimitratos, Amorós, Etchebarne & Felzensztein, 2014). Findings of a study of young INVs in China revealed that the effects of entrepreneurial proclivity on the speed of internationalisation were indirect and were mediated by foreign market knowledge (Zhou, 2007). Besides, the study showed that cultural diversity moderates the impact of innovative proclivity on foreign market knowledge.

Another study of Chinese firms found that the most important determinant of rapid internationalisation among Chinese firms was their founder's entrepreneurship (Liu, Xiao & Huang, 2008). Furthermore the authors argue that the Chinese form of entrepreneurship is distinct from advanced-economy firms and call it "bounded entrepreneurship", for due to the institutional environment of China its entrepreneurs have lower levels of education and international experience and are faced with some unfavourable regulations. A case study of Vietnamese born-globals proposes that early internationalisation may be explained through the entrepreneur's leadership desire and the need for short-term profits (Thai & Chong, 2008). Being generally rather autocratic in their management style, Vietnamese entrepreneurs make decisions on their business direction themselves and will seek the opportunity that they perceive as more profitable, which also emphasises the role of the national culture in identifying features of an entrepreneur that contribute to firms' rapid internationalisation in the emerging-economy context. A longitudinal study of Polish exporters showed that rapid internationalisation was driven by positive perceptions of desirability and feasibility during the transition from the communism to the market economy, when international entrepreneurial initiatives were perceived more positively than purely domestic ones (Cieslik & Kaciak, 2009).

Given the above findings on the characteristics of emerging-economy entrepreneurs that contribute to firms' rapid internationalisation, we make the following proposition:

Proposition 5: Characteristics of entrepreneurial actors of emerging-economy firms that affect new venture rapid internationalisation are more context specific than those of entrepreneurs in advanced-economy firms and may be explained through a variety of institutional and cultural context variables.

Resources Facilitating Rapid Internationalisation

Knowledge intensity in the product/service offering and international networks are the key resources that are believed by the international new venture theory to be moderating a firm's rapid internationalisation (Oviatt & McDougall, 2005). Firms that build their competitive advantage on knowledge development and exploitation are more likely to develop skills necessary to adapt to and expand in foreign markets (Autio, Sapienza & Almeida, 2000), while international network ties assist entrepreneurs in finding out how and where the identified opportunity can be best exploited abroad (Oviatt & McDougall, 2005).

In the emerging economy context, knowledge intensity, as a moderating force of internationalisation, has not been given much research attention so far; furthermore, it has produced mixed results. For instance, a case study of Estonian high-tech INVs provides some support of knowledge intensity relevance, as firms under the study considered their technological competence as a unique strength that contributed to their rapid internationalisation (Vissak, 2007). A study of Turkish SMEs showed that the R&D intensity had a positive effect on a firm's degree of internationalisation (Karadeniz & Göçer, 2007). Higher R&D expenses were also found to be a predictor that a firm will become a born-global rather than follow the traditional pattern of internationalization among Brazilian software firms (Dib *et al.*, 2010). However, findings of Naudé & Rossouw (2010) and Wood *et al.* (2011) studies show that the effects of R&D spending and high-tech product or technology proprietorship on the speed of internationalisation are insignificant.

Contrary to modest research efforts in respect to knowledge intensity, network influences, as another moderating force of rapid internationalisation, have received a considerably more extensive research attention in the emerging-economy context and produced some interesting findings. For instance, both international and domestic networks were found to have played a significant role in the fast internationalisation of Estonian firms (Vissak, 2007). A study of Czech SMEs, however, showed that only sharing a common language with international ties was significantly related to the speed of internationalisation, while neither the proportion of international ties nor their geographical dispersion had any significant effect on the speed of internationalisation (Musteen, Francis, & Datta, 2010). In respect to the degree of internationalisation, the findings of the above study showed that it was positively associated with the geographical diversity of networks and negatively with the proportion of international ties, all of which undermine the relevance of international ties in respect to the speed and degree of internationalisation among emerging-economy firms. Networks were not a significant predictor of the speed of internationalisation among Brazilian firms either (Dib *et al.*, 2010).

Other studies, however, showed that as international new ventures form emerging economies tend to have limited international ties, they rely more heavily on domestic networks (Nowiński & Rialp, 2013). Besides, as mentioned above, ICT technology is often leveraged to overcome liability of foreignness. The relevance of domestic ties was also revealed in a study of Bulgarian SMEs' (Manolova, Manev & Gyoshev, 2010), where the size of domestic personal networks of the entrepreneur were found to have a positive effect on the degree of internationalisation. The effects of inter-firm networking on the degree of internationalisation, however, were insignificant. Besides, the relationship between inter-firm networking and degree of internationalisation was negatively moderated by firm age. Findings of a survey of Chinese born-global SMEs revealed mediating effects of guanxi networks in the relationship between outward internationalisation orientation and export performance (Zhou, Wu & Luo, 2007), which underlines the relevance of the home-based network ties in identifying global market opportunities and developing capabilities to respond to them. However, other studies of Chinese INVs showed that network effects on extent (Naudé & Rossouw, 2010), degree and scope (Ciravegna *et al.*, 2014) of internationalisation were insignificant or not important in facilitating internationalisation among Chinese and Vietnamese firms (Liu *et al.*, 2008; Thai & Chong, 2008). Furthermore, contrary to the international new venture theory, a study of young indigenous exporters in China revealed negative effects of network membership on early internationalisation, while belonging to a business group had positive effects on export in general, which implies that networks offer more advantage for domestic performance (Naudé & Rossouw, 2010).

Proposition 6: Emerging-economy firms rely more heavily on domestic networks than advanced-economy firms in their internationalisation efforts, while international ties are not a necessary condition for emerging-economy firm rapid internationalisation.

CONCLUSIONS

The aim of this article was to critically examine the applicability of the international new venture theory in explaining the internationalisation process of new ventures from emerging and transitional economies. To attain this aim we critically studied prior research in the field.

Findings of our literature review on the motives of new venture internationalisation show that in contrast to firms from advanced economies that mainly seek rapid internationalisation due to push factors, such as fear that competitors' entry will inhibit their subsequent initiation of foreign operations, internationalisation of new ventures from emerging economies is mainly driven by push factors related to their domestic markets, such as market smallness, low growth potential, high competition, instability, negative country-of-origin effects, etc., which leads to a conclusion that rapid internationalisation of emerging economy new ventures is mainly driven by domestic market entry barriers and its unattractiveness, which distinguishes them from their advanced economy counterparts. Prior research on the pull factors, however, is very modest. Foreign market arbitrage possibilities are one of the few factors identified in our literature review that can be considered a specific characteristic of early emerging economy internationalisers.

Speaking of the enablers of early internationalisers, our literature review revealed that in contrast to advanced economies, where transportation, communication and digital technology were found to be among the main enablers of internationalisation, they play a less relevant role in emerging economies. Besides their significance is more context specific; while their absence does not inhibit rapid internationalisation.

Though such characteristics of entrepreneurs as international business experience, risk-taking propensity were found in the mainstream literature to be the main mediating forces of early internationalisation in advanced economy new ventures, findings on their role in emerging economies are mixed. Our findings lead to the proposition that international experience of the top management team plays a less relevant role in emerging economy firm early internationalisation and their characteristics are more context specific.

As to the resources that facilitate rapid internationalisation in the emerging economy context, our literature review revealed that the role of knowledge intensity, one of the key resources in the traditional theory, is still by and large under-researched. On the other hand, the role of network influences, another resource found to facilitate rapid internationalisation in the traditional theory, has been given extensive attention in prior research. Its findings, however, are mixed and lead to a conclusion that domestic networks are more relevant than international ties.

To conclude it may be stated that though the key arguments of the international new venture theory do apply to the emerging economy context, this theoretical logic does not fully explain the motives, enablers and moderating forces of new venture internationalisation in the emerging economy contexts and further research is needed on this phenomenon. However, our findings should be treated with reservation, as prior research on the internationalisation process of INVs is still modest and its findings are by and large derived from case studies.

Furthermore, to fully understand the process, it is necessary to study to what extent other logics, such as the process theory of internationalisation, international entrepreneurship, network theory, institutional theory, etc., contribute to its explication. Further research should also seek to synthesise findings of research built on the above major theoretical frameworks in the context of emerging economy new venture internationalisation process. It is also noteworthy that prior research on the speed and scope of internationalisation is mainly built on findings from Asian and Latin American countries, which underlines the relevance of further research in the Central and Eastern European region.

REFERENCES

Alon, I., Yeheskel, O., Lerner, M., & Zhang, W. (2013). Internationalization of Chinese Entrepreneurial Firms. *Thunderbird International Business Review*, 55(5), 495-512.

Amal, M., & Rocha Freitag Filho, A. (2010). Internationalization of small- and medium-sized enterprises: a multi case study. *European Business Review*, 22(6), 608-623.

Autio, E., Sapienza, H.J., & Almeida, J.G. (2000). Effects of Age at Entry, Knowledge Intensity, and Imitability on International Growth. *The Academy of Management Journal*, 43(5), 909-924.

Cieslik, J., & Kaciak, E. (2009). The speed of internationalization of entrepreneurial start-ups in a transition environment. *Journal of Developmental Entrepreneurship*, 14(04), 375-392.

Ciravegna, L., Majano, S.B., & Zhan, G. (2014). The inception of internationalization of small and medium enterprises: The role of activeness and networks. J*ournal of Business Research*, 67(6), 1081-1089.

Dib, L., da Rocha, A., & da Silva, J. (2010). The internationalization process of Brazilian software firms and the born global phenomenon: Examining firm, network, and entrepreneur variables. *Journal of International Entrepreneurship*, 8(3), 233-253.

Dimitratos, P., Amorós, J.E., Etchebarne, M.S., & Felzensztein, C. (2014). Micro-multinational or not? International entrepreneurship, networking and learning effects. *Journal of Business Research*, 67(5), 908-915.

Harzing, A.W. (2014). Journal Quality List. Retrieved on March 15, 2015 from http://www.harzing.com/

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. (1990). The mechanism of internationalisation. *International Marketing Review*, 7(4), 11-24.

Karadeniz, E.E., & Göçer, K. (2007). Internationalization of small firms: A case study of Turkish small and medium-sized enterprises. *European Business Review*, 19(5), 387-403.

Kiss, A.N., Danis, W.M., & Cavusgil, S.T. (2012). International entrepreneurship research in emerging economies: A critical review and research agenda. *Journal of Business Venturing*, 27(2), 266-290. doi: 10.1016/j.jbusvent.2011.09.004

Liu, X., Xiao, W., & Huang, X. (2008). Bounded entrepreneurship and internationalisation of indigenous Chinese private-owned firms. *International Business Review*, 17(4), 488-508.

Manolova, T.S., Manev, I.M., & Gyoshev, B. S. (2010). In good company: The role of personal and inter-firm networks for new-venture internationalization in a transition economy. *Journal of World Business*, 45(3), 257-265.

Musteen, M., Francis, J., & Datta, D.K. (2010). The influence of international networks on internationalization speed and performance: A study of Czech SMEs. *Journal of World Business,* 45(3), 197-205.

Naudé, W., & Rossouw, S. (2010). Early international entrepreneurship in China: Extent and determinants. Journal of *International Entrepreneurship*, 8(1), 87-111.

Nowiński, W., & Rialp, A. (2013). Drivers and strategies of international new ventures from a Central European transition economy. *Journal for East European Management Studies*, 18(2), 191-231.

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

Oviatt, B.M., & McDougall, P.P. (2005). Defining international entrepreneurship and modeling the speed of internationalization. Entrepreneurship *Theory and Practice*, 29(5), 537-554.

Thai, M.T.T., & Chong, L.C. (2008). Born-global: The case of four Vietnamese SMEs. *Journal of International Entrepreneurship*, 6(2), 72-100.

Vissak, T. (2007). The Emergence and Success Factors of Fast Internationalizers. *Journal of East-West Business*, 13(1), 11-33.

Wach, K. (2015). Entrepreneurship without Borders: Do Borders Matter for International Entrepreneurship? *Problemy Zarządzania*, 13(1), part 2(51), 82-92.

Wach, K., & Wehrmann, C. (2014). Entrepreneurship in International Business: International Entrepreneurship as the Intersection of Two Fields (chapter 1). In: Gubik, A.S. & Wach, K. (Eds.), *International Entrepreneurship and Corporate Growth in Visegrad Countries* (pp. 9-22). Mickolc: University of Miskolc.

Wood, E., Khavul, S., Perez-Nordtvedt, L., Prakhya, S., Velarde Dabrowski, R., & Zheng, C. (2011). Strategic Commitment and Timing of Internationalization from Emerging Markets: Evidence from China, India, Mexico, and South Africa. *Journal of Small Business Management,* 49(2), 252-282. doi: j.1540-627X.2011.00324.x

Wright, M., Filatotchev, I., Hoskisson, R.E., & Peng, M.W. (2005). Strategy Research in Emerging Economies: Challenging the Conventional Wisdom. *Journal of Management Studies*, 42(1), 1-33.

Xu, D., & Meyer, K.E. (2013). Linking theory and context:'Strategy research in emerging economies' after Wright *et al.*(2005). *Journal of Management Studies*, 50(7), 1322-1346.

Zhou, L. (2007). The effects of entrepreneurial proclivity and foreign market knowledge on early internationalization. *Journal of World Business*, 42(3), 281-293.

Zhou, L., Wu, W.-P., & Luo, X. (2007). Internationalization and the performance of born-global SMEs: the mediating role of social networks. *Journal of International Business Studies*, 38(4), 673-690.

Authors

Contribution share of authors is equal and amounted to 20% each of them.

Rūta Kazlauskaitė

Professor in the Area of Human Resource Management, Corporate Social Responsibility and Strategy at ISM University of Management and Economics (Lithuania). PhD in Business Administration by ISM University of Management and Economics (Lithuania).

Erkko Autio

Professor in the Area of Technology Venturing and Entrepreneurship at Innovation and Entrepreneurship Department, Imperial College London (the United Kingdom) and ISM University of Management and Economics (Lithuania). PhD by Helsinki University of Technology (Finland).

Tadas Šarapovas

Associate Professor in the Area of Economics and Strategy at ISM University of Management and Economics (Lithuania). PhD in Economics by Kaunas University of Technology (Lithuania).

Šarūnas Abramavičius

Associate Professor in the Area of Quality Management and Strategy at ISM University of Management and Economics (Lithuania). PhD in Business Administration by Kaunas University of Technology (Lithuania).

Modestas Gelbūda

Associate Professor in the Area of Strategy, Entrepreneurship and Innovation at ISM University of Management and Economics (Lithuania). PhD in Business Administration by Aalborg University (Denmark).

Correspondence to:

Assoc. Prof. Modestas Gelbūda, PhD
ISM University of Management and Economics
Arkliu Street 18
01305 Vilnius, Lithuania
modestas.gelbuda@ism.lt

Acknowledgements and Financial Disclosure

This research has been funded by the European Social Fund under the Global Grant measure (Project No. VP1-3.1-SMM-07-K-03-074).

Copyright and License

Entrepreneurial Business and Economics Review

2015, Vol. 3, No. 2

DOI: 10.15678/EBER.2015.030205

OPEN ACCESS

The Resource-based View and SME Internationalisation: An Emerging Economy Perspective

Rūta Kazlauskaitė, Erkko Autio, Modestas Gelbūda, Tadas Šarapovas

ABSTRACT

Objective: The aim of the paper is to advance the development of theory in the field of international business by seeking to understand to what extent the resource-based view (RBV), built on the experience and evidence from advanced economies, helps understand the internationalisation process of emerging economy SMEs.

Research Design & Methods: The paper is built on a systematic literature review of peer-reviewed journal articles on SME internationalisation motives and enablers in emerging economies.

Findings: The RBV arguments explain the internationalisation process of emerging economy SMEs only to some extent. In contrast to advanced economy firms, the internationalisation of SMEs from emerging economies is more likely to be driven by the exploitation of cost advantage, and motivation to gain new knowledge that is unavailable domestically and enhance their domestic market reputation. Besides it is more handicapped by a lack of internationalisation experience or international ties.

Implications & Recommendations: To understand the process of emerging economy SME internationalisation, it is necessary to study to what extent other logics contribute to its explication. Further research should also seek to synthesise findings of the above major theoretical frameworks in the context of emerging economy SME internationalisation process.

Contribution & Value Added: The originality of this work lies in studying the internationalisation motives and enablers of indigenous SMEs in emerging economies and challenging the applicability of the RBV arguments in this specific context.

Article type: conceptual article
Keywords: resource-based view; internationalisation; emerging economy; SME
JEL codes: M16, F23, L21, L26

Received: 1 April 2015 | Revised: 27 April 2015 | Accepted: 18 May 2015

Suggested citation:

Kazlauskaitė, R., Autio, E., Gelbūda, M., & Šarapovas, T. (2015). The Resource-based View and SME Internationalisation: An Emerging Economy Perspective. *Entrepreneurial Business and Economics Review, 3*(2), 53-64. doi: 10.15678/EBER.2015.030205

INTRODUCTION

Emerging economies are gaining growing prominence in the global economy. Collectively they account for about one third of the world's gross domestic product, and their growth rates tend to exceed those of advanced economies (Hale, 2012). Furthermore, more and more emerging economy firms are expanding their operations into international markets (Aulakh *et al.*, 2000). The majority of those firms are, however, still in the early stages of the internationalisation process, with exports being one of the dominant foreign market entry modes, which underlines the relevance of research understanding of strategies these firms follow in their internationalisation process.

Prior research on emerging economy firm internationalisation has mainly focused on strategies of large companies, in many cases including state-owned and foreign-owned organisations (Amal & Rocha Freitag Filho, 2009). This in turn leaves internationalisation motives and enablers of small and medium-sized (SME) enterprises, which constitute the largest part of the national economy in most emerging economy contexts, by and large an under-researched area.

One of the most commonly used theoretical frameworks in the internationalisation research is the resource-based view (RBV) (Peng, 2001). It has been recognised as one of the top three most useful theories helping to understand firm strategy in emerging economies (Hoskisson, Eden, Lau & Wright, 2000). Put succinctly, the resource-based view explores how firms can build, access, control, and leverage firm-specific resources for sustainable competitive advantage (Barney, 1991). The more valuable, rare, and difficult to substitute and copy such resources are, the more likely they will support sustainable competitive advantage.

In the context of internationalisation, resource-based notions are echoed in the distinction between home-base exploitation and home-base extension logics of internationalisation (Kuemmerle, 2002). This framework suggests that firms can internationalise on the back of resource-based advantages that exist in their home base; or they can use internationalisation to create resource-based advantages by creating valuable and difficult-to-substitute resource combinations across national borders. Both logics have been applied to explore internationalisation processes in emerging economy contexts (Wright, Filatotchev, Hoskisson & Peng, 2005; Cui & Jiang, 2010). However, such studies have mainly focused on large state-owned firms.

Seen through the resource-based lens, the size of the firm can be considered an important determinant of a firm's export activities, as size proxies the magnitude of managerial and financial resources and the firm's strength in the domestic market (Singh, 2009). Echoing this stance, resource-based research on SME internationalisation from emerging economies has reported predominantly positive effects of SME size on export sales (Singh, 2009), export performance (Alvarez, 2004), export intensity (Manolova, Manev & Gyoshev, 2010), and outward foreign direct investment (OFDI) motives and behaviours (Huang & Renyong, 2014). However, these studies have as yet failed to produce a coherent theoretical synthesis of how resources impact internationalisation outcomes in emerging economy SMEs. We advance such a synthesis in this paper.

MATERIAL AND METHODS

In this paper we extend the existing research understanding of the internationalisation process of emerging economy SMEs. Specifically, we explore the following research questions in our literature review:

- What are the resources that internationalising emerging economy firms leverage for internationalisation?
- What kinds of resources characterise the home base of internationalising emerging economy firms?
- What are the international resource combinations that emerging economy firms pursue through internationalisation?

In the following, we first review prior literature on the internationalisation process of indigenous emerging economy SMEs in order to identify the resources they tend to leverage for internationalisation. Next, we identify the most characteristic home base resources of those firms, as discussed in the literature. Then we identify dominant resource combinations that emerging economy SMEs pursue through internationalisation. Based on our literature review findings, we offer a number of propositions that underline the distinct features of internationalising emerging economy SMEs in comparison to firms from advanced economies. We close the paper with some conclusions and implications for further research.

As regards the review process, we first developed a preliminary list of search terms and then supplemented it based on expert opinion. The search terms used were as follows: internationalisation, international/foreign expansion, outward FDI, export, born global, joint venture, emerging market/economy, CEE, transition market/economy/ /country. Next, we determined journal quality criteria and developed a list of journals to search for papers. We limited our review to journals included in Harzing (2014) list in the fields of international business, entrepreneurship, strategy and general management.

LITERATURE REVIEW AND THEORY DEVELOPMENT

Leverage of Home-Base Resources in SME Internationalisation Process

Lacking material resources, new ventures have to compete on their resourcefulness, by doing more with less tangible resources and complementing these with intangible resources. In addition, emerging economy SMEs operate in less munificent environments in comparison to SMEs from advanced economies, which further underscores the relevance of intangible resources for them. So what are the resources that characterise the home-base of emerging economy SMEs and what resources do they leverage for internationalisation?

Prior empirical research shows that one valuable, rare and difficult-to-imitate intangible resource that emerging economy SMEs tend to leverage in their internationalisation endeavours is their existing stocks of knowledge (Kocak & Abimbola, 2009; Prashantham & Dhanaraj, 2010; Wach, 2014; Yamakawa, Khavul, Peng, & Deeds, 2013). New ventures from emerging economies tend to capitalise on their international market knowledge and technological know-how. International market knowledge is valuable, as it enables firms to lower their costs in export transactions (Peng & York, 2001). This kind of knowledge is usually gained through the entrepreneur's international experience in the form of education and work experience abroad. Empirical findings also show that the international experience of the founder-manager is more valuable and relevant when the SME chooses to internationalise to advanced economy markets rather than other emerging economy markets (Yamakawa *et al.*, 2013), as advanced economy markets exhibit greater institutional differences relative to other emerging economy markets.

Larger stocks of technological knowledge gained by the firm through its founder-manager's technical background and employees (proportion of employees engaged in R&D) is another resource that is often leveraged for internationalisation by new ventures from emerging economies (Yamakawa *et al.*, 2013; Singh, 2009; Karadeniz & Göçer, 2007). As a case in point, patent possession was found to have contributed to rapid internationalisation of Estonian firms (Vissak, 2007). However, technological know-how was found to be more salient when seeking to enter advanced economy markets, and it was not similarly leveraged for internationalisation to other emerging economy markets (Yamakawa *et al.*, 2013).

Human capital of the founder-manager was also found to serve as valuable resource that was leveraged for internationalisation by emerging economy SMEs. Such firms were found to have entrepreneurs with higher levels of education, for example (Alon *et al.*, 2013; Thai & Chong, 2008). Reflecting generic human capital, the employment size also characterised internationalising emerging economy SMEs, with larger SMEs likely to have better access to unique and inimitable combinations of human resources, knowledge and capabilities (Alon *et al.*, 2013).

Higher stocks of social capital in the form of domestic networks (Manolova *et al.*, 2010) and through return migration or former work experience in multinational corporations (MNCs) may also serve as a valuable and difficult-to-imitate resource for internationalisation (Prashantham & Dhanaraj, 2010; Kocak & Abimbola, 2009). However, some research has noted that social capital tends to decline over time and needs to be replenished. Thus, expanding the SME's stocks of social capital expansion is equally important for emerging economy SME internationalisation as is the exploitation existing stocks of social capital (Prashantham & Dhanaraj, 2010).

Emerging economy SMEs also tend to leverage their reputation for internationalisation. Notably, domestic market reputation is a significant factor in the firm's choice between emerging and advanced economy markets. Empirical findings show that reputation established in the domestic market can be exploited and serve as an advantage when the SME seeks to internationalise to other emerging economy markets (Yamakawa *et al.*, 2013), as it already has experience in operating in environments characterised by underdeveloped institutions and difficult governance conditions (Cuervo-Cazurra & Genc, 2008). Domestic reputation of an emerging economy firm is less relevant for stakeholders in advanced economies, however. Thus, reputation is a resource that emerging economy SMEs seek to build rather than exploit in advanced economies.

In addition to intellectual, human, and social capital and reputation, also governance and monitoring mechanisms were identified as intangible resource that SMEs from emerging economies (China in this case) leverage for internationalisation (Luo, Zhao, Wang & Xi, 2011). This resource likely helps emerging economy SMEs overcome hindrances posed by deficient institutions and governance structures in their home countries.

Among the tangible resources, internationalising SMEs from emerging economies may seek to compete on their new technology and unique offerings in terms of new products or services (Alon *et al.*, 2013). For instance, differentiation competencies, measured by R&D intensity and new product ratio, were found to have a positive effect on export propensity and intensity (Gao *et al.*, 2010), while innovative products and production processes were found to be one of the main sources of positive performance in a case study of Turkish born globals (Kociak & Abimbola, 2009). However, proprietary technology at start-up, like the above mentioned domestic reputation, is found to be more relevant when firms choose to internationalise to other emerging economy markets, as the competitive benefits of such technology are considered to be offering lesser competitive benefits in advanced economies (Yamakawa *et al.*, 2013). Inward internationalisation advantage (i.e., tapping into resources outside the home country) was also found to have significant effect on emerging economy SMEs' internationalisation proclivity (Luo *et al.*, 2011).

As such, the above mentioned intangible and tangible resources of emerging economy do not differ much from those discussed in the mainstream internationalisation literature. After all, firms tend to draw on the same categories of resources (e.g., financial, human, and social capital) regardless of the economy they reside in. Our literature review suggests that differences in resource deployment arise from three aspects: first, the regulating effect the firm's context has on resource deployment; second, the quality of the resources a firm can leverage; and third, the quantity of the resources the firm can build and access. We next discussed each in turn.

As seen in the above review, emerging economy contexts can moderate the effect of a given SME's resources on its internationalisation decisions. We saw that emerging economy SMEs are more likely to leverage their technology resources for internationalisation to other emerging economies, rather than advanced economies (Vissak, 2007). Similarly, SMEs that built their reputations in emerging economies are more likely to leverage their reputations for internationalisation to other emerging economies than to advanced economies (Yamakawa *et al.*, 2013). This may be for two reasons. First, emerging economy conditions regulate the quality of the resources SMEs are able to build in their home bases. The quality of technological know-how built by emerging economy SMEs may be better suited in contexts where the technological infrastructure is similar to their home base – i.e., other emerging economies. When seeking to leverage their domestically built technological know-how in advanced economies, emerging economy SMEs may be at a disadvantage when trying to adapt their technologies to the high-quality technological infrastructure advanced economies enjoy. Similarly, the quality of reputational resources built in an emerging economy context may also be more readily leveraged in other emerging economies. We therefore propose:

Proposition 1: Intangible resources built in an emerging economy context are better suited for internationalisation to other emerging economy markets than to advanced economy markets.

An advantage emerging economy SMEs can mostly rely on relates to their overall lower labour, production, R&D, product development and marketing costs (Aulakh, Kotabe, & Teegen, 2000; Nowiński & Rialp, 2013). Firms from emerging economies like China also enjoy a cost advantage due to improvements in production capabilities driven by FDI (Guthrie, 2005), high levels of domestic competition (Child & Rodrigues, 2005), and low-cost financing resources available due to capital market imperfections (Cui, Jiang, & Stening, 2011). Therefore being at a disadvantage in comparison to advanced economy markets, internationalising firms from emerging economies are more likely to exploit their cost advantage and pursue a low-cost strategy when entering advanced economy markets (Aulakh, Kotabe, & Teegen, 2000). Cost advantage, measured by production cost ratio, and selling and administrative cost ratio, was found to have a positive effect on export propensity and intensity in a sample of private Chinese manufacturing firms (Gao, Murray, Kotabe & Lu, 2010). Empirical evidence also shows that the positive effects of the cost-based strategy on export performance are stronger among emerging economy firms that internationalise to advanced rather than other emerging economy markets where domestic firms can also draw on low-cost resources and where a differentiation strategy may therefore be more successful (Aulakh *et al.*, 2000). A case study by Liu *et al.* (2008) shows that low price alone does not suffice to successfully compete in international markets, and it is the quality-price ratio that matters.

Summarising, access to low-cost resources may be seen as a distinctive emerging economy advantage for emerging economy SMEs. We therefore propose:

Proposition 2: Emerging economy SMEs are more likely to exploit domestic resource cost advantages than firms internationalising from advanced economy contexts.

In addition to resource quality, also resource quantity can matter. Emerging economy contexts are less munificent than advanced economy contexts, making it more challenging for SMEs to access and mobilise resources for internationalisation. The institutional environment that emerging economy SMEs operate in is also characterised by lack of formal and informal institutions that are necessary for efficient market-based exchanges, which makes it more difficult for emerging economy firms to access capital, labour and distribution channels (Khanna & Palepu, 2000). They also have to cope with risks stemming from their unstable political and economic environment (Gaur, Kumar, & Singh, 2014). Therefore to overcome their shortage of and limited access to critical resources and cope with environmental risks, emerging economy SMEs cannot rely on their stocks of resources alone and may instead seek resources through networks and business group affiliation. A stronger domestic position of an affiliated firm provides it with a stronger risk-taking ability to venture into international markets. Empirical evidence, though scarce, also supports positive effects of business group affiliation on SME internationalisation (Singh, 2009; Huang & Renyong, 2014). A longitudinal case study of a Chilean retailer revealed that the internationalisation of an emerging market firm may be facilitated by belonging to a family conglomerate with a lengthy history of operations in the marketplace. The reputation and tradition provided by the family name support the creation of a competitive advantage and greater legitimacy over developed country companies in the eyes of other emerging-market actors (Bianchi, 2009). In contrast, firms in advanced economies operate in an institutional context with well-functioning markets which makes it easier for them to access the required financial, technological, and managerial resources (Khanna & Palepu, 2000). We therefore propose:

Proposition 3: SMEs internationalising from emerging economy contexts are more likely to belong to business groups than SMEs internationalising from advanced economy contexts.

Home-Resource Base Characteristics of Internationalising Emerging Economy SMEs

As seen above, internationalising firms from emerging economies leverage their stocks of technological and market knowledge, intellectual and social capital, domestic reputation, new technology and unique product and service offerings, and labour cost advantage. However, due to deficiencies in the institutional environment of emerging economies, and the smallness of the firms themselves, not all internationalising SMEs can access critical resources required for internationalisation. Though prior research on barriers to internationalisation in emerging economy contexts is limited, it can still be concluded from existing studies that internationalising emerging economy SMEs often lack such critical resources as venture capital (Nowiński & Rialp, 2013), international experience, human capital and managerial skills, international network ties (Liu *et al.*, 2008; Nowiński & Rialp, 2013; Thai & Chong, 2008), ICT technology and skills (Thai & Chong, 2008), and advanced technology (Liu *et al.*, 2008). These findings should be interpreted with caution, however, and generalisations cannot be made without taking into consideration the specifics of the national institutional context and the stage the specific country is at in its transition to the market economy, as differences across emerging economies emerging economy can be pronounced. We therefore propose:

Proposition 4: SMEs internationalising from emerging economy contexts are more likely than firms internationalising from advanced economy contexts to be handicapped by lack of internationalisation experience, managerial skills and international ties required to support internationalisation.

Extension of Home-Base Resources in the Internationalisation Process of Emerging Economy SMEs

Gaining access to resources not available in the home base can be an important motive driving internationalisation (Barney, Wright & Ketchen, 2001). Firms may choose to internationalise not only to exploit their domestic resource base, but also, to access assets and resources abroad, i.e., to remedy a domestic resource handicap.

What resources do emerging economy firms seek through internationalisation? Prior research on resource extension through internationalisation is rather modest, as most internationalisation research has focused on resource exploitation. Among the few studies that explored home-base extension, access to reputation and knowledge were identified as drivers of internationalisation from emerging economy contexts. Specifically new ventures were found to seek internationalisation in order to enhance their reputation in their domestic market (Yamakawa *et al.*, 2013), which enabled the firms to strengthen their domestic market position. This way, internationalisation served to build a domestic advantage. Hence we propose:

Proposition 5: New ventures from emerging economies are more likely to seek internationalisation in order to enhance their domestic market reputation than firms from advanced economies.

Emerging economy SMEs may also choose to internationalise to source new knowledge that is unavailable locally. For instance, Yamakawa *et al.* (2013) findings showed that firms with larger proportions of employees based abroad are more likely to choose to internationalise to advanced economy markets. Also, emerging economy SMEs that seek new knowledge through direct sales rather than intermediation are also more likely to enter advanced economy markets. A case study analysis of four Indian SMEs showed that to gain new technological knowledge and market learning, firms seek to expand their social capital, which they do by (i) extending their initial network of contacts, (ii) making proactive probes into new international ties, and (iii) leveraging networks within their domestic network to establish new international ties (Prashantham & Dhanaraj, 2010).

CONCLUSIONS

The aim of this paper was to formulate a coherent resource-based theory that articulates the specifics of the internationalisation process of SMEs from emerging economies. To attain this aim we critically studied prior research in the field. To advance the understanding of emerging economy SME internationalisation, we specifically focused on the resource-based view, one of the dominant theoretical frameworks used in prior internationalisation literature. We used our review to build a resource-based synthesis to explain internationalisation patterns of emerging economy SMEs.

Our review concludes that emerging economy SMEs seek to leverage their intangible and tangible resources in their internationalisation. Among the former, they exploit their stocks of knowledge (international market knowledge and technological know-how), intellectual capital, social capital and reputation; while among the latter firms may seek to compete on their new technologies, unique products or services. In terms of resources used, emerging economy SMEs are not different from their advanced economy counterparts. The distinctive features of emerging economy SME internationalisation arise from: (i) the way emerging economy contexts moderate the effect of different resource categories on internationalisation decisions; (ii) the quality of resources that can be build and accessed in emerging economy contexts; and (iii) on the quantity of resources that can be mobilised in emerging economy contexts. What makes their resource base distinct from advanced economy firms are their overall lower costs (e.g., labour, production, R&D, marketing, product development). Emerging economy firms put more emphasis on cost advantage – which inevitably is temporary, and raw materials and supplies.

Constrained by the specifics of their institutional environments (lack of formal and informal institutions) emerging economy SMEs may find it more challenging to access critical resources. Besides, they have to cope with higher environmental risks that may arise due to economic and political instability. Therefore, internationalising emerging economy SMEs are more likely to be affiliated with business groups than advanced economy firms.

Our review also reveals that the home resource base of internationalising SMEs from emerging economies is likely to differ from that of advanced economy firms in that emerging economy SMEs are more likely to be handicapped by lack of internationalisation experience, managerial skills and international ties required to support internationalisation. To overcome such resource handicaps, emerging economy SMEs are more likely to seek to upgrade their domestic resource base in response to challenges introduced by exposure to export market competition.

Another distinct feature of emerging economy SMEs is their motivation to seek internationalisation in order to enhance their domestic market reputation. Another resource that these firms may seek through internationalisation is new knowledge that is unavailable in the domestic market. None of these characteristics have been discussed in prior internationalisation and RBV research in advanced economy contexts.

To conclude, it may be stated that though some resource-based arguments apply to emerging economy contexts, resource-based insights as developed in advanced economy contexts do not directly apply to the internationalisation process of emerging economy SMEs. To understand the process of emerging economy internationalisation, it is necessary to study to what extent other theoretical logics and internationalisation frameworks, such as the process theory of internationalisation, international entrepreneurship, network theory, and institutional theory can be applied to understand this phenomenon. Further research should seek to synthesise findings from these other theoretical frameworks in the context of emerging economy SME internationalisation process.

REFERENCES

Alon, I., Yeheskel, O., Lerner, M., & Zhang, W. (2013). Internationalization of Chinese Entrepreneurial Firms. *Thunderbird International Business Review*, 55(5), 495-512. doi: 10.1002/tie.21566

Alvarez, E. (2004). Sources of export success in small-and medium-sized enterprises: the impact of public programs. *International Business Review*, 13(3), 383-400.

Amal, M., & Rocha Freitag Filho, A. (2010). Internationalization of small-and medium-sized enterprises: a multi case study. *European Business Review*, 22(6), 608-623. doi: 10.1108/09555341011082916

Aulakh, P. S., Kotabe, M., & Teegen, H. (2000). Export strategies and performance of firms from emerging economies: Evidence from Brazil, Chile, and Mexico. *Academy of Management Journal*, 43(3), 342-361.

Barney, J., Wright, M., & Ketchen, D. J. (2001). The resource-based view of the firm: Ten years after 1991. *Journal of Management*, 27(6), 625-641.

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99-120.

Bianchi, C. (2009). Retail internationalisation from emerging markets: case study evidence from Chile. *International Marketing Review*, 26(2), 221-243.

Child, J., & Rodrigues, S. B. (2005). The Internationalization of Chinese Firms: A Case for Theoretical Extension? *Management and Organization Review*, 1(3), 381-410.

Cuervo-Cazurra, A., & Genc, M. (2008). Transforming disadvantages into advantages: developing-country MNEs in the least developed countries. *Journal of international Business Studies*, 39(6), 957-979.

Cui, L., Jiang, F., & Stening, B. (2011). The entry-mode decision of Chinese outward FDI: Firm resources, industry conditions, and institutional forces. *Thunderbird International Business Review*, 53(4), 483-499.

Cui, L., & Jiang, F. (2010). Behind ownership decision of Chinese outward FDI: Resources and institutions. *Asia Pacific Journal of Management*, 27(4), 751-774. doi: 10.1002/tie.20425

Gao, G. Y., Murray, J. Y., Kotabe, M., & Lu, J. (2010). A "strategy tripod" perspective on export behaviors: Evidence from domestic and foreign firms based in an emerging economy. *Journal of International Business Studies*, 41(3), 377-396.

Guthrie, D. (2005). Organizational learning and productivity: State structure and foreign investment in the rise of the Chinese corporation. Management and Organization Review, 1(2), 165-195.

Hale, D. (2012 September). The Importance of Emerging Markets. *CFA Institute Conference Proceedings Quarterly*, 29(3), 43-50.

Harzing, A.W. (2014). Journal Quality List. Retrieved on March 15, 2015 from http://www.harzing.com/

Hoskisson, R. E., Eden, L., Lau, C. M., & Wright, M. (2000). Strategy in Emerging Economies. *The Academy of Management Journal*, 43(3), 249-267. doi: 10.2307/1556394

Huang, X., & Renyong, C. (2014). Chinese Private Firms' Outward Foreign Direct Investment: Does Firm Ownership and Size Matter? *Thunderbird International Business Review*, 56(5), 393-406. doi: 10.1002/tie.21629

Karadeniz, E. E., & Göçer, K. (2007). Internationalization of small firms: A case study of Turkish small-and medium-sized enterprises. *European Business Review*, 19(5), 387-403.

Khanna, T., & Palepu, K. (2000). Is Group Affiliation Profitable in Emerging Markets? An Analysis of Diversified Indian Business Groups. *The Journal of Finance*, 55(2), 867-891.

Kocak, A., & Abimbola, T. (2009). The effects of entrepreneurial marketing on born global performance. *International Marketing Review*, 26(4/5), 439-452.

Kuemmerle, W. (2002). Home base and knowledge management in international new ventures. *Journal of Business Venturing*, 17(2), 99-122.

Liu, X., Xiao, W., & Huang, X. (2008). Bounded entrepreneurship and internationalisation of indigenous Chinese private-owned firms. *International Business Review*, 17(4), 488-508.

Luo, Y., Zhao, H., Wang, Y., & Xi, Y. (2011). Venturing Abroad by Emerging Market Enterprises. *Management International Review*, 51(4), 433-459. doi: 10.1007/s11575-011-0087-y

Manolova, T. S., Manev, I. M., & Gyoshev, B. S. (2010). In good company: The role of personal and inter-firm networks for new-venture internationalization in a transition economy. *Journal of World Business*, 45(3), 257-265.

Naudé, W., & Rossouw, S. (2010). Early international entrepreneurship in China: Extent and determinants. *Journal of International Entrepreneurship*, 8(1), 87-111.

Nowiński, W., & Rialp, A. (2013). Drivers and strategies of international new ventures from a Central European transition economy. *Journal for East European Management Studies*, 18(2), 191-231.

Peng, M. W. (2001). The resource-based view and international business. *Journal of Management*, 27(6), 803-829.

Peng, M. W., & York, A. S. (2001). Behind intermediary performance in export trade: Transactions, agents, and resources. *Journal of International Business Studies*, 327-346.

Peng, M. W., & Luo, Y. (2000). Managerial ties and firm performance in a transition economy: The nature of a micro-macro link. *Academy of Management Journal*, 43(3), 486-501.

Prashantham, S., & Dhanaraj, C. (2010). The dynamic influence of social capital on the international growth of new ventures. *Journal of Management Studies*, 47(6), 967-994.

Singh, D. A. (2009). Export performance of emerging market firms. *International Business Review*, 18(4), 321-330. doi.org/10.1016/j.ibusrev.2009.03.002

Tang, Y. K. (2011). The Influence of networking on the internationalization of SMEs: Evidence from internationalized Chinese firms. *International Small Business Journal*, 29(4), 374-398.

Thai, M. T. T., & Chong, L. C. (2008). Born-global: The case of four Vietnamese SMEs. *Journal of International Entrepreneurship*, 6(2), 72-100.

Vissak, T. (2007). The Emergence and Success Factors of Fast Internationalizers. *Journal of East-West Business*, 13(1), 11-33.

Yamakawa, Y., Peng, M. W., & Deeds, D. L. (2008). What drives new ventures to internationalize from emerging to developed economies? *Entrepreneurship Theory and Practice*, 32(1), 59-82.

Yamakawa, Y., Khavul, S., Peng, M. W., & Deeds, D. L. (2013). Venturing from Emerging Economies. *Strategic Entrepreneurship* Journal, 7(3), 181-196. doi: 10.1002/sej.1158

Wach, K. (2014). The Role of Knowledge in the Internationalisation Process: An Empirical Investigation among Polish Businesses (chapter 7). In: Kiendl-Wendner, D. & Wach, K. (Eds.), *Iternational Competitiveness in Visegrad Countries: Macro and Micro Perspectives* (pp. 143-158). Graz: Fachhochschule Joanneum.

Wright, M., Filatotchev, I., Hoskisson, R. E., & Peng, M. W. (2005). Strategy Research in Emerging Economies: Challenging the Conventional Wisdom. *Journal of Management Studies*, 42(1), 1-33.

Authors

Contribution share of authors is equal and amounted to 25% each of them.

Rūta Kazlauskaitė

Professor in the Area of Human Resource Management, Corporate Social Responsibility and Strategy at Management Department, ISM University of Management and Economics (Lithuania). PhD in Business Administration by ISM University of Management and Economics (Lithuania).

Erkko Autio

Professor in the Area of Technology Venturing and Entrepreneurship at Innovation and Entrepreneurship Department, Imperial College London (the United Kingdom) and Professor at ISM University of Management and Economics (Lithuania). PhD by Helsinki University of Technology (Finland).

Modestas Gelbūda

Associate Professor in the Area of Strategy, Entrepreneurship and Innovation at Management Department, ISM University of Management and Economics (Lithuania). PhD in Business Administration by Aalborg University (Denmark).

Tadas Šarapovas

Associate Professor in the Area of Economics and Strategy at Economics and Politics Department, ISM University of Management and Economics (Lithuania). PhD in Economics by Kaunas University of Technology (Lithuania).

Correspondence to:

Assoc. Prof. Modestas Gelbūda, PhD
ISM University of Management and Economics
Arkliu Street 18
01305 Vilnius, Lithuania
modestas.gelbuda@ism.lt

Acknowledgements and Financial Disclosure

This research has been funded by the European Social Fund under the Global Grant measure (Project No. VP1-3.1-SMM-07-K-03-074).

Copyright and License

Published by the Centre for Strategic and International Entrepreneurship – Krakow, Poland

Entrepreneurial Business and Economics Review

OPEN ACCESS

2015, Vol. 3, No. 2

DOI: 10.15678/EBER.2015.030206

Innovation Processes as a Stimulant of Internationalisation Process of Firms

Małgorzata Kosała

ABSTRACT

Objective: The study focuses on the links between innovation and internationalisation of the firm. The aim of the research is to determine the impact of innovative processes on the process of internationalisation of the firm.

Research Design & Methods: For the needs of the implementation of this study, the available literature of the subject and its constructive critics was used.

Findings: The concept of innovation, innovation potential and innovativeness are discussed, taking into account the different approaches and changes (trends) as to their interpretations. Innovative activities in foreign markets seem to be a natural consequence of the innovation processes carried out by the firm, which is perfectly illustrated by I-models (innovation-related models).

Implications & Recommendations: Undertaking innovative activity by firms results in the introduction of these businesses to international markets, and innovations become the main element of innovation-based internationalisation models as well as international entrepreneurship models. In contemporary economic conditions, innovation processes and business internationalisation processes become increasingly visible and co-dependent, creating a new dimension of entrepreneurship – international entrepreneurship.

Contribution & Value Added: The article concentrates on one of three dimensions of international entrepreneurial orientation (IEO), which is innovativeness. It shows how the implementation of new ideas and new solutions stimulates the internationalisation process of the firm, which per se is treated as one of five forms of innovation – entering or opening new markets.

Article type: original literature review

Keywords: Innovation; innovation process; innovativeness; i-models; international business; internationalization

JEL codes: F23, O30, M16

Received: 4 February 2015 Revised: 18 April 2015 Accepted: 22 May 2015

Suggested citation:

Kosała, M. (2015). Innovation Processes as a Stimulant of Internationalisation Process of Firms. *Entrepreneurial Business and Economics Review, 3*(2), 65-84. doi: 10.15678/ EBER.2015.030206

INTRODUCTION

Innovativeness is an important factor of formation of firms able to accept challenges posed by contemporary economy. Skilful creation and use of innovative potential translates into firm innovativeness and enables the growth innovation processes. One of the effects of conducting innovative activity is an influence on the business internationalisation process. Innovations are becoming one of the key elements of innovation-based models of internationalisation (I-models) of firms for which internationalisation is one of the types of innovation.

MATERIAL AND METHODS

The study focuses on the links between innovation and internationalisation of the firm. The aim of the study is to determine the impact of innovation processes on the business internationalisation process.

For the needs of the implementation of this study, the available literature of the subject and its constructive critics was used. The article is based on the literature review and its critics. The most popular concepts and models were selected.

The article is divided into four main parts. At first the basic definitions important for the undertake research theme were discussed, among them: (i) innovation, (ii) innovativeness and (iii) innovative potential. Secondly, the innovation process in general is presented. Thirdly, the link between innovation and internationalisation was introduced, therefore innovation-related models (I-models) of internationalisation of the firm was discussed. Fourthly, learning and innovation processes in the firm internationalisation process are presented, based on the previously elaborated I-models. A new model linking learning and innovation processes and international business is proposed.

LITERATURE REVIEW AND THEORY DEVELOPMENT

Innovation, Innovativeness and Innovative Potential

Nowadays, to assess the competitiveness of national economies *the Global Competitiveness Index (GCI*) is used, developed by *the World Economic Forum* and for the first time applied in 2005 (Schwab, 2013). The structure of this index is based on 12 pillars. Based on those pillars, economies of individual countries are classified into three stages of development, in which the economy is driven by: basic requirements (factor-driven economies), factors improving efficiency (efficiency-driven economies), and innovativeness (innovation-driven economies). Economies with the highest level of development are driven by innovations and other conditions of the business environment. Thus, for the countries aspiring for the classification of the economy on the highest level of competitiveness, it is crucial to acknowledge the weight of innovativeness (Schwab, 2013, pp. 4-10).

Innovation is one of the main motives and factors not only for economies, but also for businesses. In the literature of the subject, there is a great variety of definitions referring to innovative activity. They refer to innovation as an achieved outcome (object) and to the process approach, undertaking all kinds of actions aiming at the introduction of innovation (Table 1).

On such a foundation (innovation as a process and as an outcome) two notions occur, the notion of **innovativeness**, namely, the ability of effective implementation of innovative activity, and the notion of **innovative potential** understood as "the ability to continuously transform knowledge and ideas into new products, processes and systems for the benefit of the firm and its stakeholders" (Lawson & Samson, 2001; Saunila, Pekkola & Ukko, 2014, pp. 234-249). Among the scientific discourse, there is no univocal and ultimate understanding of those notions. The most important is understanding what innovation itself is. The notion of **innovation** is very capacious and in fact it is a considerable challenge for those who explore this problem (Schumpeter, 1912; 1939; Van de Ven, 1986; West & Farr, 1990; Rogers, 1983, p. 11; Kotler, 1994, p. 322; Utterback, 1971, p. 77; Levitt, 1960, p. 2; Myers & Marquis, 1969; Birkinshaw *et al.*, 2008, p. 825).

Extreme attitudes to the understanding of innovation can be noticed when analysing the views of the classics of this issue, such as Schumpeter (1912) and Rogers (1983). Differences regard not only the subject, but also the scale of the originality of solutions. Schumpeter perceived innovation as the application of a solution, for the first time on world scale, with regard to "introduction of a new good, introduction of a new method of production, opening of a new market, conquest of a new source of supply of raw materials or half-manufactured goods and implementation of a new form of organization" (Schumpeter, 1912, p. 66). He also introduces the distinction between ingenuity, idea, concept and innovation. Ingenuity is a result of individual creativity, without economic significance, whereas innovation is a decision of economic character, consisting of the application (adaptation) of a concept in practice (Schumpeter, 1939, pp. 85-87).

Alternatively, Rogers (1983, p. 11) stresses that "innovation is an idea, practice, or object that is perceived as new by an individual or other unit of adoption. It matters little, so far as human behaviour is concerned, whether or not an idea is "objectively" new as measured by the lapse of time since its first use or discovery. The perceived newness of the idea for the individual determines his or her reaction to it. If the idea seems new to the individual, it is an innovation. Newness in an innovation need not just involve new knowledge. Someone may have known about an innovation for some time but not yet developed a favourable or unfavourable attitude toward it, nor have adopted or rejected it". A similarly subjective view as for understanding what innovation is, was propagated by Kotler (1994, p. 322) who claimed that it refers to any good, service or concept which is perceived by someone as new.

Innovations concern a change applied in practice, which leads to differentiating it from a concept, invention or idea, that is an unfulfilled vision of a new state of affairs, at least from the point of view of the implementing entity. Moreover, innovation is a change perceived as beneficial. Therefore, innovation is characterized by catchiness of the change, application in practice, as well as contribution towards development, positive effect and benefits (Kosała, 2014a, pp. 86-87).

This positive dimension arises from a conscious undertaking of actions, and thus, in consequence, its aim is to achieve benefits. However, it could happen that innovation is

Table 1. Definitions of innovation in different innovation literatures

Type	Innovation as a process	Innovation as an outcome
Traditional innovation literature	"…the development and implementation of new ideas by people who over time engage in transactions with others within an institutional order." (Van de Ven, 1986, p. 590) "Innovation ecosystems – the collaborative arrangements through which firms combine their individual offerings into a coherent, customer-facing solution." (Adner, 2006, p. 98) "The invention and implementation of a management practice, process, structure, or technique that is new to the state of the art and is intended to further organizational goals." (Birkinshaw *et al.* 2008, p. 825) "The process of bringing any new problem solving ideas into use." (Kanter, 1984, p. 20) "Innovation development is a highly uncertain process in which entrepreneurs, with financial support from investors, undertake a sequence of events over an extended period of time to transform a novel idea into an implemented reality." (Van de Ven & Polley, 1992, p. 92)	"An invention which has reached market introduction in the case of a new product, or first use in a production process, in the case of a process innovation." (Utterback, 1971, p. 77) Profit-building new and novel products, production processes, and marketing schemes. (Levitt, 1960, p. 2) "The first or early use of an idea by one of a set of organizations with similar goals." (Becker and Whistler, 1967, p. 463) "For a patent to be granted, the invention must be nontrivial, meaning that it would not appear obvious to a skilled practitioner of the relevant technology, and it must be useful, meaning that it has potential commercial value." (Jaffe *et al.*, 1993, p. 580) "Any thought, behavior or thing that is new because it is qualitatively different from existing forms" (Barnett, 1953, p. 7) Radical change in business processes (Davenport, 1994, p. 137)
Knowledge based conceptualisations of innovation	"The production or emergence of a new idea." (Gupta *et al.*, 2007, p. 886) An "innovative solution" to a certain problem involves "discovery" and "creation," since no general algorithm can be derived from the information about the problem that generates the solution "automatically." (Dosi, 1988, p. 1126) Innovation as a three-step process: idea development, problem solving, and implementation (Myers and Marquis, 1969) "The intentional introduction and application within a role, group, or organization of ideas, processes, products or procedures, new to the relevant unit of adoption, designed to significantly benefit the individual, the group, organization or wider society." (West and Farr, 1990, p. 9) "Activities are deemed innovative if they differ significantly from current or recent activities. In organizations, innovations may change the incumbent skills, standard practices, technology, services, and products of the firm." (Greve and Taylor, 2000, p. 55) "An interactive process initiated by the perception of a new market and/or service opportunity for a technology-based invention which leads to development, production and marketing tasks striving for the commercial success of the invention."(Garcia and Calantone, 2002, p. 112) "Organizational innovation is often a process of creating new social connections between people and resources they carry, so as to produce novel combinations." (Obstfeld, 2005, p. 100)	*Not clearly defined*

Source: Quintane, Casselman, Reiche, & Nylund, (2011, p. 930).

a kind of unbeneficial change. In practice, most often, it means improper change management, innovation process management, which may occur at each stage of this complex process.

Other dilemmas concerning the issue of innovativeness refer to process and resultant approach to innovation. This dualism can be found in Schumpeter's definition. Innovation as a result is defined as a product, process, software, idea, concept, method, or system. As a process, innovation stands for the entirety of actions aiming at the achievement of innovation in the resultant meaning.

In the economic practice it is assumed that "innovation is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organisation or external relations. The minimum requirement for an innovation is that it must be new (or significantly improved) to the firm - the first to develop and those that have been adopted from other firms or organisations" (Oslo Manual, 2005, p. 46).

However, implementations of the already existing solutions ,being a novelty only for the implementing entity, can be also considered innovation. It is worth emphasizing that although the solutions which are new in the world scale, are certainly prestigious and ground-breaking, they definitely do not discredit the economic significance and weight of innovative solutions of imitative character. In fact, in the innovative activity, the principle should be adopted that it is better to implement every innovation than not to implement any (Kosała & Wach, 2011a; 2011b; 2013).

Every action in the innovative activity, even the smallest one, favourably influences development. The problem rather concerns the proper choice of innovation, depending on the stage of development on which a given entity is and the potential it has, than the implementation itself.

Undoubtedly, to achieve a satisfactory level of innovativeness it is necessary to competently introduce changes, but also to create an organism which will enable high efficiency in all activities undertaken within that scope.

Understanding innovation, ranging from replacement of existing solutions and its utilization for the first time in the global scale, to the introduction of small modifications, new only from the point of view of an individual entity, results in a possibility or rather a necessity to create classifications of innovation which can convey the real picture of the weight of the implemented innovation. This is, among others, owing to works created over the years, with the development of scientific knowledge on innovations, that the bases for the classifications of innovation were worked out, according to numerous criteria, such as: the subject, the scope of originality, the source of innovation (stimulating innovation), complexity, the place of occurrence, the scale of the size and the scope of effects they bring, the area of activity, the area of knowledge or practice, the psychosocial conditions of the people implementing innovation, technological and capital intensity. The classifications created based on these criteria become a suggestion of possible directions of actions within the scope of innovative activity, at least for enterprises interested in their development or the growth of their competitiveness via innovations. The proper determination of the goal - innovation - enables efficient and effective conducting of innovation processes (Kosała & Wach, 2014).

Innovation Processes and Their Conceptualization

Innovation process can be characterized as any undertaken actions aiming at the development and implementation of an innovative solution (Van de Ven, 1986; Kanter, 1984).

Alongside the development of knowledge, the shortening of technological cycles, an increasing speed of economic development, elaboration of more and more complex and technologically advanced products, changing behaviours and expectations of consumers or the globalization of economy, the attitude to innovation processes has also changed. As we can conclude, an early, quite simplified attitude to innovation processes had to be superseded by more advanced, and thus more complex forms. In this context, Rothwell and Zegveld (1985) point out five generations of innovation models, which express progress in conceptualizing innovation (Tidd, Bessant & Pavitt, 2005):

- the linear models (need pull and technology push),
- the coupling models (interaction between different elements and feedback loops between them),
- the parallel lines models (integration within the firm, upstream with key suppliers and downstream with demanding and active customers, emphasis on linkages and alliances),
- the continuous innovation models (integration and extensive networking, flexible and customized response).

There are two waves of linear models. In the initial, linear representation of innovation processes (linear - supply or demand - model) (Rothwell & Zegveld, 1985), the main role in the initiation and progress of innovation process was sought in the scientific and technical progress or in market and social needs, leaving a passive role to the recipient of innovation (Trott, 1998, p. 19). In this context, Hauschildt (1993, p. 18) points out seven elements of innovation process: idea, discovery, research, development, invention, introduction, and ending with the successful ongoing utilization.

A very interesting modified linear concept is the funnel theory of Leonard and Sensiper (1998, p. 117), who focus on six elements of innovation process: idea generation, development, testing, ship or adopt, sales or implementation, after sales service/ continuous improvement. These elements are influenced by divergent and convergent thinking.

The third generation of innovation process models is known as the coupling models based on particular stages. The linear models were replaced by more complicated, complex, dynamic (coupling, interactive) innovation process models which include numerous interactions and couplings, considering both supply and demand conditionings in the phase of the creation and diffusion of innovation. Owing to such an approach, there is simultaneous adaptation of the findings of science to the market needs, as well as directing research towards the expectations of the market and, in effect, bigger effectiveness of the conducted research. Utterback (1971, p. 78) uses a very simplified approach, reduces the innovation process to only three stages, namely: (i) idea generation subprocess, (ii) problem-solving subprocess and (iii) implementation and diffusion subprocess.

The innovation process models of the fourth generation are known as the parallel lines models or the integration models (Tidd, Bessant & Pavitt, 2005). Innovation is perceived as a result of the combination of the activity in the area of science, production and demand, including information feedback. Innovation process in the interactive model approach leads to obtaining information being a result of the feedback between technical capabilities (generated by science and technique) and needs (generated by the market or production), as well as a result of interaction between science, technique and implementation activities inside the firm (Martin, 1984, p. 34).

Commitment of numerous entities (suppliers, users, co-operators, business environment, institutional environment) to the implementation of innovation processes via internal activities of enterprises, as well as the use of the achievements of electronics and IT in order to introduce new methods of management and communication with the environment, which are characteristic for the models of integrated and network systems, lead to higher effectiveness of innovation.

The speed of changes, specialization and the globalization process have contributed to the development of new concepts of innovation processes, in which the source of success become the ones in which numerous entities participate, based on interactions and feedbacks, with granting a dominant role in innovation process to the market (Table 2).

At present, it is assumed that innovation process is of supply-demand character, but at the same time it is characterized by constant interactions and feedbacks between science, innovations and the economy (Pomykalski, 2001, p. 35; Kosała, 2013, p. 100). Innovation processes is not only of a multi-entity but also of international character. The search for original solutions in the conditions of globalization requires communication, cooperation and involvement of entities in the international scale. It concerns both the development and adaptation of products and services delivered to the global market, as well as winning resources which influence an increase in the effectiveness of innovation processes.

Only firms characterized by the following features can cope with innovative activity (Seidler de Alwis, Hartmann & Gemünden, 2004; Hauschildt, 1993, p. 78):

1. Openness.
2. Level of organization.
3. Information management.
4. Awareness of conflicts.
5. Recruiting requirements.
6. Competences and responsibilities.

A new dimension of innovativeness implies functioning on the international market in which networks of suppliers from all around the globe are created, and enterprises respond to individual needs of customers in the global scale (Prahalad & Krishnan, 2008, pp. 6-24). At the same time, conducted research indicates a positive impact of innovativeness of enterprises on the growth of their internationalization (Bell, Crick & Young, 2004, pp. 23-56; Chetty & Stangl, 2010, pp. 1725-1743; Knight & Cavusgil, 2004, pp. 124-141).

Table 2. The characteristics of the generation of innovation systems development

Generation of innovation processes		Duration	Characteristics
1	Innovation "pushed" by science *(technology push)*	1950s - 1960s	– linear model of innovation processes (supply model), – innovations arise as a result of the development of technologies, – considerable share of R&D works in innovation processes, – negligible significance of transformation processes, – negligible role of the market in innovation processes.
2	Innovation "pulled" by the market *(market pull)*	1960s - 1970s	– intensifying competition, – growing role of marketing and the market (demand model), – innovations are created in response to market needs, – reactive role of R&D in innovation processes.
3	Coupled innovation model (science + market) (*coupled)*	1970s - 1980s	– oil crisis, reduction of resources, – works focused on the growth of effectiveness of economic activity, – occurrence of "coupled" innovation model combining the features of previous technology push and market pull models, – defining base for the benchamrk course of innovation process (sequencing with feedback loops).
4	Integrated innovation models, interactive *(intergrated)*	1980s - 1990s	– economic recovery, – concentration of enterprises on major markets and products, – era of production diversification and niche strategies, – emergence of Japan as the main competitor (the skill of fast and effective creation of innovation), – introduction of Japanese experiences (integration of activities, collatarelity of works on the structure and technology, inclusion of suppliers in the process of new product development), – complex innovation process including parallel and sequential actions performed at the high level of integration in the cross-section of individual functions and cooperation with external partners.
5	IT systems	1990s	– competition based on the intruduction of new products on the market, – economic activity focused on the introduction of innovations (effectiveness of building and managing organization, organizational culture, employee motivation system), – supporting innovation processes management with computer technology, – integrated learning system based on the fast-learning organization concept (system thinking, model models, common vision, team learning, personal expertise), – iteration learning method enabling proceedings on a high level of complexity and chaos, – faster learning than competition, constant monitoring of this phenomenon.
6	Self-learning systems	Beginning of 21st century	– focus on knowledge-based management and learning with the use of IT tools (information transfer, decision-making process), – innovation management (creating new knowledge, storing, finding, dissemination, application with high use of creativity), – high structural efficiency of an enterprise, creating changes in the organizational culture, – sustainable concern about technology and intellectual resources, – success of innovation depends on thoughtful management of human behaviours against technology, – development of products transforms into constant, repeating learning process, focused on delivering value to customers, – necessity to overcome social, organizational, technical, structural, strategic, management problems.

Source: Kosała (2014b, pp. 75-76) based on Baruk (2006, pp. 120-122).

Innovation-related Issues in Business Internationalisation Modelling

When managing innovation processes in firms, emphasis is put on decisions regarding the areas of innovative activities. They may refer, in accordance with the existing classifications, to numerous spheres. One of the most commonly applied divisions of innovation activity, is the use of the criterion of the subject they concern.

Table 3. The comparison of stages models (U-model) with innovation-based models (I-model)

Criterion		U-model	I-models
Types of scientific explanation		**Genetic historicism**	
Analytical assumptions	Unit of analysis	No restrictions (SMEs, Large enterprises)	SMEs
	Time	Unlimited	Limited
Causation	Model type	Causative cycles	Explanatory chain
	Explanatory variables	One variable: knowledge of the enterprise	A lot of variables, mostly concerning organizational factors
Scientificity / Utilitarity	Assumptions with regard to enterprise behaviour	Based on behavioural theories, incremental decision-making process with no or little impact of competitive and market factors	
	Correctness of defining the variables	Examples of possible indicators, no operating definitions	Unclear arguments for the classification of procedures or operationalization of explanatory variables
	Accuracy of delimitation between stages	Considerable generality and ambiguity	Basically intuitive argumentation and reasoning
Usefulness / Intuitiveness		Axiomatic logics. Uselessness for the needs of management and government policy.	
Conformity between: – theory and operationalization – conceptual and operating definitions		Unclear	Some discrepancies, no testing of validity
Specification of variables adopted to determine the impact on the development process		No variables except for causative cycles	Lack of complete list of variables, unclear argumentation why and how variables should differ between stages
Empirical setting		Case studies: measurement of independent variables based on the observation of dependent variables	Cross-section analyses, unclear causality of internationalization phases from their determinants
Tautologies		Some difficulties in delimitation of theoretical concepts	In some cases independent and dependent variables are almost identical
Testing alternative explanatory variables		none	

Source: Wach (2012, p. 106) based on Andersen (1993, p. 221 & 226).

Thus, innovative activity may concern the introduction of new or improved products or production processes, utilization of new raw materials, materials or half-products, organization of production processes, changes in the methods of sales or purchases, as well as opening new markets. There are many approaches explaining the internationalisation of the firm (Wach, 2014a; Wach & Wehrmann, 2014; Daszkiewicz & Wach, 2014), however innovation plays a particular role in two of them, namely (i) innovation-related models and (ii) international entrepreneurship. Schumpeter (1934), as one of the first in the literature, linked innovation and internationalisation, as in his view one of five types of innovation is opening a new market.

Entering new markets, also the ones outside the country, implies internationalisation which becomes one of the types of innovation, and the internationalisation process becomes the process of the adaptation of innovation (Wach, 2012, p. 105; Witek-Hajduk, 2011, pp. 48-51).

The introduction of the issue of innovations among the problems of business internationalisation bore fruit in the development of the concept of innovation-related internationalisation models (I-models) being a variety of stages models (Table 3). Innovation-related internationalisation models refer to behavioural theory and the phase internationalisation process, differing, however, in the approach to the mechanism of the internationalisation process (Table 3). Innovation-related models take into account the stages in the internationalisation process, focusing on the proper introduction of innovations at each stage (Wach, 2012).

One of more often quoted innovation-based internationalization processes is the model proposed by Biey and Tesar (1977) which consists of the following stages:

1. the firm does not show interest in export,
2. the firm passively fulfils unsolicited orders from abroad but does not analyze actively export opportunities,
3. the firm managers actively analyse export opportunities,
4. the firm undertakes "experimental" export to neighbouring countries with small mental distance,
5. the firm is an experienced exporter and tries to optimally adapt to the conditions of the environment on foreign markets,
6. the firm managers examine the conditions of export to the states more distant in terms of mental distance.

Another proposed innovation-based model of the internationalisation process is the model by Cavusgil (1980, pp. 273-281), including the following stages:

1. domestic marketing,
2. pre-export engagement,
3. experimental / involvement stage,
4. active involvement stage,
5. committed involvement stage.

Cavusgil (1980) discusses that at the first stage, the firm operates only on the local market, then gathers information and evaluates the possibilities of undertaking export to focus at the next stage on the domestic market, initiate indirect export to two foreign markets at the most, usually being in the neighbourhood and characterized by small mental distance in comparison with the home country. Successful experiences result in undertaking regular export activity to other countries, for example by creating a foreign branch. The last stage of the internationalisation process means the inclusion of foreign activity on the permanent basis in the operations of the firm (Witek-Hajduk, 2011, pp. 48-51).

Other commonly known innovation-based internationalisation models are (Wach, 2012, p. 105): the 6-stage model by M.R. Czinkota (1982), the 5-stage model by S.D. Reid (1981), the 4-stage model by T.R. Rao and G.M. Naldu (1992). The mentioned models pay attention to ultimate undertaking of export activity in spite of low interest in export at the initial stage.

In this place, it is worth paying attention to a relatively new problem concerning international entrepreneurship, namely identification, recognition and use of business

Table 4. A chronicle development of selected definitions of international entrepreneurship

International Entrepreneurship is defined (...) as the development of international new ventures or start-ups that, from their inception, engage in international business, thus viewing their operating domain as international from the initial stages of the firm's operation. **(McDougall, 1989)**
The study of the nature and consequences of a firm's risk-taking behaviour as it ventures into international markets. **(Zahra, 1993)**
.... a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and sale of outputs in multiple countries. **(Oviatt & McDougall, 1994)**
New and innovative activities that have the goal of value creation and growth in business organization across national borders. **(McDougall & Oviatt, 1996)**
A combination of innovative, proactive, and risk-seeking behaviour that crosses or is compared across national borders and is intended to create value in business organizations. **(Oviatt & McDougall, 2000)**
It is associated with opportunity seeking, risk taking, and decision action catalysed by a strong leader or an organisation. **(Knight, 2000)**
international entrepreneurial orientation reflects the firm's overall pro-activeness and aggressiveness in its pursuit of international markets. **(Knight, 2001)**
International Entrepreneurship is the discovery, enactment, evaluation, and exploitation of opportunities –across national borders – to create future goods and services. **(McDougall, Oviatt & Shrader, 2003)**
... [an] evolutionary and potentially discontinuous process determined by **innovation,** and influenced by environmental change and human volition, action or decision. **(Jones & Coviello, 2005)**
... the discovery, enactment, evaluation and exploitation of opportunities – across national borders – to create future goods and services. **(Oviatt & McDougall, 2005)**

Source: Wach & Wehrmann (2014, p. 13).

opportunities occurring in the international trade to create new products or services (Oviatt & McDougall, 2005). In the research field, international entrepreneurship "has become an important research domain at the intersection of entrepreneurship and international business" (Oviatt & McDougall, 2000 cited in; McDougall-Covin *et al.*, 2014, p. 2; Wach & Wehrmann, 2014, p. 10). Considering the development of the definitions of international entrepreneurship (IE), it is worth observing that it combines the issue of innovativeness and internationalization (Table 4). Currently the international entrepreneurship approach tries to combine the entrepreneurial internationalisation with the innovation process (innovation-related internationalisation models). It seems that this research stream within the IE will gain attention in the resent future. Jones and Coviello (2005) state that entrepreneurial internationalisation (international entrepreneurship) is an evolutionary and potentially discontinuous process determined by innovation. Moreover, Oviatt and McDougall (2005), stress that this innovative approach leads to creating future goods and services, which is *per se* a definition of innovation as an outcome. Moreover, Hagen, Denicolai and Zucchella, (2014, pp. 111-114) promote the role of innovation in international entrepreneurship, especially at the global level.

An interesting issue within international entrepreneurship is the research stream concerning international new ventures (INVs) which implicitly concern ventures based on innovations and high technologies. The problem of international entrepreneurship, taking on significance in the new economic conditionings, requires, for example, the deepening of knowledge about the entrepreneurship of emigrants (Drori, Honig & Wright, 2009). Globalization increases the phenomena of migration and influences undertaking ventures in the international dimension, creating opportunities for further investments.

Learning and Innovation in the Firm Internationalisation Process

Each of the undertaken directions of innovative activities may in consequence constitute an element of firm internationalization. One of the main motives for internationalization is winning new markets (international expansion or international growth), both supply and delivery markets.

In the case of innovations referring to opening new markets, it implies winning new recipients for the products and services offered by the enterprise. This type of innovations in the practical dimension influences, among others, the broadening of the borders of geographical range of the firm and, in consequence, crossing the domestic borders, which translates into its internationalisation.

Contemporary available tools and means of communication have impact on the opportunity of the firm occurrence on international markets, in the global scale, almost with immediate effect. The use of contemporary information technologies (ITs) as well as information and communication technologies (ICTs) for international distribution and sales of products and/or services becomes not only a chance, but, in many cases, also a necessity to operate in the international or global scale.

At present, among enterprises operating based on the use of IT/ICT technologies, the awareness of high probability of the occurrence of "unexpected success" of their venture becomes common. Thus, such innovative activities influence the growth of firm internationalisation. A similar phenomenon of early entry on international markets are observed among **young innovative firms**, ambiguously defined in the literature, as firms (Cieślik, 2011, pp.7-8):

- functioning on the market for not longer than 5-8 years,
- conducting activity of innovative character, that is firms functioning in innovative sectors (high-tech or medium high-tech industries), such as pharmaceutical industry, biotechnology, production of new materials, IT and ICT technologies,
- having technological advantage at least in the national, if not international scale.

Among motives for internationalisation of small, innovative firms, the following are distinguished (Cieślik, 2011, pp. 7-8):

- identification of attractive, catchy idea of innovative business,
- winning new supply markets,
- access to key resources,
- access to sources of finance,
- strengthening a strategic character of own assets,
- building goodwill, strengthening the firm image,
- co-dependence between individual motives.

In the literature of the subject, the following forms of internationalisation of the firms are mentioned (Wach, 2012, pp. 76-90; Wach, 2008, pp. 47-54), **exporting** modes**, contractual modes and investment modes** (Figure 7). Each of the mentioned forms of internationalisation enables to win new markets, and the choice of a specific one depends on the enterprise potential and its goals (Wach, 2014, p. 23). When introducing innovations aiming at winning recipients on the international markets, enterprises undertake activities within the scope of the internationalization forms mentioned in the literature.

Among young innovative firms, specific forms of internationalisation are preferred, different from the strategies of large entities (described above, compare Figure 7), and these are, among others (Cieślik, 2011, pp. 27-29): (i) **pre-exporting activities** (international patent protection of inventions; international registration of trademarks; sales of finished goods, materials and subassemblies; certificates, approvals for distribution on foreign markets; foreign domain, like.com, www site in foreign languages; participation in international fairs, conferences, international trade associations); (ii) **exporting modes** (import of finished goods, materials and subassemblies; import of services; export of services); (iii) contractual **modes** (various forms of hiring of foreign personnel; granting licence for a protected solution to a foreign entity; obtaining licence for a protected solution from a foreign entity; international cooperation regarding R&D; international cooperation in the area of production; international cooperation in the area of marketing and distribution); **(iv) investment modes** (participation of a strategic investor's equity in an innovative company in the host country; creating representations and branches abroad; creating foreign affiliated companies with mixed capital, creating subsidiaries with 100% control of ownership).

Until recently, the problem of internationalisation and innovativeness were treated separately. Globalisation and changes in the contemporary economy provoke thet these two areas are treated dependently (Etemad & Keen, 2012; Zucchella & Siano 2014). A new economic dimension requires the combination of entrepreneurship, innovativeness and internationalization. It enables to achieve a new level of competitiveness by using opportunities, an ability to create innovations, conduct innovation processes and use resources at the global level (Hagen *et al.*, 2014, pp. 111-114, Kosała, 2014b, pp. 65-68).

Business internationalisation in the context of innovation can be treated as only one of the kinds of innovation (entering a new market - innovation according to Schumpeter), but also as a source of innovation, inspired by new experiences gained in the international activity to create new solutions with regard to product, process, organization of production, or marketing. Enterprises which have come into existence on the international market, when functioning on it, start noticing chances and opportunities to introduce next innovations, considering the complexity of the environment. Cultural differences which may influence the development of new products and their launch to individual national markets become a new spectrum of inspiration. A consequence of such activities is the growth of innovativeness and competitiveness of the enterprise. We may assume that in the contemporary economy, innovation processes are in dependence with internationalisation processes (Figure 1).

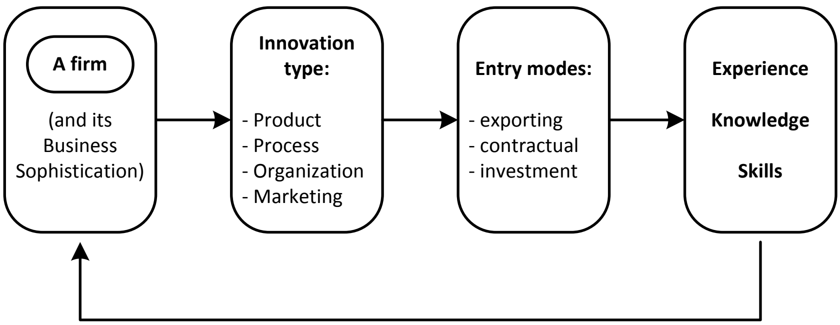

Figure 1. Innovation and learning process in internationalised firms
Source: own study.

CONCLUSIONS

Innovation is a goal which is implemented through innovation processes (innovation as an outcome). These, in turn, gain in effectiveness by the proper creation of innovative potential, which, in consequence, enables the growth of innovativeness which allows to co-create innovation-driven economies.

What becomes a natural consequence of the conducted innovation processes is undertaking activity on foreign markets, thus, internationalisation of the firm. This, in turn, forces or generates the implementation of further changes based on the functioning in new conditions. They may be direct innovations (arising from correctly conducted innovation process in the internationalization dimension) or indirect ones (creating new opportunities through functioning in unknown and previously not foreseen conditions).

Globalisation of the world economy is a phenomenon which exists in the awareness of almost all market participants. In the dimension of individual enterprises it timidly accelerates to become a common phenomenon. We can claim that business internationalisation is one of the kinds of innovations, implemented at a specific stage of organisational development. Therefore, it requires well-thought-out actions, in accordance with the art of innovation management. Building innovation potential taken the international aspect is a new dimension of an enterprise. Understanding it will enable organizations to undertake effective actions, predicting resistance and breaking barriers.

On the basis of the inquiry of the literature, a thorough analysis of references, and the observation of cause-and-effect relationships, we can mention the following conclusions:

1. Entering a new market, including foreign markets, is treated as one of the forms of innovation, which in the entrepreneurship theory is already emphasized by its classical school, the foundations created by Schumpeter.
2. Entering a new market may also be treated as a source of innovation which inspires to undertake further innovations with regard to product, process, organization of product or marketing, the creation of a new value based on new knowledge, experience or skills which become the property of the firm undertaking various forms of internationalisation. It also enables to derive from a bigger potential of the environment, namely the global market, for global firms (Wach, 2014b).
3. Each of the internationalisation forms enables to win new markets, and the choice of a specific one depends on the firm potential (including its innovative potential), learning processes and organizational goals.
4. Depending on the motive of internationalisation, the entry modes preferred by young innovative firms are different than the strategy of large entities, paying attention to bigger efficiency of operation, bigger labour intensity of undertaken actions being outside the main stream of the activity of large concerns (Cieślik, 2011, pp. 27-29).
5. International entrepreneurship, as a very young research discipline at the intersection of entrepreneurship theory and the international business theory, undertakes research threads explaining internationalisation from the angle of innovation processes, which definitely confirms the thesis that the topic is important and will be developed in the future (Hagen, Denicolai & Zucchella, 2014; Wach & Wherman, 2014).

Undertaking innovative activity by firms results in the introduction of these businesses to international markets, and innovations become the main element of innovation-based internationalisation models as well as international entrepreneurship models. In contemporary economic conditionings, innovation processes and business internationalisation processes become more and more visible and co-dependent, creating a new dimension of entrepreneurship – international entrepreneurship. What is more, international entrepreneurship as a relatively new issue, requires in-depth studies. A challenge may be, for example, making an attempt to develop models of the effective use of the international enterprise potential considering the kind of innovation and the form of internationalisation. An interesting area for further research works will also be undertaking actions with regard to international entrepreneurship considering the phenomenon of migration of entrepreneurs immigrants (motives, kinds of innovation, forms of internationalisation, etc.), which is gaining its popularity and is known as transnational entrepreneurship (TE) that is an emergent research field combining migrant entrepreneurship studies and international entrepreneurship studies (Drori *et al.*, 2009).

REFERENCES

Adner, R. (2006). Match your innovation strategy to your innovation ecosystem. *Harvard Business Review*, 84(4), 98-107.

Andersen O. (1993). On the Internationalisation Process of Firms: A Critical Analysis, *Journal of International Business Studies*, 24(2), 209-231.

Barnett, H.G. (1953). *Innovation: The Basis of Cultural Change*. New York, NY: McGraw-Hill.

Baruk, J. (2006). *Zarządzanie wiedzą i innowacjami*. Toruń: Wydawnictwo Adam Marszałek.

Becker, S.W., & Whisler, T.L. (1967). The innovative organization: a selective view of current theory and research. *Journal of Business*, 40(4), 462-469.

Bell, J., Crick, D., & Young, S. (2004). Small Firm Internationalization and Business Strategy: An Exploratory Study of Knowledge-Intensive and Traditional Manufacturing Firms in the UK. *International Small Business Journal*, 22(1), 23-56.

Bikey, W.J., & Tesar, T. (1977). The Export Behaviour of Smaller-Sized Wisconsin Manufacturing Firms, *Journal of International Business Studies*, 8(1), 93-98.

Birkinshaw, J., Hamel, G., & Mol, M.J. (2008). Management innovation. *Academy of Management Journal*, 33(4), 825-845.

Cavusgil, S.T. (1980). On the internationalization process of firms. *European Research*, 8(6), 273-281.

Chetty, S.K., & Stangl, L.M. (2010). Internationalization and innovation in a network relationship context. *European Journal of Marketing*, 44(11/12), 1725-1743.

Cieślik, J. (2011). Internacjonalizacja młodych innowacyjnych firm. Warszawa: Polska Agencja Rozwoju Przedsiębiorczości.

Czinkota, M.R. (1982). *Export development strategies: US promotion policies,* New York, NY: Praeger.

Davenport, T.H. (1994). Managing in the new world of process. *Public Productivity and Management Review*, 18(2), 133-147.

Daszkiewicz, N., & Wach, K. (2014). Motives for Going International and Entry Modes of Family Firms in Poland. *Journal of Intercultural Management,* 6(2), 5-18.

Dosi, G. (1988). Sources, procedures, and microeconomic effects of innovation. Journal *of Economic Literature*, 26(3), 1120-1171.

Drori, I., Honig, B., & Wright, M. (2009). Transnational Entrepreneurship: An Emergent Field of Study. *Entrepreneurship Theory & Practice*, 33(5), 1001-1022.

Drucker, P. (1992). *Innowacja i przedsiębiorczość – praktyka i zasady.* Warszawa: PWE.

Etemad, H., & Keen, C. (2012). Rapid Growth and Rapid Internationalization: The Case of Smaller Enterprises from Canada. *Management Decisions*, 50(4), 569–590.

Garcia, R., & Calantone, R. (2002). A Critical Look at Technological Innovation Typology and Innovativeness Terminology: A Literature Review. *Journal of Product Innovation Management*, 19(2), 110-132.

Greve, H.R., & Taylor, A. (2000). Innovations as Catalysts for Organizational Change: Shifts in Organizational Cognition and Search. *Administrative Science Quarterly*, 45(1), 54-80.

Gupta, A.K., Tesluk, P.E., & Taylor, M.S. (2007). Innovation At and Across Multiple Levels of Analysis. *Organization Science*, 18(6), 885-897.

Hagen, B., Denicolai S., & Zucchella A. (2014). International entrepreneurship at the crossroads between innovation and internationalization. *Journal of International Entrepreneurship*, 12(2), 111-114.

Hauschildt, J. (1993). *Innovationsmanagement*. München: Vahlen.

Jaffe, A.B., Trajtenberg, M., & Henderson, R. (1993). Geographic localization of knowledge spillovers as evidenced by patent citations. *Quarterly Journal of Economics*, 108(3), 577-598.

Jones, M., & Coviello, N. E. (2005). Internationalization: Conceptualising an Entrepreneurial Process of Behaviour in Time. *Journal of International Business Studies* , 36(3), 284-303.

Kanter, R.M. (1984), Innovation: Our Only Hope for Times Ahead?, *MIT Sloan Management Review* 25 (4), 51-55.

Kanter, R.M. (1988). When a thousand flowers bloom (pp. 169-211). In B.M. Staw & L.L. Cummings (Eds.), *Research in Organizational Behavior* (vol. 10). Greenwich, CT: JAI Press.

Knight, G.A., & Cavusgil, S.T. (2004). Innovation, Organizational Capabilities, and the Born-Global Firm. *Journal of International Business Studies*, 35(2), 124-141.

Kosała, M. (2013). Rozwijanie kreatywności jako fundament innowacyjności. *Horyzonty Polityki*, 4(6), 95-114.

Kosała, M. (2014a). Innowacje jako źródło przedsiębiorczości (chapter 4). In J. Targalski (Ed.), *Przedsiębiorczość i zarządzanie małym i średnim przedsiębiorstwem* (pp. 85-104). Warszawa: Difin.

Kosała, M. (2014b). Innowacyjność w warunkach nowej gospodarki – trendy, kierunki badań (chaper 3). In K. Zieliński (Ed.), *Formy i przejawy współczesnej przedsiębiorczości w Polsce* (pp. 61-82). Warszawa: Difin.

Kosała, M., & Wach K. (2011a). Regionalne determinanty rozwoju innowacyjności kształtujące strategie małych i średnich przedsiębiorstw (chapter 7). In J. Targalski & K. Zieliński (Ed.), *Strategie rozwoju małych i średnich przedsiębiorstw. Ujęcie teoretyczne i empiryczne* (pp. 121-154). Kraków: Fundacja Uniwersytetu Ekonomicznego w Krakowie.

Kosała, M., & Wach K. (2011b). Regionalne determinanty rozwoju innowacyjności przedsiębiorstw. *Zeszyty Naukowe Uniwersytetu Ekonomicznego w Krakowie*, 866, 19-36.

Kosała, M., & Wach, K. (2013). Czynniki determinujące dyfuzję innowacji na poziomie makro, mezo i mikro (chapter 1). In K. Zieliński (Ed.), *Makroekonomiczne i sektorowe uwarunkowania rozwoju przedsiębiorczości* (pp. 113-129). Katowice: Wydawnictwo Naukowe Śląsk.

Kosała, M., & Wach, K. (2014). Linking Regional Knowledge Laboratory and Growth of SMEs - Empirical Investigation in Southern Region of Poland. *Prace KGP PTG*, 26, 113-131.

Kotler, Ph. (1994). *Marketing*. Warszawa: Gebethner i Ska.

Lawson, B., & Samson, D. (2001). Developing innovation capability in organisations: a dynamic capabilities approach. *International Journal of Innovation Management*, 5(3), 377-400.

Leonard, D., & Sensiper, S. (1998). The Role of Tacit Knowledge in Group Innovation. *California Management Review*, 40(3), 112-125.

Levitt, T. (1960).Growth and profits through planned marketing innovation. *Journal of Marketing*, 24(4), 1-8.

Martin, M.J.C. (1984). *Managing Technological Innovation and Entrepreneurship*. Englewood Cliffs, NJ: Prentice Hall.

McDougall, P.P., & Oviatt, B.M. (2000). International entrepreneurship: the intersection of two research paths. *Academy of Management Journal*, 43(5), 902-906.

McDougall-Covin, P., Jones, M.V., & Serapio, M.G. (2014). High-Potential Concepts, Phenomena, and Theories for the Advancement of Entrepreneurship Research. *Entrepreneurship Theory and Practice*, 38(1), 1-10.

Myers, S., & Marquis, D.G. (1969). Successful industrial innovation: a study of factors underlying the innovation in selected firms.Paper No. NSF 69-17. Washington, DC: National Science Foundation.

Obstfeld, D. (2005). Social networks, the teritus iungens orientation, and involvement in innovation. *Administrative Science Quarterly*, 50(1), 100-130.

Oslo Manual (2005). *The Oslo Manual. Guidelines for Collecting and Interpreting Innovation Data*.. Third Edition. Paris: OECD/Eurostat.

Oviatt, B.M., & McDougall, P.P. (2005b). Defining international entrepreneurship and modeling the speed of internationalization*. Entrepreneurship Theory and Practice*, 29(5), 537-554.

Prahalad, C.K., & Krishnan M.S. (2008). *The new age of innovation*. New York Chicago San Francisco Lisbon London Madrid Mexico City Milan New Delhi San Juan Seoul Singapore Sydney Toronto The McGraw Hill Companies.

Pomykalski A. (2001). *Zarządzanie innowacjami.* Warszawa – Łódź: PWN.

Quintane, E., Casselman, R.M., Reiche, B.S., & Nylund P.A. (2011). Innovation as a Knowledge-Based Outcome. *Journal of Knowledge Management*, 15(6), 928-947.

Rao, T.R., & Naldu G.M. (1992). Are the stages of internationalization empirically supportable. *Journal of Global Marketing*, 6(1-2), 147-170.

Reid, S.D. (1981). The Decision-Maker and Export Entry and Expansion. *Journal of International Business Studies*, 12(2), 101-112.

Rennie, M.W. (1993). Global Competitiveness: Born Global. *The McKinsey Quarterly*, 4(1), 45-52.

Rogers, E.M. (1983). *Diffusion of innovations*. New York, London: The Free Press.

Rothwell, R., & Zegveld W. (1985). *Reindustralization and Technology*. London: Longman.

Saunila, M., Pekkola S., & Ukko J. (2014). The relationship between innovation capability and performance: The moderating effect of measurement. *International Journal of Productivity and Performance Management*, 63(2), 234-249.

Schumpeter, J.A. (1912). *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle*. Cambridge, MA: Harvard University Press.

Schumpeter, J.A. (1934), Theory of Economic Development, Harvard University Press, Cambridge, MA.

Schumpeter, J.A. (1939). *Business Cycles: A Theoretical, Historical, and Statistical Analysis of the Capitalist Process*. New York, NY: McGraw-Hill.

Schumpeter, J.A. (1960). *Teoria rozwoju gospodarczego*. Warszawa: PWN.

Seidler de Alwis, R., Hartmann E., & Gemünden, H.G. (2004). *The role of tacit knowledge in innovation management*. Competitive Paper submitted to the 20th Annual IMP Conference in Copenhagen, 2th - 4th September 2004.

Schwab, K. (2013). *The Global Competitiveness Report 2013–2014: Full Data Edition.* World Economic Forum.

Tidd, J., Bessant, J., & Pavitt, K. (2005). *Managing Innovation: Integrating technological, market and organizational change.* 3rd ed., Wiley.

Trott, P. (1988). *Innovation management and New Product Development*. Edinburgh: Prentice Hall.

Utterback, J.M. (1971). The process of technological innovation within the firm. *Academy of Management Journal*, 14(1), 75-88.

Van de Ven, A.H. (1986). Central problems in the management of innovation. *Management Science*, 32(5), 590-607.

Van de Ven, A.H., & Polley, D. (1992). Learning while innovating. *Organization Science*, 3(1), 92-116.

Wach, K. (2008). *Skutki akcesji do Unii Europejskiej dla polskich przedsiębiorstw*. Kraków: Wydawnictwo Uniwersytetu Ekonomicznego w Krakowie.

Wach, K. (2012). *Europeizacja małych i średnich przedsiębiorstw: rozwój przez umiędzynarodowienie*. Warszawa: PWN.

Wach, K. (2014a). Theoretical Framework of the Firm-Level Internationalisation in Business Studies (chapter 1). In Duréndez, A., & Wach, K. (Eds.) (2014). *Patterns of Business Internationalization in Visegrad Countries – In Search for Regional Specifics* (pp. 13-32). Cartagena: Universidad Politécnica de Cartagena.

Wach, K. (2014b). The Role of Knowledge in the Internationalisation Process: An Empirical Investigation among Polish Businesses (chapter 7) In D. Kiendl-Wendner & K. Wach (eds), *International Competitiveness in Visegrad Countries: Macro and Micro Perspectives* (pp. 173-158). Graz: Fachhochschule Joanneum.

Wach, K., & Wehrmann C. (2014). Entrepreneurship in International Business: International Entrepreneurship as the Intersection of Two Fields (Chapter 1). In: A.S. Gubik & K. Wach (Eds.), *International Entrepreneurship and Corporate Growth in Visegrad Countries* (pp. 9-22). Miskolc: University of Miskolc.

West, M.A., & Farr, J.L. (1990). Innovation at work. In M.A. West, & J.L. Farr, (Eds), *Innovation and Creativity at Work: Psychological and Organizational Strategies* (pp. 3-14). Chichester: Wiley.

Witek-Hajduk, M.K. (2010). *Strategie internacjonalizacji polskich przedsiębiorstw w warunkach akcesji Polski do Unii Europejskiej*. Warszawa: Oficyna Wydawnicza Szkoły Głównej Handlowej w Warszawie.

Zucchella, A., & Siano, A (2014). Internationalization and innovation as resources for SME growth in foreign markets: a focus on textile and clothing firms in the Campania Region. *International Studies of Management and Organization,* 44(1), 21-41.

Author

Małgorzata Kosała

Assistant professor at the Cracow University of Economics - Department of Entrepreneurship and Innovation. Her scientific interests focus on innovation process issues, innovative potential of enterprises, conditions for innovativeness, management and entrepreneurship especially in small and medium-sized enterprises. PhD in management within the specialisation of innovation management (2006), Master in Organisation and Management. She is a member of the Scientific Committee of the National Entrepreneurship Contest. She is the scientific supervisor of the Students Scientific Club for Entrepreneurship and Innovation as well as the students' apprenticeship coordinator.

Correspondence to:
Małgorzata Kosała, PhD
Cracow University of Economics
Faculty of Economics and International Relations
Department of Entrepreneurship and Innovation
31-510 Kraków, ul. Rakowicka 27
kosalam@uek.krakow.pl

Acknowledgements and Financial Disclosure

The article came into being within the statutory research project no. 121/WE-KPI/03/2014/S/4317 entitled "Entrepreneurial and Innovation Processes as Catalyst and Stabilizers of Business Internationalisation" coordinated by K. Wach and financed by the Ministry of Science and Higher Education of the Republic of Poland with the funds allocated to development of research potential of the Faculty of Economics and International Relations of the Cracow University of Economics.

Copyright and License

Published by the Centre for Strategic and International Entrepreneurship – Krakow, Poland

Entrepreneurial Business and Economics Review

2015, Vol. 3, No. 2

DOI: 10.15678/EBER.2015.030207

Risk Taking Propensity and Firm Internationalisation Process

Janusz Fudaliński

ABSTRACT

Objective: The aim of this paper is to present necessary characteristics of solutions related to risk management in the conditions of high environment turbulence from the perspective of international businesses.

Research Design & Methods: The paper is based on extensive literature review, synthesized for preeminent conceptions of risk management within operations undertaken in international environment with its proper specifics.

Findings: The paper is divided into four main parts. The first section presents the concept of business internationalisation in general. The dilemmas related to the idea of strategic risk application are discussed in the second passage. It is followed by a discussion on the risk undertaken by firms while entering into international markets. Finally, the paper presents the methods and models of risk management in international markets.

Implications & Recommendations: Knowledge of risk management models fosters management focused on survival and development of the firm, including its international growth. The catalogue of formulas for minimizing presence of unfavourable phenomena and events for the company should be enriched by experiences from the area of project management processes and project formulas of business management.

Contribution & Value Added: Present research may contribute to the construction of a rational model of the risk management process, in particular in the case of adoption of a development strategy based on the internationalisation.

Article type:	original literature review
Keywords:	Internationalisation; risk management; risk taking propensity; strategic risk; international business; business external environment
JEL codes:	D81, L26, F23, M16

Received: 22 February 2015 Revised: 1 April 2015 Accepted: 22 May 2015

Suggested citation:

Fudaliński, J. (2015). Risk Taking Propensity and Firm Internationalisation Process. *Entrepreneurial Business and Economics Review, 3*(2), 85-104. doi: 10.15678/EBER.2015.030207

INTRODUCTION

In the contemporary world, both economic internationalisation and globalisation processes have achieved such a scope that it is impossible to discuss any business issues without its international context. The above mentioned processes are characterized by ever-growing mobility of production factors, goods and services. The international context of a firm means not only the internationalisation as the expansion into foreign markets, but also the internationalisation of managerial processes within a firm. Business internationalisation is also accompanied by technological revolution with fast spreading innovations being one of its aspects. The increasing internationalisation in contemporary globalised economy includes the expansion of local and international companies into new markets. However, the search for formulas of thinking and acting in an innovative strategic aspect requires increasingly sophisticated tools and concepts which, when applied, will enable to optimize business actions in order to survive as well as to grow and develop. Thus, the formula of strategic actions must include elements minimizing an extensive range of threats that arise when firms follow the path of internationalisation. One of such threats seem to be the issue of risk identification and risk monitoring as well as appropriate risk management. Risk becomes an immanent and crucial component of substantively justified sequence of actions that may have some characteristics of arrangement, but also, due to increasing phenomena of environment turbulences and chaotics paradigm (Wach, 2012, p. 61), may have a less structured form, similar to navigating in a kind of "controlled chaos", where this slightly pejorative expression is treated as a specific conceptual category and a positive, desired phenomenon, providing the possibilities of flexible and creative operation (Buła & Fudaliński, 2010).

MATERIAL AND METHODS

It is assumed that the process of internationalisation and entering international markets involves substantial risks related to possibilities of survival and development of a firm, which results in the need for risk monitoring (in a strategic and operational aspect), in order to minimize it. A vast corpus of knowledge in the field is hereby thoroughly reviewed and synthesized, being the basis for comparative study of strategic risk management in shifting circumstances, referring to the process of internationalisation.

Therefore, this study aims at presentation of international conditions of business operations, in the times of high environment turbulence and at characterizing the solutions related to risk management, which, when known and applied in a firm, may, on one hand, stimulate the organisation's development, and, on the other, be a factor of minimizing the impact of phenomena that may potentially exacerbate a threat to the existence (survival) of the firm.

LITERATURE REVIEW AND THEORY DEVELOPMENT

The Concept of Business Internationalisation

The notion of internationalisation is understood as any activities of firms abroad and can be interchangeable with the term of international growth. There are five main theoretic cal streams explaining the phenomenon of business internationalisation (Wach, 2012; 2014b), while three of them may be considered classical (stages approach, resource- ba-

Table 1. Contemporary theoretical models of business internationalisation

Approach	Models	Representatives	Disadvantages	Advantages
Stage approach	Uppsala model	J. Johanson and F. Wiedersheim-Paul (1975), J. Johanson and J.E. Vahlne (1977)	– No knowledge on external markets; – Uncertainty of managers due to inadequate knowledge; – The presence of the so-called mental distance, meaning an obstacle in the flow of information between the company and the foreign market due to language and cultural differences, various political systems;	– Universalism – Dynamic nature resulting from particular elements of the model which, affecting one another, cause development of the internationalisation process
	Holistic models (Finnish)	R. Lupstarinen (1985), J. Larimo (1985), R. Lustarinen and H. Hellman (1993)	– Inadequate level of knowledge on foreign markets	– Passing through subsequent phases of development: preparatory phase, initiation of export activities, then the international operations development phase, in order to finally enter the mature phase – the phase of significant exporters – Dynamic aspect of support taking into consideration diverse needs of support recipients
Resource-based approach	Resource, competence, resource-competence models	P. Westhead, M. Wright and D. Ucbasaran (2001), O.N. Toulan (2002)	– Dependence of selection of strategy on competences from the owner/manager	– Numerous variants of strategic activities undertaken due to various combinations of unique resources owned by SMEs
Network approach	Network internationalisation theories	J. Johanson and L. G. Mattsson (1987, 1988), H Hakanson and J. Johanson (1992), J. Johanson and F. Wiedersheim-Paul (2009)	– Strategies of global companies may be subject to changes under the effect of various relations in the network	– Functioning of the network system makes it easy for SMEs to overcome barriers resulting, among others, from the size of the company – Improvement in innovation and competitiveness – Gaining additional channels and contacts
International entrepreneurship approach	General models of international entrepreneurship	M.Ruzzier, R.D. Hisrich and B. Antonic (2006), H. Etemad (2004), R. Schweizer, J.-E. Vahlne and J. Johanson (2010)	– Despite the growing achievements of international entrepreneurship, they are still non-uniform and poorly formed	– Enterprises entering foreign markets in the initial phase of the organization's life cycle are characterized by competitive advantage resulting from high quality of offered products, often unique
	Model of international new ventures (INV)	P.P. McDougall and B.M.Oviatt (1994)		
	Model of born global	G.A. Knight, T K. Madsen and P. Servias (2004), R. McNaughton and J. Bell (2004)		
	Models of accelerated internationalisation	I. Kalinic, C. Forza (2012), N. Hashai, T. Almor (2004)		

Source: own extension of Wach (2012, p. 99).

sed view, network approach), international entrepreneurship is not (Table 1). In the theory of international business, internationalisation is characterized most often in a stage perspective, where on the basis of the concept of evolutionary business internationalisation model, it is possible to identify subsequent stages of this process. According to this approach firms, in particular those from SME sector (Wach, 2008), internationalize their business activities by shifting from less to more advanced forms (U-model)[1]. However, the Uppsala model is often criticized (Daszkiewicz & Wach, 2013, pp. 60-61). The resource-based view (RBV) model of internationalisation pays special attention to the potential of resources, especially human resources. Taking them into consideration, it can be assumed that possession of more substantial resources determines greater possibilities of operation on foreign markets. Firm-level internationalisation by cooperation networks (network approach) is a typical example of international enterprises entering the markets in result of existing and the potential relations outside the borders of their native country. The essence of this strategy lies in the use of versatile relations of companies forming a network with various entities with which they are interrelated. It is a process typical of corporations where a significant factor is the parent company, as well as the culture of the country in which a branch is located. It is also important to mention companies that, already from the moment of establishment, join the process of internationalisation, with their missions and strategies based on global markets and recipients.

Internationalisation strategy depends on numerous factors (Wach, 2014a). In economic reality, small and medium-sized enterprises most often choose, in the process of internationalisation, the sequential model, starting their activities initially from export and import, and then expanding the field of their activities (Wach, 2012; Daszkiewicz & Wach, 2012; 2013; 2014). However, in many cases, the companies end their activity at export and import cooperation, as, in their opinion, further activity on foreign markets, would involve excessive risk.

Considering the growing complexity of problems related the process of internationalisation of business activities and a number of coinciding factors, causing increase in the level of complication in conducting activities at the international level and, a need arises to search for tools relating to forecasting, identifying, monitoring and minimizing the risk, which will become pillars of the business management process.

Strategic Risk Management and Its Dilemmas

There is a dispute, perhaps not substantial, concerning several key issues which are important in risk management. The frameworks of the ongoing polemics include:

---

[1] In this regard, it is also possible to indicate opinions of polemic nature. The so presented sequence constitutes a certain canon of discussion, which by no means has to mean continuity of these processes, the related sequential nature of stages and activities, quite the opposite, due to ever so often visible trend of discontinuity of changes, the "traditional model" may constitute only a historically treated starting point for analysis of processes related to broadly understood issues of internationalization of business activities and the risks related to this phenomenon – which will be discussed further in the study.

- the dilemma of whether it is possible and, above all, sensible, to apply, in the action practice, planning processes in a strategic aspect, which refer to long-term risk (Terrance, 2014, pp. 49–53; Halal, 2014, pp. 483–484),
- the problem of changes in the environment and the related belief that because of that, there are no actual possibilities to predict future environment conditions and to adapt the organization (Xueli & Lin, 2011, pp. 422-430; Vela-Jiménez, Martínez-Sánchez, Pérez-Pérez & Abella-Garcés, 2014, pp. 915–936),
- the issue of discontinuation of phenomena, processes which significance often has a deterministic effect on the functioning of companies (Teczke, 2014, pp. 63-67; Wach, 2012, pp. 61-62).

Risk can be defined differently depending on the research domain (economics, management, finance). Moreover, it can also be seen at various levels of corporate management (strategic, tactical, operational management) or at different levels of strategic management aggregation (network level, corporate level, business level, functional level), (Daszkiewicz & Wach, 2012, pp. 40-41).

On one hand, from the financial perspective, risk can be defined as a threat or hazard of suffering a loss. In the context of long-term financial decisions, such as investments, risk can be understood also as a lack of confidence with regard to income from investment (Jachna & Sierpińska, 2007, p. 511).

From the etymological point of view (management and business studies), the concept of strategic risk (Buła & Fudaliński, 2013, pp. 41-42) has natural connotations with the notion of strategy and thinking in the categories of activities aimed at a long time horizon. Despite frequent accusations (Al-Turki, 2011, pp. 150-162; Kastberg, 2013, pp. 212-222) as to the limited possibility of formulating objectives and tasks in the long run (towards continuous growth in the dynamics of changes in the environment and often non-extrapolation formulas of their course), it should be stated that, for instance, making no attempts to think and consequently, to act, on the basis of long-term vision of strategic development seems to be a cardinal error. Naturally, it also implies the need for both continuous monitoring of changes taking place and for undertaking corrective actions, which, after all, characterizes the management process and defines its essence, not only in the sphere of business, but also in relation to non-profit organizations (Fudaliński, 2013, pp. 102-103). A similar situation takes place with regard to the need for risk management, both in the strategic dimension (which happens to be stressed relatively rarely), as well as at the operational level (which is present much more often).

The notion of the **strategic risk management** should be understood in this case as a process focused on the long-term perspective, the goals of which are prediction, identification and constant monitoring and correction, by making appropriate decisions, of the situation and events that may have adverse effect (elimination of threats) on the adopted plan of strategic actions. On the other hand, due to diverse areas of activities, strategic risk may refer in its essence to many different areas which, due to growing dynamics of changes, require the use of the strategic risk concepts. On the whole, businesses first formulate the strategy, then analyse risks related to its execution, and finally try to implement a solution that limits or eliminates the identified risks. In this sense, the strategy is defined as a decision-making process, concerning performing actions in the future in order to make subsequent decisions in more favourable conditions (Wereda-Kolasińska, 2011, p. 9).

It should be noted that often it is difficult to draw an indisputable borderline determining the boundaries between operational and strategic risk. However there are some differences, which enable distinguishing these two types of risk (Table 2).

Table 2. Differences between operational and strategic risk

Type of risk / Differentiating criteria	Operational risk	Strategic risk
Time horizon	Short	Long
Characteristic feature	Current activities	Strategy implementation, strategic planning
Consequences of occurrence	Negative	Negative or positive
Risk measurement	Only for the company	For a company and the competition
Scope of possessed information	High	Small
Possibility of insurance	It can be insured	It cannot be insured

Source: own study based on Staniec & Klimczak (2008, p. 37) and Szczerbak (2009, p. 45).

It should be pointed out that operational risk usually has short-term nature, which arises out of current operations of the company; on the other hand, strategic risk has a long-term form and concerns making long-term decisions. While a consequence of the operational risk occurrence may be general losses, in the case of strategic risk there are also potential benefits. Although professional literature presents various views on sources of operational and strategic risk, it is assumed that operational risk is created mostly within the organization, while strategic risk is connected mainly with external factors. Therefore, strategic risk is much more difficult to manage (Figure 1), than operational risk.

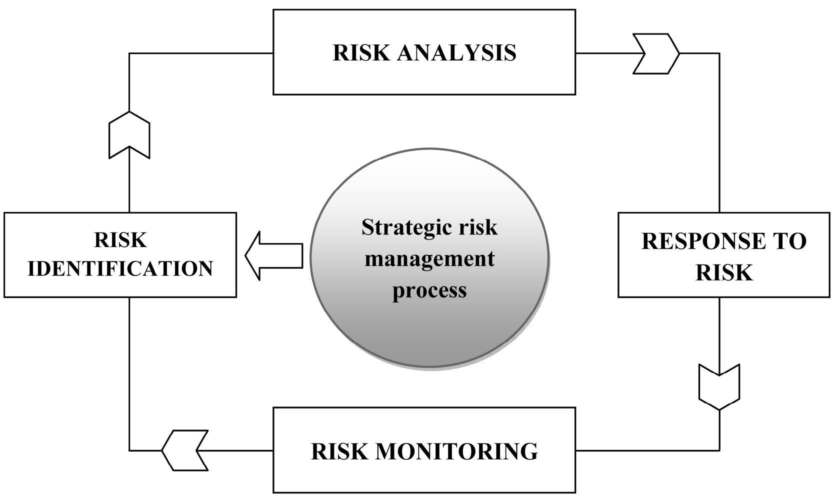

Figure 1. Strategic risk management cycle
Source: own study based on AlThani, Merna & Faisal (2008, p. 262).

A key factor influencing the level of risk is the lapse of time, especially with regard to operations conducted in the international aspect. Along with extending time span (one of the determinants of the strategic dimension of risk management) there is growth in uncertainty and likelihood that the expected value will significantly differ from the achieved one. It presents an argument for a detailed approach to this issue, in the context of business development plans and their implementation.

Strategic risk can be defined also as a function or ability of an organisation to cope with changes in the environment, management quality and decision-making process (Wereda-Kolasińska, 2011, p. 60). Factors of strategic risk, focused on the process of internationalisation of the firm, can be divided into external and internal factors. External risk factors affect a firm from the outside, completely independent from its operations on the market. Such factors may include, for instance, actions of competitors in the international dimension, technological progress, changes in interest rates or introduction of unfavourable regulations by hosting countries. Internal risk factors are strictly connected with operations of a company and changes in its structure. Disregarding the above division, the general strategic risk taxonomy is quite complex and includes many risk factors necessary to be analysed also from the perspective of activities at the international level. Wereda-Kolasińska (2011) attempts to present the complex taxonomy of strategic risk in six basic dimensions (Figure 2).

Figure 2. Strategic risk taxonomy according to Wereda-Kolasińska

Source: Wereda-Kolasińska (2011, p. 76).

As shown in the general 6-elemnts taxonomy (Figure 2), a factor of strategic risk may refer to not only external or internal changes, but also failure to introduce proper changes in the firm structure or in the technology in needed time, which has particularly high importance in the process of internationalisation. Referring to strategic management as a process of selection of company objectives and strategy, the process of implementation and control over implementation of the established plans, (Urbanowska-Sojkin, 2013, p. 63) recognizes and discusses the following types of strategic risk (Figure 3):

- risk of strategic choices,
- risk of strategic decision implementation,
- risk of forecasting and monitoring changes in the environment and in the company.

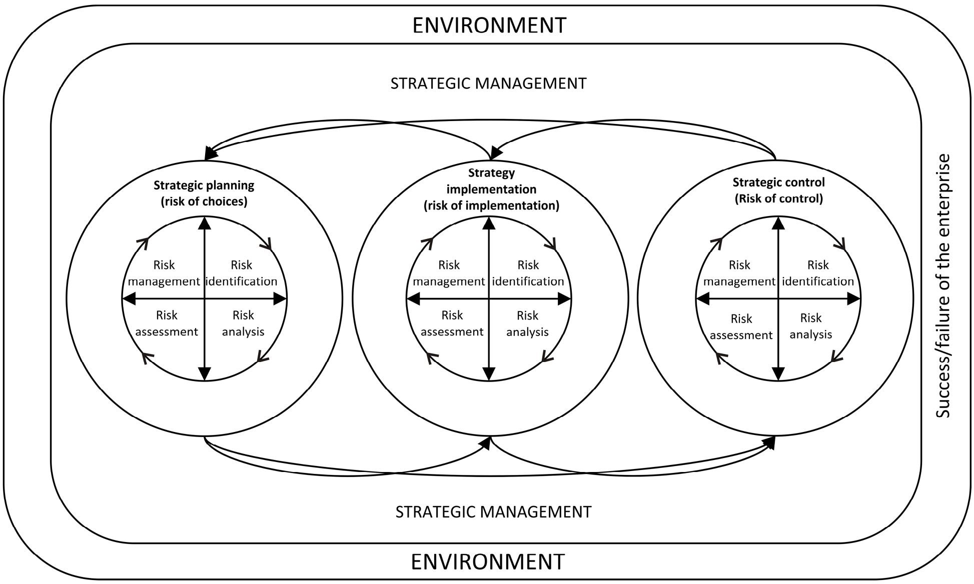

Figure 3. Model of risk in strategic management according to Urbanowska-Sojkin
Source: Urbanowska-Sojkin (2013, p. 64).

Such a classification is presented clearly on figure 3 which presents the course of the strategic management process including risk at each stage. In this sense, natural connotations, interferences, and relations between the notion of strategic management and risk management, come to mind. These analogies are an inseparable structure, which, at the same time, taking account of the imperative of application of the risk management concept in the strategic company, makes it possible to achieve the synergy effect from the point of view of praxeological measures determining management quality (Fudaliński, 2013, pp. 67-80).

Having knowledge about the level of importance of strategic risk as a factor creating the possibilities of return on investment or long-term strategic activities, they are to be identified and assessed. This is a part of generally understood risk management, which is defined as a full process of identification, assessment and response to risk and transfer of results of these processes to appropriate parties on time (Andersen, 2009, pp. 352-379).

Risk Undertaking in International Markets

In the conditions of market economy, running a business is accompanied by the phenomenon of risk and uncertainty (Vilko, Ritala & Edelmann, 2014, pp. 3-19). Every business, in particular that participating in activities at the international level or aspiring to this, should have at its disposal a reasonable concept of eliminating, or at least limiting the risk occurring in business activities on international markets. Risk is a phenomenon resulting from the fact of decision-making concerning the future. In this context, in particular at times of turbulent changes prevailing today[2], it is extremely difficult to not only predict future conditions of the broadly understood environment in which the company operates and to shapes models of business activities, but also to estimate the

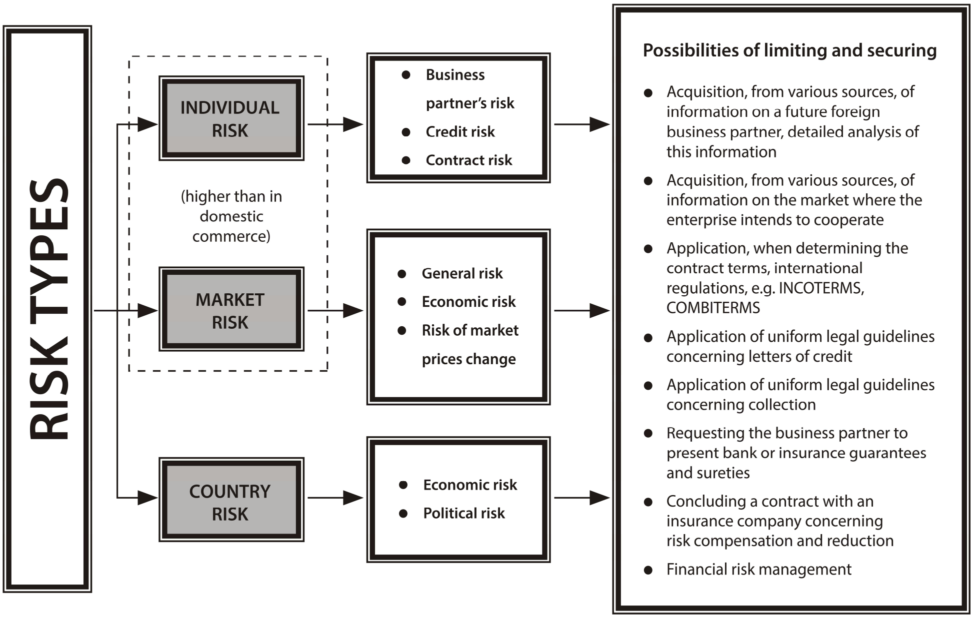

Figure 4. Types of risks of an internationalised firm and possibilities of limitation and protection
Source: Bielawska (2006, p. 29).

related risk, especially in the long run. Therefore, the dilemma of shaping strategic aspects of business activities seems to be not only an important issue, but also a problem causing many difficulties, unprecedented so far. When making a particular decision, an entrepreneur has no confidence as to its future results, since, as it was mentioned, risk means a condition in which there is a possibility of loss as compared to the assumed or

[2] Changes in on the international stage are currently particularly intensive. They relate not only to the technological dimension, but their increasing impact is emphasized on political, cultural grounds and the related impacts on the business field (e.g.: war conflicts – Ukraine, Iraq, African countries)

Table 3. Types of risks occurring in international activities and ways of their limitation

Types of risks of an internationalized SME	General ways to minimize risk	Ways of limitation of risk of an internationalized enterprise
Individual risk – resulting from actions of foreign commercial partners - it is possible to distinguish: – Business partners' risk – Credit risk – Contract risk **Market risk –** concerning current state of development of social, technical and economic conditions in different countries, it is important to distinguish: – General risk – Business risk – Changes in market prices **Country risk – occurring in the event when an independent state is unwilling or unable to fulfil its own payment liabilities.** In research studies, this kind of risk is presented as a result of the impact of both political conditions as well as the country's economic situation, it is possible to distinguish: – Economic risk – Political risk – Cultural risk	**Instruments counteracting risk** – prevention instruments (by a proper selection of suppliers and recipients for the purpose of limitation of the so-called business partner's risk, proper manner of managing the purchasing process, stock and receivables and the use of safety standards in conducted activities). **Instruments reducing risk effects** – reprisal instruments (instruments for risk suppression, reducing the sizes of the effects of risk upon its occurrence, in the case of suppression of the effects in measurement, these can be fire-resistant doors, instructions of conduct in case of fire at the enterprise); – retention instruments (instruments for retaining risk, financing risk effects, requiring creating economic reasons for covering possible losses); – transfer of risk (insurance as transfer of risk to the insurer in exchange for receipt of an insurance premium, the insurer is obliged to take over the tangible effects of risk). – relevant, professional formulas of management at different levels of the company (e.g.: the purchasing process) **Instruments of alternative risk financing** – simultaneous use of risk retention and transfer instruments, aimed at growth in effectiveness of financing the adverse effects of risk occurrence.	– standardization with regard to the company management process[3]; – acquisition of information on a potential foreign business partner; – acquisition of necessary information on the market where the company intends to operate; – compliance with international rules (e.g.. INCOTERMS, COMBITERMS) when determining key terms and conditions of the contract; – use of uniform legal guidelines with regard to letters of credit and collection; – requesting the foreign business partner to present bank or insurance guarantees and sureties; – entering into a contract with an insurance company with regard to risk compensation or reduction; – adequate financial risk management.

Source: own study basedon Wieczorek-Kosmala (2009, pp. 158-163); Bielawska (2006, p. 29) and Fudaliński (2014, pp. 227-246).

the expected condition in a given situation. Risk understood this way is measurable as the likelihood of loss, while its measure is the degree of deviation from the expected result, which is expressed by the value of standard deviation. The sources of risk lie in

[3] Not very often can we encounter understanding for the issues related to standardization of the company management process. This means a possibility of communication with partners from outside the native country at the same level and reduces potential risks resulting from it. It seems to be wrong to excessively stress only the financial dimension of the risk and often in its identification, glorification of this aspect takes place.

events which can be neither foreseen nor prevented, beyond the control of the operating business entity.

International activity is characterized by the accumulation of factors, in which various kinds of risks occur with particular intensification, and risk-generating situations occur most often. As a result, crossing the boundaries of one's own country is an important decision in the functioning of every company, also having a strategic dimension. Then, a collision with a different environment occurs, which, in particular for small and medium enterprises with limited financial resources, may pose a serious challenge. Activity on foreign markets depends on the legal and economic system of the host country. Applicable business law to a significant extent affects the volume and the structure of capital of enterprises, rights of owners or the type of the conducted accounting policy.

Thus, in general, when referring to the risk category in the process of business activity internationalisation, apart from a number of apparently significant issues raised above, it is possible, with certain simplification, to summarize them in a graphic form (Figure 4 and Table 3).

Currently, increasingly often, decisions on expansion to foreign markets (mainly to EU countries) present a possibility of survival and growth of a firm. Especially at times of weakening of the economic situation many countries, by conducting consistent policy of support for small and medium-sized enterprises (SMEs), contribute to the growth in competitiveness among companies from this sector. Enterprises being participants of business transactions in foreign environment can accordingly shape their own risk policy. The firm-level internationalisation, on the one hand, is a phenomenon increasing financial risk, but on the other hand, facilitates undertaking defensive projects. Especially SMEs, by internationalisation of activities, are able to increase the production scale or diversify the target market.

Methods and Models of Risk Management in International Markets

Identified risk, regardless of its kind, should be assessed according to the above definition in order to respond adequately. There are many risk assessment methods, and the most important include (Buła, 2014, pp. 117-134):

- seven strategic risk assessment pillars,
- Value At Risk (VAR),
- strategic risk assessment matrix,
- strategic risk matrix according to PwC,
- CIMA Strategic Scorecard.

The concept of strategic risk management is used for limiting strategic risk in the firm. In accordance with a previously adopted definition, in the process depiction of this concept, the last stage of risk management process is response to risk, namely the method of its limiting or eliminating. Therefore, we can assume a more extensive definition determining, in the instrumental sense, **strategic risk management** as a set of methods used for identifying, coordinating, modelling and mastering (controlling) most important kinds of risks and their sources in the holistic perspective, concerning a firm as a whole, operating in a specific environment (Wereda-Kolasińska, 2011, p. 87). The postulate of a comprehensive (holistic) approach seems extremely important in this case

(Gorzelany-Dziadkowiec & Fudaliński, 2013, pp. 19-48; Buła, Fudaliński & Gorzelany-Dziadkowiec, 2013, pp. 313-314). It also applies to the use of risks as opportunities for accelerating a long-term business development, as a result of more dynamic adaptation to the market than the competitors. Therefore, risk can be limited twofold (Alcantara & Mitsuhashi, 2013, pp. 580-595; Rashid, 2014, pp. 97-116):

- active, that is affecting the causes, or,
- passive, affecting the effects.

It is extremely important to identify the key risks. In this regard, standards of risk management have been formulated, and these are, among others:

- COSO (The Committee of Sponsoring Organizations of the Threadway Commissions),
- Prince2,
- ISO 31 000:2012.

The above mentioned standards are sets of principles, ensuring preventive protection when applied. In the case of COSO, the standard puts emphasis on management, building formulas of strategic action and the function of related purposefulness. Building corporate strategy considers determination of optimal balance between growth, profits, risk and effective use of resources. On the other hand, Prince2 is a methodology of designing in a controlled environment, where methodology of determining risk formula is based on the risk register (risk tolerance, responsibility for risk, risk ownership). Meanwhile, ISO 31 000:2012 is an international risk management standard. It may be applied by firms of any size, also SMEs, implementing various projects, also in the international aspect. Another important active risk reduction policy

Table 4. Score assessment of hazards (weights)

PROBABILITY	EFFECT				
	Minimum	**Small**	**Medium**	**High**	**Extreme**
Very high 80-100%	(2.0)	(3.5)	(7.0)	(8.0)	(9.0)
High 60-80%	(1.5)	(2.0)	(5.0)	(7.0)	(8.0)
Medium 40-60%	(1.2)	(1.8)	(4.0)	(5.0)	(7.0)
Low 20-40%	(1.0)	(1.5)	(3.0)	(4.0)	(5.0)
Very low 0-20%	(0.5)	(1.0)	(1.5)	(3.0)	(4.0)

Source: Pawlak (2006, p.151).

is its transfer to other entities. It may be expressed in contracting subcontractors to perform risky parts of the investment, assigning the risk and its effects to them, or in creating new entities, whose task is to implement a given investment project at the same time, separating the risk, from the main company[4].

[4] This formula is relatively often encountered in the IT service sector (but not only there).

It is also worth pointing out that quite often, the presently appearing formula, gaining efficacy and efficiency in management, is the project approach to the company management process. Although in the 20th century, the subject most often discussed were tasks for implementation. Their structuring and proper definition made it possible to develop project components, which also include risk management. Adoption of project orientation indeed has significant reference to pragmatism of activities of small and medium enterprises and may standardize the management processes. This is especially important in the process of company internationalisation, and in terms of risk, introduces appropriate tool architecture, where account is taken of the level of probability of occurrence of an event, and its effect is determined (Table 4).

Therefore, from a practical point of view, to be able to realistically assess risk related to a given venture (also the project venture so important in the entrepreneurship theory and practice), it is possible to assume actions focused on (Jedynak & Jedynak, 2014, pp. 75-88):

- gathering a (project) team and conducting a brainstorm in order to estimate hazards present in the project (solution based on internal resources of the company),
- appointing an independent group of experts (the composition of the group can be based on employees of a given company and external experts), who will indicate sources of risk within a particular project and might carry out its evaluation (focus on mixed resources – internal and external),
- employing a specialized external entity (consulting company) for risk assessment (use of external entities).

Qualitative risk analysis focuses on examining, in a descriptive manner, all risk factors in order to show their various features and their physical impact on the project. The methods used in this respect include, among others (Lock, 2009, pp. 58-59):

- fault-tree analysis and Ishikawa fishbone,
- failure, mode and effect analysis (FMEA).

The issues of modelling in the corporate management process have a relatively long tradition, and the main function of this process is formulating, on a diverse level of detail, a description of reality and designing a certain catalogue of activities. In a broad sense, modelling means a methodological concept for solving problems, which assumes the use of the model as a research tool. Management based on a modelling is a process for gathering and processing information, leading to preparing models of objects, which meet the specified conditions, i.e. capable of providing information on a managed object. We can distinguish two basic standpoints in terms of positioning the model in the organization design process. The first one assumes that development of a model finalizes diagnosis of the object and precedes its test, the other one says that development of a model concludes the organizing process and precedes the implementation and operation stage. However, not going into excessive divagations in this respect, it should be stated that also in the field of risk management there are some model solutions, within which we can refer to both standardization of some solutions and different opinions on other issues.

In risk management there are several standard models established by organizations involved in issues of risk management. In general, in this area, we can enumerate three suggestions (Premuroso & Houmes, 2012, pp. 26-48; FERMA 2014):

- FERMA – risk management standard prepared by the Federation of European Risk Management Associations,
- COSO II (mentioned before) – Corporate risk management – integrated framework structure prepared by COSO II – The Committee of Sponsoring Organizations of the Tradeway Commission,
- AS/NZS 4360: 2004 – Australian and New Zealand risk management standards.

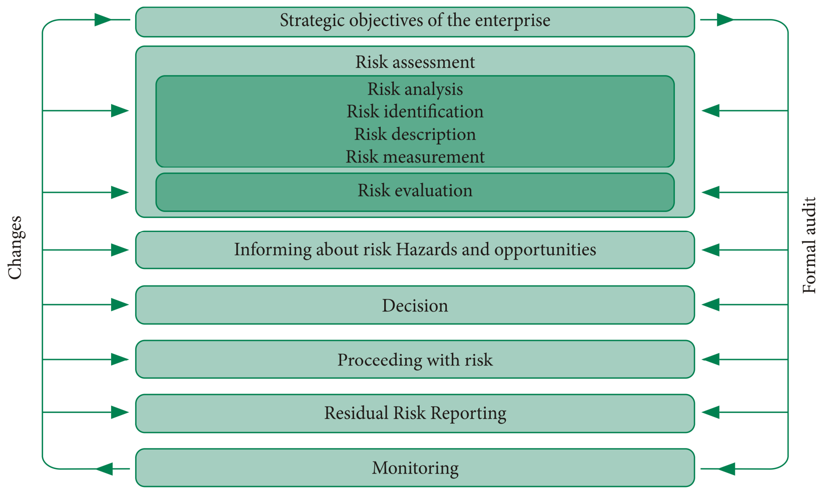

Figure 5. Process Scheme of Risk Management Standard according to FERMA
Source: FERMA (2014).

The Federation of European Risk Management Associations (FERMA), is an institution associating people and companies involved in risk management. FERMA assumes that a shift from strategic assumptions to tactical and operational ones should entail responsibility of the management and employees involved in this management. Promoting effectiveness should proceed at each level of the organization, and effectiveness can be obtained by improving the process of decision making, specification of priorities, the degree of uncertainty and possibility of unwanted events (Fałek, 2011, p. 8). The main axis of the process includes nine steps (Figure 5) – starting from determination of strategic objectives, actions related to risk assessment, up to response to risk and its monitoring. Here, it seems important to pay attention to the meaning of internal audit, basically at all stages of the risk management process and the necessity for changes related thereto. FERMA presents ways of describing risks and introduces the scale of probability of their occurrence, as well as the effects, which may result from external and internal reasons (FERMA, 2002, p. 3). Standards of FERMA are quite universal, demonstrating components of the management process and the ways to specify sample points of reference of the estimated risk. It enables adaptation of the solution almost in any organization, although this requires knowledge and search for company specific solutions.

A slightly different solution is the American COSO II standard. COSO is a private organisation, aimed at improving the quality of financial reports, effective control of organisations from within or controlling corporate governance. In COSO II risk management means a process which is to identify potential events having negative impact on the company, and the risk maintained within the agreed limits should ensure achievement of objectives (Fałek, 2011, p. 6). COSO II is a three-dimensional concept presented in the form of a cube (Figure 6).

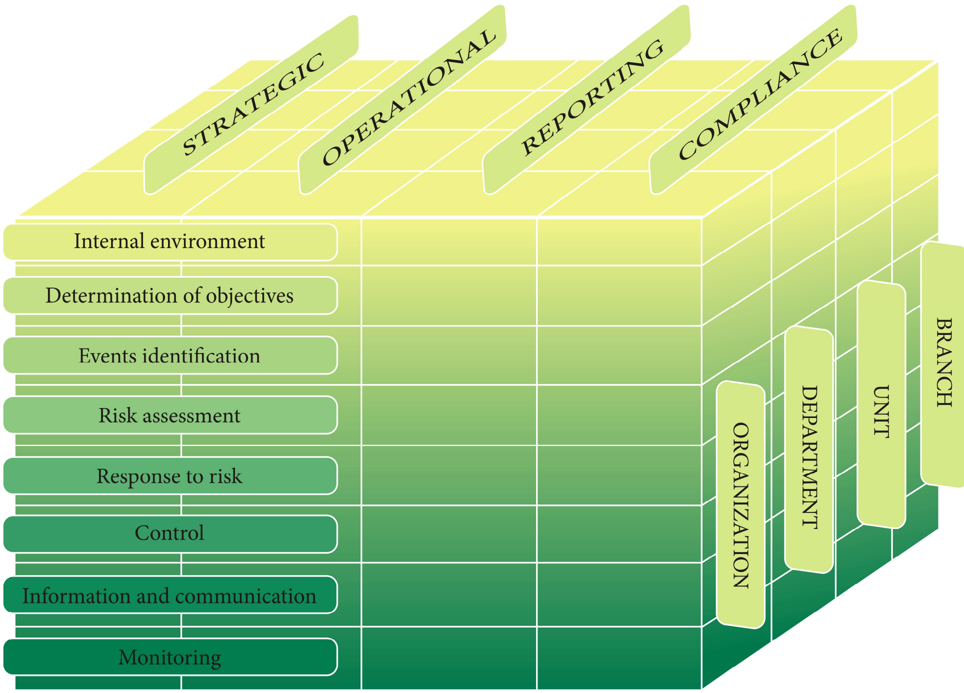

Figure 6. **Process Scheme of Corporate Risk Management according to COSMO II**
Source: COSO (2014).

The way of presenting the risk management process in COSO II seems to be comprehensive and very detailed. This standard introduces much bureaucracy and does not yield too much possibilities of free interpretation. However, this can favourably affect business management. Last but not least, there is the Australian-New Zealand AS/NZS risk management standard (Figure 7), extended in relation to other solutions by monitoring and verification and simultaneously, communication and consultations, which occur at each of the five steps.

The presented and discussed basic risk management standards in any business draw attention to the fact that there is some naturally developed formula (like in other domains and disciplines of knowledge), determined mainly by differences not only related to geographic location, but based, to a large extent, on cultural differences.

Consequently, referring to the company internationalisation process, we can speak of the attempt of adaptation of solutions included in these standards and models in the originally proposed form, as well as the possibility of construction, on this basis, of own solutions, based, however, on some already developed forms. Alternatively, knowing these proposals, we can attempt to formulate an original risk management model, adapted to the specific nature of the firm and the stage of its development (corporate life cycle).

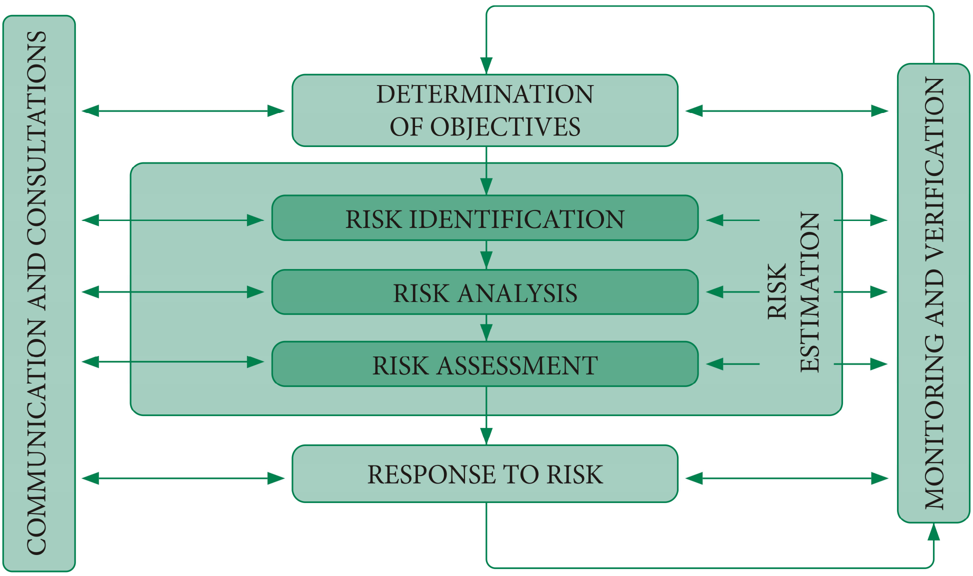

Figure 7. **Process Scheme of risk management according to AS/NZS**
Source: (AS/NZS 4360: 2004).

CONCLUSIONS

Taking a synthetic approach to the complex issues of risk management in the process of internationalisation of business activity, taking into account both raised and signalled problems, the following conclusions may be drawn:

- knowledge of risk management models fosters management focused on survival and development of the firm, including its international growth,
- models of risk management process simplify reality, which is their defect, but also assist in risk reduction,
- selection of the model is dependent on the specific nature of the firm's activity,
- the existing model solutions with regard to risk management do not constitute a closed catalogue, therefore, they may and should be not only adapted, but it is also necessary to approach it creatively by modification of models and their adaptation to the needs of the company,
- use of international standards for the risk management process, is, in particular in the process of its internationalisation, a favourable and desirable managerial help,

- assuming that management and business studies are of reactive nature and make it possible to seek desired solutions with regard to the already existing events, it is also possible, to act proactively, minimizing the risk of potentially negative events,
- the risk management process is a dynamic phenomenon and requires continuous work expenditure correlated with diagnosing changes in the internal and broadly understood external environment,
- the catalogue of formulas of possibilities to minimize the presence of unfavourable phenomena and events for the company should be enriched also by experiences from project management process and project formulas of business management,
- the process of internationalisation of the company's activities does not have to proceed and most often does not proceed in the model perspective, and its shape may have the complex form and may not be based on a simple extrapolation formula
- the course of the process of internationalisation shows sometimes the presence of discontinuity, especially with regard to some, selected sectors of the so-called high technologies.

Consideration of the above statements may contribute to the construction of a rational model of the risk management process, in particular in the case of the development strategy based on internationalisation of business activities.

REFERENCES

Alcantara, L.L., & Mitsuhashi, H. (2013). Dynamics of entering politically risky foreign markets. *Management Research Review*, 36(6), 580-595.

Al-Thani, T., Merna T., & Faisal F. (2008). *Corporate Risk Management*. Hoboken, NJ: John Wiley & Sons.

Al-Turki, U., (2011). A framework for strategic planning in maintenance. *Journal of Quality in Maintenance Engineering*, 17(2), 150-162.

Andersen, T.J. (2009). Effective risk management outcomes: exploring effects of innovation and capital structure. *Journal of Strategy and Management*, 2(4), 352-379.

AS/NZS 4360: 2004 Standards Australia, New Zealand.

Bielawska, A. (2006). *Finanse zagraniczne MSP*. Warszawa: WN PWN.

Buła, P. (2014). Strategic Risk in Company Activities – Methodological Approach. In J. Teczke, P. Buła & V. Grosu (Eds.). *Management Science in Transition Period in Moldova and Poland, Processes and Structure in the Time of Destabilization* (pp. 117-134). Cracow – Chisinau: International Management Foundation, Cracow University of Economics.

Buła, P., & Fudaliński J. (2010). The Chaos Theory In Managing an International Company: Example of PKN Orlen. *Review of General Management*, 12(2), 33-50.

Buła, P., & Fudaliński, J. (2013). Strategic risk in the process of obtaining the sources of financing for operations of commercial law entities in Poland, on the example of a selected company. In P. Buła, O. Druhov & J. Fudaliński, (Eds.). *Management and Development of Financial Systems in Eastern European Countries Current State and Problems* (pp. 41-58). Cracow: Cracow University of Economics.

Buła, P., Fudaliński, J., & Gorzelany–Dziadkowiec, M. (2013). The Concept of Integrated Management within small and medium-sized enterprises sectors. In J. Teczke & N. Terblanche (Eds.). *Management science in transition period in South Africa and Poland* (pp. 313-343).

Cracow-Stellenbosch: International Management Foundation & Cracow University of Economics.

COSO (2004). Corporate Risk Management - Integrated Framework Structure.

Daszkiewicz, N., Wach, K. (2012). *Internationalization of SMEs: Context, Models and Implementation.* Gdańsk: Gdańsk University of Technology.

Daszkiewicz, N., & Wach, K. (2013). *Małe i średnie przedsiębiorstwa na rynkach międzynarodowych*. Kraków: Wydawnictwo Uniwersytetu Ekonomicznego w Krakowie.

Daszkiewicz, N., & Wach, K. (2014). Motives for Going International and Entry Modes of Family Firms in Poland. *Journal of Intercultural Management,* 6(2), 5-18.

Fałek, Z. (2011). *Ekonomia i zarządzanie w teorii i praktyce*. Łódź: Wydawnictwo Uniwersytetu Łódzkiego.

FERMA (2002). Risk Management Standard AIRMIC. Brussels: ALARM & IRM.

Fudaliński, J. (2013a). Efficiency as a Praxeological Measure And a Category Determining Operation Of the Third Sector Organizations – Myth Or Practice Of Action? (chapter 6). In: R. Borowiecki, A. Jaki & T. Rojek (Eds.). *Contemporary Economies In the Face Of New Challenges, Economic, Social And Legal Aspects* (pp. 67-80). Cracow: Cracow University of Economics.

Fudaliński, J. (2013b). *Perspektywy rozwoju zarządzania społecznego w sektorze organizacji non profit w Polsce*. Warszawa: Difin.

Fudaliński, J. (2014). The Issues of Shaping the Procurement Function in the Sector of Non Profit Organizations – Fiction or Challenge and a Real Problem?. In J. Teczke, P. Buła & V. Grosu (Eds.). *Management Science in Transition Period in Moldova and Poland, Processes and Structure in the Time of Destabilization.* (pp. 227-246). Cracow – Chisinau: International Management Foundation & Cracow University of Economics.

Głuchowski, J., Huterski, R., & Jaaskelainen, V., & Nielsen, H.P. (2001). *Zarządzanie finansami w korporacjach międzynarodowych*. Toruń: Wydawnictwo Uniwersytetu Mikołaja Kopernika w Toruniu.

Gorzelany-Dziadkowiec, M., & Fudaliński, J. (2013). Integrated management in small enterprises. *Review General Management,* 17(1), 19-48.

Halal, W. (2014). State of the Future: Update on Strategic Planning for the Planet. *Foresight*, 16(5), 483-484.

Staniec, I., & Klimczak, K.M. (2008). Ryzyko operacyjne. In I. Staniec & J. Zawiła-Niedźwiecka (Eds.), *Zarządzanie ryzykiem operacyjnym*. Warszawa: Wydawnictwo C.H. Beck.

Jachna, T., & Sierpińska, M. (2007). *Metody Podejmowania decyzji finansowych*. Warszawa: Wydawnictwo Naukowe PWN.

Jedynak, M., & Jedynak, P. (2014). Supply of Professional Risk Management Consulting Services as a Subject of Scientific Management Studies in Times of Destabilization. In J. Teczke, P. Buła & V. Grosu (Eds.). *Management Science in Transition Period in Moldova and Poland, Processes and Structure in the Time of Destabilization* (pp. 75-88). Cracow – Chisinau: International Management Foundation & Cracow University of Economics.

Kastberg, G. (2013). Separation and reconnection episodic organizational arenas in the strategic process. *Journal of Strategy and Management*, 6(3), 212-222.

Lock, D. (2009). *Podstawy zarządzania projektami*. Warszawa: Polskie Wydawnictwo Ekonomiczne.

Pawlak, M. (2006). *Zarządzanie projektami*. Warszawa: Wydawnictwo Naukowe PWN.

Premuroso, R.F., & Houmes, R. (2012). Financial statement risk assessment following the COSO framework: An instructional case study. *International Journal of Accounting & Information Management*, 20(1), 26-48.

Rashid, A. (2014). Firm external financing decisions: explaining the role of risks, *Managerial Finance*, 40(1), 97-116.

Staszel, A. (2009). Instytucje i programy wsparcia finansowego małych przedsiębiorstw. In H. Zadory (Ed.). *Finanse małego przedsiębiorstwa w teorii i praktyce zarządzania*. Warszawa: Wydawnictwo C.H. Beck.

Szczerbak, M. (2009). Ryzyko strategiczne. In A. Fierla (Ed.), *Ryzyko w działalności przedsiębiorstw. Wybrane aspekty*. Warszawa: Oficyna Wydawnicza Szkoły Głównej Handlowej w Warszawie.

Teczke, J. (2014). Flexibility of International Business under Destabilization Conditions. In S. Zorina, H. Łyszczarz, K. Machaczka (Eds.). *Management Science in Transition Period in Moldova and Poland, Responsible Use of Resources* (pp. 63-74). Cracow – Chisinau: International Management Foundation & Cracow University of Economics.

Terrance, L.C., (2014). Strategic budgeting instead of strategic planning. *The Bottom Line: Managing Library Finances*, 27(2), 49-53.

Urbanowska-Sojkin, E. (2013). *Ryzyko w wyborach strategicznych w przedsiębiorstwach*. Warszawa: PWE.

Vela-Jiménez, M.-J., Martínez-Sánchez, Á., Pérez-Pérez, M., & Abella-Garcés, S. (2014). How environmental changes and cooperation moderate labour flexibility and firm performance?. *Personnel Review*, 43(6), 915-936.

Villon, J., Ritala, P., & Edelmann, J. (2014). On uncertainty in supply chain risk management. *The International Journal of Logistics Management*, 25(1), 3-19.

Xueli, W., & Lin, M., (2011). What change, what stay: the mix picture of value system of Chinese business managers. *Chinese Management Studies*, 5(4), 422-430.

Wach, K. (2008). *Skutki akcesji do Unii europejskiej dla polskich przedsiębiorstw*. Kraków: Wydawnictwo Uniwersytetu Ekonomicznego w Krakowie.

Wach, K. (2012). *Europeizacja małych i średnich przedsiębiorstw: rozwój przez umiędzynarodowienie*. Warszawa: Wydawnictwo Naukowe PWN.

Wach, K. (2014a). International Strategies of Businesses: Some Evidence from Internationalised Polish Firms (Chapter 3). In A.S. Gubik & K. Wach (Eds.). *International Entrepreneurship and Corporate Growth in Visegrad Countries*. Miskolc: University of Miskolc.

Wach, K. (2014b). Theoretical Framework of the Firm-Level Internationalisation in Business Studies (chapter 1). In A. Duréndez & K. Wach K. (Eds.), *Patterns of Business Internationalisation in Visegrad Countries – In Search for Regional Specifics* (pp. 13-30). Cartagena: Universidad Politécnica de Cartagena.

Wach, K., & Wehrmann, C. (2014). Entrepreneurship in International Business: International Entrepreneurship as the Intersection of Two Fields (chapter 1). In A. S. Gubik & K. Wach (Eds.), *International Entrepreneurship and Corporate Growth in Visegrad Countries*. Miskolc: University of Miskolc.

Wereda-Kolasińska, M. (2011). *Wpływ ryzyka strategicznego na wartość firmy dla akcjonariuszy*. Warszawa: CeDeWu.

Author

Janusz Fudaliński

Associate Professor of Management of the Department of Management Strategy and Development of Organizations at the Faculty of Economics and International Relations of the Cracow University of Economics (Poland). His research interests include strategic management in non-profit organisations.

Correspondence to:

Prof. UEK dr hab. Janusz Fudaliński

Cracow University of Economics

Faculty of Economics and International Relations

Department of Management Strategy and Development of Organizations

31-510 Kraków, ul. Rakowicka 27

janusz.fudalinski@uek.krakow.pl

Acknowledgements and Financial Disclosure

The article came into being within the statutory research project no. 121/WE-KPI/03/2014/S/4317 entitled "Entrepreneurial and Innovation Processes as Catalyst and Stabilizers of Business Internationalisation" coordinated by K. Wach and financed by the Ministry of Science and Higher Education of the Republic of Poland with the funds allocated to development of research potential of the Faculty of Economics and International Relations of the Cracow University of Economics.

Copyright and License

Published by the Centre for Strategic and International Entrepreneurship – Krakow, Poland

Entrepreneurial Business and Economics Review

2015, Vol. 3, No. 2 DOI: 10.15678/EBER.2015.030208

Export Barriers for Small and Medium-sized Enterprises: A Literature Review based on Leonidou's Model

Vijay Narayanan

ABSTRACT

Objective: The purpose of this article is to understand the barriers faced by small and medium-sized enterprises in their path to internationalization. The intention of this paper is to provide an overview about the barriers faced by SMEs in their path to internationalization and discuss in detail different approaches taken by SMEs to overcome these barriers.

Research Design & Methods: This article is a literature review on the barriers faced by SMEs in internationalization and new approaches in this domain based on Leonidou's (1995, 1998, 2004) model of export barrier classification.

Findings: Modern approaches by SMEs are effective in handling most of the traditional challenges posed in internationalization. Firms have evolved in handling internal barriers by finding dynamic solutions from within. SMEs need support from governmental and policy makers to overcome external barriers.

Implications & Recommendations: Indications on the work to be done in overcoming certain barriers which impede the internationalization of SMEs are more in the context of external barriers.

Contribution & Value Added: The originality of this work is in creating a framework of barriers and finding solutions to some of the identified barriers

Article type: original literature review

Keywords: internationalisation; international business; export barriers; export obstacles; small and medium-sized enterprises (SMEs)

JEL codes: D21; F23; L10; L60

Received: 1 February 2015 Revised: 15 April 2015 Accepted: 5 May 2015

Suggested citation:

Narayanan, V. (2015). Export Barriers for Small and Medium-sized Enterprises: A Literature Review based on Leonidou's Model. *Entrepreneurial Business and Economics Review, 3*(2), 105-123. doi: 10.15678/EBER.2015.030208

INTRODUCTION

Internationalization and the processes involved have many different dimensions, horizons, perspectives and levels. As it is an ongoing process, it is not possible to provide a universal definition for it (Wach, 2014b, p. 13). Growth by international diversification is observed as an increasing trend among small and medium- sized enterprises (SMEs) in international markets (Oviatt & McDougall, 1994; 1999; Lu & Beamish, 2001, p. 565). The firm-level internationalization is explained as the expansion of business operations in geographic locations that are new to the organization (Matanda, 2012, p. 510). Using the network approach, internationalization can be defined as a cumulative process in which, an international firm's objective is achieved, international relationships between firms are continuously established, maintained, developed, broken and dissolved (Ruzzier, Hisrich & Antoncic, 2006, p. 478). During the internationalization process, firms are able to exploit their existing potential to new business opportunities in external markets (Köksal & Özgül, 2010; Matanda, 2012, p. 510). This is especially important from the international entrepreneurship approach (Wach & Whermann, 2014). Closeness to foreign markets, reduced growth possibilities in domestic markets, economic expectations, underutilized production capacity and opportunities to diversify and enter new markets are the key motivators for SMEs to go international (Sullivan & Bauerschmidt, 1990; Ahmed *et al.*, 2006, p. 661). Due to internationalization, firms must adopt business strategies that balance both domestic and international requirements through transfer of innovation and learning (Bartlett & Ghoshal, 1987; Klein & Wöcke, 2009; Matanda, 2012, p. 510).

Lee *et al.*, in their research in 2006, concluded that internationalization increases the probability of survival of SMEs and it can also help them overcome difficulties in domestic markets by escaping competition with larger players. By engaging in internationalization, firms are able to reduce volatility in their businesses because of international diversification i.e. conducting business in a variety of countries rather than in a single country (Meredith, 1984; Ahmed *et al.*, 2006, p. 661). From the perspective of the economy of a country, internationalization helps in creating new jobs, serves as a source of foreign exchange, helps in technological advancement, improves both the economy and standard of living in the host country (Leonidou *et al.*, 2007; Arteaga-Ortiz *et al.*, 2010, p. 396).

The intention of this paper is to provide an overview about the barriers faced by SMEs in their path to internationalization and discuss in detail different approaches taken by SMEs to overcome these barriers. Therefore, the purpose of this article is to understand the barriers faced by small and medium-sized enterprises in their path to internationalization.

MATERIAL AND METHODS

It is evident from prior research that internationalization is the path forward for SMEs long term survival and profitability. Still many firms view them with scepticism. There are many obstacle or barriers identified that act as deterrents for SMEs in their path to internationalization. Some of these barriers are identified to exist within the firm and some attributed to the external environment. There are several studies dedicated to identifying and mitigating barriers to internationalization.

The literature review (used as the main research technique) provides a brief overview about internationalization barriers with exporting being the simple and prime form of internationalization (entry mode). Leonidou's (2004) classification of export barriers is used (in this paper) as the basic classification model. Critical evaluations of the barriers are described along with new trends seen as to how SMEs mitigate them.

LITERATURE REVIEW AND THEORY DEVELOPMENT

In the initial stages of internationalization firms do not have sufficient knowledge on the markets and their players. Businesses tend to choose a relatively simple form of market presence in the form of exports (as entry mode). Later on, with acquired knowledge, firms tend to take a much more complex form of internationalization like a branch or a subsidiary. Nowadays, this approach might not be applicable for large companies as they have access to various kinds of needed information and resources (Reid, 1981; Gubik & Karajz, 2014, pp. 50-51). Exporting does not require large capital investments, less financial and commercial risk than direct investment forms of internationalization. Yet many SMEs, especially the ones in developing countries, do not consider exporting as an option (Lages & Montgomery, 2004; Agndal & Chetty, 2007; Al-Hyari *et al.*, 2012, p.189).

Wach describes that the path chosen for internationalization depends on both internal and external factors and they can be classified as (i) exporting modes like indirect, direct and cooperative export, (ii) contractual modes like contract manufacturing, assembly operations and licensing and (iii) investment modes like foreign branch, joint venture subsidiary and wholly owned subsidiary (Wach, 2014c, p. 23).

Relaxation of governmental policies, integration of world economy and continuous advancement in technology will facilitate further internationalization of SMEs (Lu & Beamish, 2001, p. 565). Enjoying the benefits of internationalization is not free from obstacles. These may be internal organizational weakness, strategic business flaws, home country problems and target market problems (Korth, 1991; Onkvisit & Shaw, 1988; Leonidou, 2004, p. 280). There is a huge amount of literature focused on exporting modes, contractual modes (such as licensing or franchising) and investment modes (FDI). Among SMEs, exporting continues to be the major form of Internationalization (Eusebio *et al.*, 2007; Westhead, 2008; Al-Hyar *et al.*, 2012, p. 19).

Many of these obstacles are responsible for smaller firms to view exporting with doubt and refuse to enter such markets, new exporters tending to withdraw and seasoned exporters struggling with diminished performance and their survival threatened in International markets (Leonidou & Katsikeas, 1996; Miesenböck, 1988; Leonidou, 2004, p. 280). Leonidou, in his study in 2004, described that all issues that curtail a firm's progress to initiate, develop and sustain business opportunities in external markets are considered as obstacles. Based on his approach, Leonidou classified obstacles faced by a firm as internal and external ones (Figure 1). All causes associated with the firm's internal structure are internal obstacles and all those issues that are outside the firm are considered external. Internal obstacles include informational, functional, financial and marketing barriers while external barriers include procedural, governmental, task and environmental barriers.

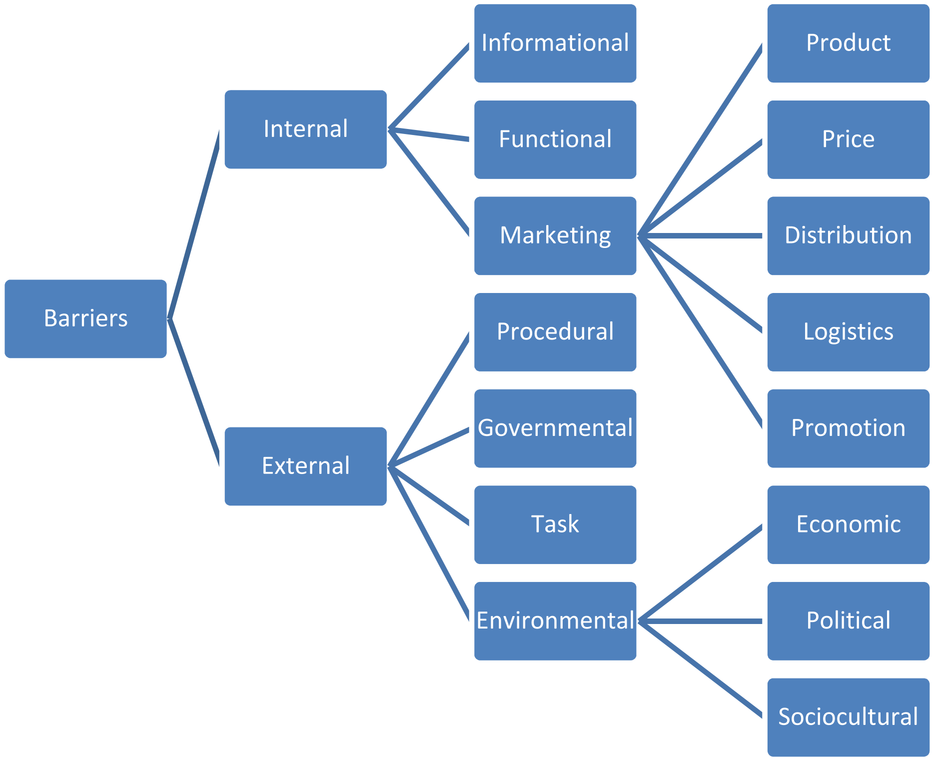

Figure 1. Classification of export barriers among SMEs according to Leonidou
Source: adapted from Leonidou (2004, p. 283).

Al-Hyari *et al.*, (2012, p. 194) modified Leonidou's (2004) model and explained SME's export performance and correlated them to the internal and external barriers. He proposed that there exists a cause and effect relationship between export barriers and export performance and those are negatively correlated, i.e. export barriers cause a dip in SMEs export performance. Additionally this study established a high similarity between the export barriers faced by both developed and developing countries especially in the manufacturing industry suggesting that developing nations could learn from their counterparts in the developed nations.

Uner *et al.*, (2013) extended Leonidou's model (2004) of barrier classification in conjunction with Cavusgil's (1980) firm classification. Along with the five classifications namely non-exporting firms, pre-exporters, experimental involvement firms, active involvement firms and committed involvement firms, born global firms were added as the sixth classification. Based on the empirical data from 2159 Turkish firms, Uner *et al.*, (2013) concluded that the export barriers have not significantly varied from the 1970s and 1980s. On comparing their analysis from Turkey with studies by Shaw & Darroch (2004) from New Zealand, Pinho and Martins, (2010) from Portugal, Suarez-Ortega (2003) from Spain, Uner *et al.*, (2013) established that barriers faced by SMEs can be country specific (Table 1).

Table 1. Perceived export barriers by SMEs in Turkey, New Zealand, Portugal and Spain

Author	Country	Perceived Major Barriers
M.M. Uner *et al.* (2013)	Turkey	Procedural and Marketing
Shaw & Darroch (2004)	New Zealand	Financial barriers
Pinho & Martins (2010)	Portugal	Informational barriers
Suarez-Ortega (2003)	Spain	Informational barriers

Source: Adaptation from Uner *et al.*, (2013, p. 811).

It was also found that non-exporting firms perceived informational barriers as critical deterrent, pre-export firms; experimental involvement firms and born global firms consider procedural barriers as the major obstacle (Uner *et al.*, 2013, p. 811).

Table 2. A review of export barriers in various empirical investigations

Representative	Research Sample	Barriers typology	Explanation
Leonidou (2004)	Based on an integrative literature review of 32 empirical studies from 1960 – 2000, 39 export barriers were identified (qualitative analysis). The identified barriers were used to get empirical data from 438 firms and conclusions drawn (quantitative analysis)	**Internal Barriers** 1. Informational 2. Functional 3. Marketing 3.1. Product 3.2. Price 3.3. Distribution 3.4. Logistics 3.5. Promotion **External Barriers** 1. Procedural 2. Governmental 3. Task 4. Environmental 4.1. Economic 4.2. Political-Legal 4.3. Sociocultural	Study of export barriers in the past has failed to provide a comprehensive overview of export barriers. In an attempt to provide an integrative solution, the author has analyzed 32 empirical studies to provide a unified theory on export barriers. These studies covered diversified regions, industries and firms that intend to export, currently exporting and ex-exporting firms. Problems arising from the internal barriers from the home country are easier to control than problems arising in the host country. Small business managers must act proactively to reduce the effects of these barriers and policy makers should assist exports through awareness and export assisting programs/workshops.
Arteaga–Ortiz & Fernandez-Ortiz (2010)	Based on the literature review of previous studies, the author has classified the different export barriers into four groups primarily because of similarity of the barriers and to homogenize the barriers based on measurement types, scales used etc (qualitative analysis). From this a classification of barriers were arrived. A total of 2,590 questionnaires were sent to Spanish SMEs in 4 macro sectors namely food and agriculture, consumer goods, capital goods and services. A	1. Knowledge Barriers 2. Resource Barriers 3. Procedure Barriers. 4. Exogenous Barriers	Knowledge barriers along with lack of information about export assistance programs are a significant export barrier. Resource barriers are barriers that result from the lack of financial resources available within the firm. Resource barriers include insufficient production capacity, lack of credit/finance to support export sales, do market research, lack of local banks, lack of staff for exports, specialists etc. Procedural barriers include bureaucracy, cultural, linguistic and logistical barriers. Exogenous barriers include uncertainties in the international markets, actions of competitors, governments, exchange rate fluctuations etc. The final questioner used contained 26 variables plus 2 open questions. The conclusions of the study indicated that there was no significantly different barrier other than the ones confirmed in the

	total of 478 valid responses were analyzed with empirical analysis (quantitative analysis).		study. Statistical evidence confirms the classification of the above mentioned four barrier classification is consistent with the actual practice.
Arndt, Buch & Mattes (2012)	Theoretical study was used to arrive at a hypothesis (qualitative analysis). The hypothesis was used to collect empirical data from 16,000 German firms (quantitative analysis).	1. Firm Size and productivity 2. Labor market frictions 3. Financial constraints	The study was done based on the firm level data available on firm size, productivity, international activities, access to external capital and labor market frictions. The main findings of this paper are… 1. Firm size and productivity are one of the main determinants of foreign activities of a firm. 2. Labor market frictions affect a firm's decision to invest abroad or export. High hiring and firing cost and other labor market frictions act as barriers to exports. 3. Financial constraints tend not to be major constraints for average German companies.
Leonidou (1995); Morgan (1997)	Literature review based on 35 empirical studies containing 33 studies published in 18 different sources was used to identify export barriers (qualitative). Based on the barrier classification a ranking of frequency was done to in descending order. This data was further analyzed for empirical relationships for different parameters (quantitative analysis).	1. Internal-Domestic 2. Internal- Foreign 3. External– Domestic 4. External– Foreign	Barriers from within the firm and relating to the domestic market are called internal barriers. External-domestic: are barriers in the external environment beyond the control of the firm. Internal-foreign is barriers related to the marketing strategy of the firm in the foreign environment. External-foreign is uncontrollable barriers in the foreign environment. The analysis of the empirical relations among previous studies did not provide a uniform pattern in rank and order of export barriers because of various international, national, industry and company specific factors as well as due to different methodologies applied by previous researchers. Availability of information to locate and analyze foreign markets proved to be the major deterrent for Internationalization. To reduce the effect of export barriers concerned managers could use the support of consultancy, advisory and training services.
Kneller *et al.* (2011)	Empirical Analysis (quantitative analysis) done on data collected from OMB research done in 2005. The samples include firms that took part in UK Trade Investment (UKTI) support program and as control, exporters that did not seek support from UKTI.	1. Trade costs. 1.1. Transport 1.2. Tariff 1.3. Non-Tariff 2. Trade friction. 2.1. Different Languages 2.2. Culture 2.3. Currencies 2.4. Imperfect information 2.5. Incomplete contracts 2.6. Environmental policy.	The initial contact and marketing costs are important barriers to export. The probability that the firms will face these barriers again in the future decreases with increase in export experience. The other important barriers include initial contact with prospective customers and relationship building etc. The probability of facing other barriers like language, information about the foreign market, legal, financial and tax related issues declines with increase in export market experience.

Source: own study.

Firms face export barriers at every stage of internationalization starting from the pre-involvement stages to the more advanced stages (Bilkey & Tesar, 1977; Cavusgil & Nevin, 1980; Leonidou, 1995, pp. 31-32). For example, companies in the pre-export stage would be worried about identifying export market opportunities, the ones in the initial stage would be worried about increasing market presence, and the firms in the advanced stages would be worried about establishing a long term working relationship with the customer (Leonidou, 1995, p. 32).

Understanding export barriers has become important in today's environment. They contribute significantly to a firm's business environment. They also provide attractive benefits in global business due to their growing importance in industrialized countries. In the literature we can find a lot of different classifications of export barriers by SMEs (Table 2), nevertheless the most popular classification was introduced by Leonidou (2004) (cited 369 articles, Google Scholars; 68 citations, Web of Science).

Internal Barriers

Leonidou (2004) classifies the internal barriers as informational, functional and marketing related barriers (Figure 1).

Informational Barriers

Winter, in his study in 1987, indicates that of all the resources required by SMEs for successful entry into international markets, the most important and difficult to obtain is information and knowledge about the target market that would provide the SMEs with competitive advantage (Liesch & Knight, 1999, p. 385). A firm that has the right amount of information faces less uncertainty than other firms with lesser degree of knowledge (Liesch & Knight, 1999). The Uppsala model explains internationalization as gradual steps of incremental knowledge accumulation. The first original model introduced by Johanson and Vahlne (1977), deals about the internal capabilities and incremental steps taken by firms, the revised models by the same authors (Johanson & Vahlne, 2009) gives a network view with focus on external environment of the internationalizing firm (Yenera *et al.*, 2014, p. 4). The third (Schweizer, Vahlne & Johanson, 2010) and the fourth revision (Vahlne & Ivarson, 2014) of the original model are also based on a learning process, however prepared from different perspectives (Wach, 2014c, p. 17).

According to Johanson and Wiedersheim-Paul (1975) having the right amount of information (knowledge) is a primary requirement to enter foreign markets successfully by resource constrained SMEs. The Uppsala model explains internationalization as a gradual development processes that takes place in stages with the accumulation of information and knowledge at every stage. In the initial stages, the firm develops in the domestic market and does not venture out because of lack of knowledge about foreign markets and operations. As the firm's knowledge grows, so does its internationalization, in incremental steps. According to this model, there are four stages of internationalization, namely: (i) no regular export activities, (ii) export via representative in the foreign markets, (iii) sales subsidiary in the foreign market, (iv) production / manufacturing in the foreign market.

In the first stage, the firm has no information about the foreign market (knowledge) and hence no presence in the foreign market. In the second stage, by selling through a sales representative the firm has not still made any significant resource commitment. In the third stage, there is a controlled information flow and the fourth stage is when the resource commitment is made. This stage is reached when the firm has accumulated significant amount of knowledge about the foreign market. Johanson and Vahlne (1977, p. 26) emphasize that market knowledge leads to resource commitment decisions with the end result being market commitment.

Innovation-related models (as a sub-group of various stages models) explain internationalization of SMEs as stage wise innovation of the firm. Different authors distinguish different stages involved in the innovation of the firm and they are determined on export to sales ratio (Yenera *et al.*, 2014). When a firm has enough information that could be converted to actionable knowledge, the firm has reached the stage for internationalization (Wach, 2014d). At this juncture, the firm can start the process of internationalization (Liesch & Knight, 1999, p. 386).

Contrary to the stage-wise development model in which knowledge acquisition is a slow and gradual process, international new ventures (INV) based on the international entrepreneurship model are able to exploit prior knowledge, networks and quick acquisition of knowledge to expand quickly and internationalize (Coviello & Munro, 1995; Oviatt & McDougall, 1994; 2005; Casillas *et al.*, 2014). Such firms from the onset establish sales footprints in several international markets. This new trend of rapid internationalization has led to several new internationalization concepts that can be explained under INVs, born globals, born-again globals, global startups, born regionals and international entrepreneurs (Knight *et al.*, 2004; Madsen & Servais, 1997; Oviatt & McDougall, 1994; 1995; Sleuwaegen & Onkelinx, 2014; Wach & Wehrmann, 2014). Born globals, are firms that do not go through the stages of internationalization, but have an instant presence as an international player. A born global firm is an organization that views the world as its marketplace and not just an addition to the existing domestic market (Wach, 2014b).

Wach (2012 quoted in Wach & Wherman, 2014, p. 11) researched five streams of internationalization (namely 1. Stage models, 2. Research based view, 3. Network approach, 4. Business strategy approach and 5. International entrepreneurship) and provided a more holistic approach SMEs take rather than individual models.

Functional Barriers

Human resources, production related issues and finance are the main functional barriers with a firm that act as barriers to exporting (Vozikis & Mescon, 1985; Leonidou, 2004, p. 287). International experiences of managers are an irreplaceable resource that results in specific know-how and is difficult for the competitors to copy. International exposure of the manger depends on the time spent abroad, living, working and travelling experiences make the manager acquire and maintain knowledge about international activities (Athanassiou & Nigh, 2000; Ruzzier *et al.*, 2007, p. 17). Travelling helps learn foreign business practices and opportunities (Leonidou *et al.*, 1998; Reid, 1981; Ruzzier *et al.*, 2007, p. 17). The study on the impact that a firm's management team has on internationalization is explained under the research of upper echelons where awareness is created by the joint effort of the management team and not only the CEO (Chandler & Hanks, 1994; Feeser & Willard, 1990; Mintzberg, 1988 quoted in Reuber & Fischer, 1997, p. 809).

To overcome the functional problems, there is also an increasing trend in the formation of strategic alliance or any formal or at least informal networks formation in internationalizing among entrepreneurial firms (Beamish, 1999; Lu & Beamish, 2001). Inkpen and Tsang (2007), from a resource-based perspective, define a strategic alliance as a long term agreement between two or more firma at a strategic level where they together improve their performance level by sharing resources and risks (Zhao, 2014, p. 887). Previous researches have pointed out many benefits to alliance formation such as reduction in transaction costs, increased market access, and shared risks, resources, access to information (Kogut, 1988; Mowery, Oxley & Silverman, 1996; Gulati, Nohria & Zaheer, 2000; Lu & Beamish, 2001, p. 570). Strategic alliances help overcome obstacles and help SMEs reduce their mistakes and help in acquiring market knowledge at a faster pace. They also help the SMEs overcome deficiencies in resource and capabilities (Lu & Beamish, 2001, p. 570).

The International Entrepreneurship model (IE) focuses on the role of the entrepreneur as the key factor in the internationalization of SMEs (Wach & Wehrmann 2014, p. 13) thus emphasizing that the human factor plays a major role instead of the planning factor. IE defines internationalization as a combination of innovative, pro-active and risk taking behavior that crosses the national boundaries of the host country with the intention of adding value to the organization (Oviatt & McDougall, 2000; Wach & Wehrmann, 2014, pp. 13-14).

Based on mediated relationships model (Figure 2) two behaviors by management teams can be explained. The first behavior is explained by Eisenhardt and Schoonhoven (1996) that experienced top management teams, because of their ability to attract and engage partners, form strategic alliances based on prior international experience (Reuber & Fischer, 1997, p. 810). The second behavior explains the influence internationally experienced managers have in realizing international sales after the startup of the firm (Reuber & Fischer, 1997, p. 810).

Figure 2. The Mediated Relationships in the Process of Internationalization
Source: Reuber & Fischer (1997, p. 810).

Marketing Barriers

Previous research on marketing contributions to SMEs internationalization (Jones & Coviello, 2005; McDougall & Oviatt, 2000) explains that the key success factor for new ventures to successfully compete in the global marketplace is the possibility to identify and exploit new market opportunities internationally (Ren *et al.*, 2014). A study by Kubíčková *et al.*, (2014, p. 323) on the Czech SMEs on the basis of survey among 341 SME respondents found out that a majority of SMEs engage in internationalization because of demand of their products in international markets, enlargement of the customer product portfolio, reduced domestic demand, sales pressure and highly competitive domestic market. It was also seen in the same study that Austrian firms engage in internationalization driven by similar factors such as higher sales price in the foreign market or low competition (Kubíčková *et al.*, 2014, p. 327).

According to Namiki (1988) based on the results from Porter (1980), SMEs adapt four types of competitive strategies. They are (i) market differentiation, (ii) segmentation differentiation, (iii) innovation differentiation and (iv) product service. Market differentiation means marked difference from the existing players in the market and it depends on product competitive pricing, brand development control over distribution channels, advertising and marketing techniques based innovation. The ability of the firm to provide unique and customized solution to customers is called segment differentiation. Innovation differentiation is explained as the ability to provide new and superior products and product service is the quality of the product and service provided to the customer (Namiki, 1988; Julien & Ramangalahy, 2003, p. 230).

External Barriers

The external barriers (Figure 1) can be classified as external procedural, governmental, task, and environmental barriers (Leonidou, 2004, p. 281).

Procedural Barriers

Procedural barriers are the operational challenges faced by firms and it includes unfamiliar techniques and/or procedures, communication barriers and slow collection of payments in the market abroad (Leonidou, 2004, p. 292). According to some studies, export procedural related barriers can be classified into controllable and uncontrollable barriers. Controllable barriers be learnt to control with time and experience as they are routine tasks and can be overcome by managerial experience. Non controllable barriers on the other hand are issues that have to be handled on a case to case basis (Ramaswami & Yang, 1990, p. 190). It is possible to overcome most of these barriers by taking the support of consulting firms that can provide the required support to overcome the operational barriers (Ramaswami & Yang, 1990, p. 192).

Governmental Barriers

Governmental barriers refer to the supportive or unsupportive attitude of the government to exporters. These refer to two pertaining issues, (i) limited assistance and incentives to existing and potential supporters and (ii) restrictive role of the regulatory framework on export practices (Leonidou, 2004, pp. 292-293). In some countries, like the USA, the governmental assistance programs to export are supported by the individual state governments and as many American SMEs struggle to export their products to overseas markets (Singer, 1990 quoted in Wilkinson & Brouthers, 2006, p. 234).

Some studies on export promotion programs (EPP) have provided mixed results with some studies showing a positive correlation between promotional programs and firms export performance (Cavusgil & Jacob, 1987; Pointon, 1978; Wilkinson & Brouthers, 2006, p. 237). Genctuerk and Kotabe (2001) in their study of 162 firms found that government export assistance contributed to export success. Promotional activities can be beneficial to firms based on certain conditions as to what activities are under taken and how willing the firms participate (Wilkinson & Brouthers, 2006, p. 238). Hogan *et al.*, (1991) pointed out that export promotion agencies (EPA) are not effective in functioning in developing countries. The reasons were that developing countries lacked strong leadership, while experiencing limited funding, bureaucratic and high influence of the government (Lederman *et al.*, 2010). Keesing *et al.*, (1991, pp. 1-2) found out that export promotion activities in developing countries supported by public officials have always delivered unsatisfactory practical information, assistance and support in expanding manufactured export products. They provide the following reasons for the failure of export promotional programs.

1. The history of import substitution has contributed to deep rooted attitudes and motivation against exports.
2. Export assistance programs do not help the firms to overcome their production problems and adapt supply capabilities to the target market requirements.
3. Organizations that provide the funding and advice on export assistance have often lacked the will and determination to deliver positive results.
4. Marketing of manufactured goods through support and assistance has often had problems with the single public service supplier. Especially in developing countries such delivery mechanisms have been proved to be ineffective.

Task Barriers

Customer requirements vary worldwide due a variety of reasons such as topography, climatic conditions, economy of the country, taste, habits and all these lead to different product requirements. To accommodate all these changes, firms will need to spend considerable amount of time and money (Leonidou, 2004, pp. 292-293). Global competition has reduced the life cycle of products, and businesses can no longer have country or region specific products. Firms need to develop products for global application that would help them overcome their competition. Developing such products with shorter lead times would help in sustaining competitive advantage over their rivals (Baumol, Nelson & Wolff, 1994; Levin, Klevorick, Nelson & Winter, 1987; Kotabe & Murray, 2004, p. 7). To overcome such obstacles the adaptation of the products or promotional messages can be applied as well as different kinds of strategic behaviors such as polycentric, regiocentric or geocentric strategies (Wach & Wojciechowski, 2014).

External Environmental Barriers

External environmental (or exogenous) barriers include issues associated with economic, political-legal and socio-cultural environment (Wach, 2015) of the external market in which the firm is operating in (Leonidou, 2004, p. 294). Wach (2014c, pp. 18-19) states that business external environment can be investigated from a local to a truly global level, and what is more "taking into consideration different aspects from the basic four elements of PEST taxonomy (though 5 elements of SLEPT or 6 elements of PESTLE – V.N.) to seven basic elements of PLESCET categorization". Environmental barriers influence the behavior of SMEs to a large extent as they lack the knowledge to deal with them or best circumvent them (Neupert *et al.*, 2006; Kahiya *et al.*, 2014, p. 336). Most of these barriers are created by competing firms in the new market, currency fluctuations, supply and demand fluctuations etc. Due to the emergence of multinational companies many of the traditional differences are have been reduced (Buzzell & Quelch, 1988 quoted in Ramaswami & Yang, 1990, p. 190). Still, these reasons call for or at least justify some actions by government and policy makers to provide support to SMEs (Neupert *et al.*, 2006; Kahiya *et al.*, 2014, p. 336).

CONCLUSIONS

It is evident that the barriers faced by SMEs in their path to internationalization are multifold and multidimensional (Table 2). There is no concrete solution to these barriers as research has shown that there are many barriers that can be generalized, but still many remain specific to regions and local market situations.

The findings of the summary suggest that to counter certain barriers, SMEs have reinvented themselves with some innovative approach especially in the case of internal barriers. Based on a literature review as well as its study and critique, the following conclusions can be drawn:

1. To overcome the knowledge barriers, SMEs have started to rapidly acquire knowledge and instantly go global as in the case of INVs, born globals. This is a paradigm shift from the traditional knowledge acquiring models like stages models (e.g. Uppasla model) and innovation-related models.
2. To overcome resource constraints, SMEs use the management team's international experience to arrive at decisions and not necessarily depend on the CEOs knowledge. Also, the formation of strategic alliance formation considerably reduces the resource constraints.
3. To overcome marketing and task barriers, SMEs need to develop products based on global requirement that would help in standardizing production processes and reduce adaptation costs. Formation of strategic alliances would also help to bring down distribution and logistics cost.
4. Procedural barriers can be partly overcome by managerial experience and partly with the help of consulting firms.
5. To overcome both governmental and external environmental barriers, SMEs would need both support and guidance from the governmental organizations and policy makers. Also, active participation by SMEs in promotional programs seems to be necessary.

As with every study, this effort has its limitations as analysis of every possible export barrier is exhaustive and there remain numerous barriers that are region and country specific. Such extensive research is outside the scope of this paper.

Table 3. Summary of main barriers faced by SMEs while going international according to Leonidou

Barrier Type	Barrier Classification	Barrier Effect	New approaches by SMEs
Internal	Informational	Lack of knowledge as knowledge accumulation is slow and gradual.	Use of prior knowledge or quick acquisition of knowledge like INV's.
	Functional	Resource constraints	Managers with international experience and strategic alliance formation.
	Marketing	Product, Product pricing, Distribution channel and Logistics.	Market differentiation, Segment differentiation, Innovation differentiation and Product Service.
External	Procedural	Unfamiliar techniques/procedures in new market, communication barriers and slow collection of payments.	Controllable barriers can be overcome with managerial experience and non-controllable barriers need to be approached on case to case basis with or without support from external consulting firms.
	Governmental	Limited assistance and incentives from Governments and restrictive role of regulatory framework.	Promotional programs with mixed results with success depending on how willing the firms participate.
	Task	Varied Customer requirements in different markets.	Development of Global products with shorter lead times.
	Environmental	PEST: **P**olitical, **E**conomic, **S**ocio–cultural, **T**echnological.	Emergence of MNCs have reduced these barriers to a large extent, still SMEs require governmental and policy makers support in overcoming these hurdles.

Source: own study based on Leonidou (2004) export barrier classification.

The study has established that SMEs have found new ways to counter export barriers. The effectiveness of such approaches needs to be evaluated as it can set a new trend in tackling export barriers. Also the conditions that help such approaches need to be verified, as it may become a part of export assistance programs. With respect to export barriers, it is essential that research in this direction continues to proceed until a unified theory on export barriers and their mitigation is reached. Further, this study is based mainly on Leonidou's (2004) model of barrier classification. There are many such classification models and researchers in the past have failed to come up with a common understanding of the export barriers. Also, the conclusions drawn need to be validated with statistical evidence.

REFERENCES

Agndal, H., & Chetty, S. (2007). The impact of relationships on changes in internationalisation strategies of SMEs. *European Journal of Marketing*, *41*(11/12), 1449-1474.

Ahmed Z.U., Julian, C.C., Baalbaki, I., & Hadidian, T.V. (2006). Firm internationalisation and export incentives from a Middle Eastern perspective. *Journal of Small Business and Enterprise Development*, *13*(4), 660-669.

Al-Hyari, K., Al-Weshah, G., & Alnsour, M. (2012). Barriers to internationalisation in SMEs: evidence from Jordan. *Marketing Intelligence & Planning*, *30*(2), 188-211.

Arndt, C., Buch, C. M., & Mattes, A. (2012). Disentangling barriers to internationalization. *Canadian Journal of Economics/Revue canadienne d'économique*, *45*(1), 41-63.

Arteaga-Ortiz, J., & Fernández-Ortiz, R. (2010). Why Don't We Use the Same Export Barrier Measurement Scale? *Journal of Small Business Management*, *48*(3), 395-420.

Athanassiou, N., & Nigh, D. (2000). Internationalization, tacit knowledge, and the top management teams of MNCs. *Journal of International Business Studies*, *31*(3), 471-487.

Baumol, W.J., Nelson, R.R., & Wolff, E.N. (1994). Introduction: the convergence of productivity, its significance, and its varied connotations. In Baumol, W.J., Nelson, R.R., & Wolff, E.N. (Eds.) *Convergence of Productivity* (pp. 3-19). Oxford: Oxford University Press.

Bartlett, C.A., & Ghoshal, S. (1987). Managing across borders: New organizational responses. *Sloan Management Review*, *29*(1), 43-53.

Beamish, P.W. (1999). The role of alliances in international entrepreneurship. *Research in Global Strategic Management*, *7*(1), 43-61.

Bilkey, W.J., & Tesar, G. (1977). The export behavior of smaller-sized Wisconsin manufacturing firms. *Journal of International Business Studies*, *8*(1), 93-98.

Casillas, J.C., Barbero, J.L., & Sapienza, H.J. (2015). Knowledge acquisition, learning, and the initial pace of internationalization. *International Business Review*, *24*(1), 102-114.

Cavusgil, S.T., & Nevin, J.R. (1980). A conceptualization of the initial involvement in international marketing. In Lamb, C.W. & Dunne P.M (Eds.), *Theoretical Developments in Marketing,* (pp. 68-76). Phoenix, AZ: American Marketing Association.

Cavusgil, S.T., & Naor, J. (1987). Firm and management characteristics as discriminators of export marketing activity. *Journal of Business Research*, *15*(3), 221-235.

Coviello, N., & Munro, H. (1997). Network relationships and the internationalisation process of small software firms. *International Business Review*, *6*(4), 361-386.

Daszkiewicz, N., & Wach, K. (2014). Motives for Going International and Entry Modes of Family Firms in Poland. *Journal of Intercultural Management,* 6(2), 5-18.

Eisenhardt, K.M., & Schoonhoven, C.B. (1996). Resource-based view of strategic alliance formation: Strategic and social effects in entrepreneurial firms. *Organization Science*, *7*(2), 136-150.

Eusebio, R., Llonch, A.J., & Belbeze, M.P.L. (2007). Internal key factors in export performance: a comparative analysis in the Italian and Spanish textile-clothing sector (part 1). *Journal of Fashion Marketing and Management: An International Journal*, *11*(1), 9-23.

Gençtürk, E.F., & Kotabe, M. (2001). The effect of export assistance program usage on export performance: a contingency explanation. *Journal of International Marketing*, *9*(2), 51-72.

Gulati, R., Nohria, N.,& Zaheer, A., (2000). Strategic networks. *Strategic Management Journal*, *21*(3), 203-215.

Hogan, P. (1991). Some institutional aspects of export promotion in developing countries. In: Hogan P., Keesing D.B., Singer A., (Eds.). *The Role of Support Services in Expanding Manufactured Exports in Developing Countries* (pp. 39-56). Economic Development Institute of The World Bank.

Inkpen, A.C., & Tsang, E.W. (2007). 10 learning and strategic alliances. *The Academy of Management Annals*, *1*(1), 479-511.

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.

Johanson, J., & Wiedersheim-Paul, F. (1975). The internationalization of the firm—four Swedish cases. *Journal of Management Studies*, *12*(3), 305-323.

Julien, P.A., & Ramangalahy, C. (2003). Competitive strategy and performance of exporting SMEs: An empirical investigation of the impact of their export information search and competencies. *Entrepreneurship Theory and Practice*, *27*(3), 227-245.

Kahiya, E.T., Dean, D.L., & Heyl, J. (2014). Export barriers in a changing institutional environment: A quasi-longitudinal study of New Zealand's manufacturing exporters. *Journal of International Entrepreneurship*, *12,* 331-364.

Karajz, S., & Gubik, A.S. (2014). The Choice of Foreign Market Entry Modes: The Role of Resources and Industrial Driving Forces. *Entrepreneurial Business and Economics Review*, *2*(1), 49-63.

Keesing, D.B., & Singer, A. (1991). Development assistance gone wrong: Failures in service to promote and support manufactured exports. In Hogan P., Keesing D.B., Singer A., (Eds.). *The Role of Support Services in Expanding Manufactured Exports in Developing Countries* (pp. 1-18). Economic Development Institute of The World Bank.

Klein, S., & Wöcke, A. (2009). Protective incubators and South African MNEs. *Thunderbird International Business Review*, *51*(4), 341-354.

Kneller, R., & Pisu, M. (2011). Barriers to exporting: what are they and who do they matter to? *The World Economy, 34*(6), 893-930.

Kogut, B. (1988). Joint ventures: Theoretical and empirical perspectives. Strategic Management Journal, 9(4), 319-332.

Köksal, M.H., & Özgül, E. (2010). The export competitive advantages of Turkish manufacturing companies. *Marketing Intelligence & Planning*, *28*(2), 206-222.

Korth, C.M. (1991). Managerial barriers to US exports. *Business Horizons*, *34*(2), 18-26.

Kotabe, M., & Murray, J.Y. (2004). Global sourcing strategy and sustainable competitive advantage. *Industrial Marketing Management*, *33*(1), 7-14.

Kubíčková, L., Votoupalová, M., & Toulová, M. (2014). Key Motives for Internationalization Process of Small and Medium–Sized Enterprises. *Procedia Economics and Finance*, *12*(5), 319-328.

Lages, L.F., & Montgomery, D.B. (2004). Export performance as an antecedent of export commitment and marketing strategy adaptation: Evidence from small and medium-sized exporters. *European Journal of Marketing*, *38*(9/10), 1186-1214.

Lederman, D., Olarreaga, M., & Payton, L. (2010). Export promotion agencies: Do they work?. *Journal of Development Economics, 91*(2), 257-265.

Lee, H., Kelley, D., Lee, J., & Lee, S. (2012). SME survival: the impact of internationalization, technology resources, and alliances. *Journal of Small Business Management*, *50*(1), 1-19.

Leonidou, L.C. (1995). Empirical research on export barriers: review, assessment, and synthesis. *Journal of International Marketing*, *3*(1), 29-43.

Leonidou, L.C. (1998). Organizational determinants of exporting: conceptual, methodological, and empirical insights. *Management International Review*, *38*, Special Issue, 7-52.

Leonidou, L.C. (2004). An analysis of the barriers hindering small business export development. *Journal of Small Business Management*, *42*(3), 279-302.

Leonidou, L.C., & Katsikeas, C.S. (1996). The export development process: an integrative review of empirical models. *Journal of International Business Studies*, *27*(3), 517-551.

Leonidou, L.C., Katsikeas, C.S., Palihawadana, D., & Spyropoulou, S. (2007). An analytical review of the factors stimulating smaller firms to export: Implications for policy-makers. *International Marketing Review*, *24*(6), 735-770.

Levin, R.C., Klevorick, A.K., Nelson, R.R., Winter, S.G., Gilbert, R., & Griliches, Z. (1987). Appropriating the returns from industrial research and development. *Brookings Papers on Economic Activity*, *3*, Special Issue, 783-831.

Liesch, P.W., & Knight, G.A. (1999). Information internalization and hurdle rates in small and medium enterprise internationalization. *Journal of International Business Studies*, *30*(2), 383-394.

Lu, J. W., & Beamish, P.W. (2001). The internationalization and performance of SMEs. *Strategic Management Journal*, *22*(6-7), 565-586.

Madsen, T.K., & Servais, P. (1997). The internationalization of born globals: an evolutionary process?. *International Business Review*, *6*(6), 561-583.

Matanda, J.M. (2012). Internationalization of established small manufacturers in a developing economy: A case study of Kenyan SMEs. *Thunderbird International Business Review*, *54*(4), 509-519.

McDougall, P.P., & Oviatt, B.M. (2000). International entrepreneurship: the intersection of two research paths. *Academy of Management Journal*, *43*(5), 902-906.

Meredith, L. (1984). US multinational investment in Canadian manufacturing industries. *The Review of Economics and Statistics*, *66*(1), 111-119.

Miesenbock, K.J. (1988). Small businesses and exporting: a literature review. *International Small Business Journal*, *6*(2), 42-61.

Morgan, R.E. (1997). Export stimuli and export barriers: evidence from empirical research studies. *European Business Review*, *97*(2), 68-79.

Mowery, D.C., Oxley, J.E., & Silverman, B.S. (1996). Strategic alliances and interfirm knowledge transfer. *Strategic Management Journal*, *17*, Winter Special Issue, 77-91.

Namiki, N. (1988). Export strategy for small business. *Journal of Small Business Management*, *26*(2), 32-37.

Neupert, K.E., Baughn, C.C., & Thanh Lam Dao, T. (2006). SME exporting challenges in transitional and developed economies. *Journal of Small Business and Enterprise Development*, *13*(4), 535-545.

Onkvisit, S., & Shaw, J.J. (1988). Marketing barriers in international trade. *Business Horizons*, *31*(3), 64-72.

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

Oviatt, B.M., & McDougall, P.P. (1999). A framework for understanding accelerated international entrepreneurship. In W. Newburry (Ed.), *Research in Global Strategic Management* (pp.23 – 40), Volume 1. Bingley: Emerald Group Publishing Limited.

Pinho, J.C., & Martins, L. (2010). Exporting barriers: Insights from Portuguese small-and medium-sized exporters and non-exporters. *Journal of International Entrepreneurship*, *8*(3), 254-272.

Pointon, T. (1978). Measuring the gains from government export promotion. *European Journal of Marketing*, *12*(6), 451-462.

Ramaswami, S.N., & Yang, Y. (1990). Perceived barriers to exporting and export assistance requirements (chapter 17). In S.T. Cavusgil & M.R. Czinkota (Ed.). *International Perspectives on Trade Promotion and Assistance* (pp. 187-205). Westport, CT: Greenwood Publishing Group

Reid, S.D. (1981). The decision-maker and export entry and expansion. *Journal of International Business Studies*, *12*(2), 101-112.

Ren, S., Eisingerich, A.B., & Tsai, H.T. (2014). How do marketing, research and development capabilities, and degree of internationalization synergistically affect the innovation performance of small and medium-sized enterprises (SMEs)? A panel data study of Chinese SMEs. *International Business Review*, *24*(4), 642-651.

Reuber, A.R., & Fischer, E. (1997). The influence of the management team's international experience on the internationalization behaviors of SMEs. *Journal of International Business Studies*, *28*(4), 807-825.

Ruzzier, M., Antoncic, B., Hisrich, R.D., & Konecnik, M. (2007). Human capital and SME internationalization: A structural equation modeling study. *Canadian Journal of Administrative Sciences/Revue Canadienne des Sciences de l'Administration*, *24*(1), 15-29.

Ruzzier, M., Hisrich, R.D., & Antoncic, B. (2006). SME internationalization research: past, present, and future. *Journal of Small Business and Enterprise Development*, *13*(4), 476-497.

Schweizer, R., Vahlne, J.E., & Johanson, J. (2010). Internationalization as an entrepreneurial process. *Journal of International Entrepreneurship*, *8*(4), 343-370.

Shaw, V., & Darroch, J. (2004). Barriers to internationalisation: a study of entrepreneurial new ventures in New Zealand. *Journal of International Entrepreneurship*, *2*(4), 327-343.

Sleuwaegen, L., & Onkelinx, J. (2014). International commitment, post-entry growth and survival of international new ventures. *Journal of Business Venturing*, *29*(1), 106-120.

Su, S. (2003). Export Barriers Insights from Small and Medium-Sized Firms. *International Small Business Journal*, *21*(4), 403-419.

Sullivan, D., & Bauerschmidt, A. (1990). Incremental internationalization: a test of Johanson and Vahlne's thesis. *MIR: Management International Review*, *30*(1), 19-30.

Uner, M.M., Kocak, A., Cavusgil, E., & Cavusgil, S.T. (2013). Do barriers to export vary for born globals and across stages of internationalization? An empirical inquiry in the emerging market of Turkey. *International Business Review*, *22*(5), 800-813.

Vahlne, J.E., & Ivarsson, I. (2014). The globalization of Swedish MNEs: Empirical evidence and theoretical explanations. *Journal of International Business Studies*, *45*(3), 227-247.

Vozikis, G.S., & Mescon, T.S. (1985). Small exporters and stages of development: An empirical study. *American Journal of Small Business*, *10*(1), *49*-64.

Wach, K. (2014a). Familiness and Born Globals: Rapid Internationalisation among Polish Family Firms. *Journal of Intercultural Management*, *2*(3), 177-186.

Wach, K. (2014b). Internationalisation and Globalisation as a Wider Context of Europeanisation from Micro and Macroeconomic Perspective. *Horyzonty Polityki*, *5*(10), 11-30.

Wach, K. (2014c). Theoretical Framework of the Firm-Level Internationalisation in Business Studies (chapter 1). In A. Durendez & K. Wach (Eds.). *Patterns of Business Internationalization in Visegrad Countries – In Search for Regional Specifics* (pp. 13-30). Cartagena: Technical University of Cartagena.

Wach, K. (2014d). The Role of Knowledge in the Internationalisation Process: An Empirical Investigation among Polish Businesses (chapter 7). In D. Kiendl-Wendner & K. Wach (Eds.). *International Competitiveness in Visegrad Countries: Macro and Micro Perspectives* (pp. 143-158). Graz: Fachhochschule Joanneum.

Wach, K. (2015), Impact of Cultural and Social Norms on Entrepreneurship in the EU: Cross-Country Evidence based on GEM Survey Results. *Zarządzanie w Kulturze, 16*(1), 15-29. doi: 10.4467/20843976ZK.15.002.3037

Wach, K., & Wehrmann, C. (2014). Entrepreneurship in International Business: International Entrepreneurship as the Intersection of Two Fields (chapter 1). In A.S. Gubik & K. Wach (Eds.). *International Entrepreneurship and Corporate Growth in Visegrad Countries* (pp. 9-22). Miskolc: University of Miskolc.

Wach, K., & Wojciechowski, L. (2014). The Size and the Strategic International Orientation: The Use of EPRG Model among Polish Family and Non-Family Firms. *Przedsiębiorczość i Zarządzanie*, XV(7[1]), 143-156.

Westhead, P. (2008). International opportunity exploitation behaviour reported by “types” of firms relating to exporting experience. *Journal of Small Business and Enterprise Development*, *15*(3), 431-456.

Wilkinson, T., & Brouthers, L. E. (2006). Trade promotion and SME export performance. *International Business Review*, *15*(3), 233-252.

Yener, M., Doğruoğlu, B., & Ergun, S. (2014). Challenges of Internationalization for SMEs and Overcoming these Challenges: A Case Study from Turkey. *Procedia-Social and Behavioral Sciences*, 150, 2-11.

Zhao, F. (2014). A holistic and integrated approach to theorizing strategic alliances of small and medium-sized enterprises. *Business Process Management Journal*, *20*(6), 887-905.

Author

Vijay Narayanan

Head of Production Technology and Head of Plant Quality by Hella India Lighting, Derabassi, India. Previously worked for Freudenberg Sealing Technology GmbH, Hoerbiger Group (Germany) and Ford India Pvt Ltd. Educational qualifications include Bachelor in Mechanical Engineering from the University of Madras (India) and Master in Mechanical Engineering from the University of Duisburg - Essen (Germany). Currently, PhD Student at the Faculty of Economics and International Relations at the Cracow University of Economics (Poland).

Correspondence to:

Mr. Vijay Narayanan

PhD Student at the Faculty of Economics and International Relations

Cracow University of Economics

e-mail: prvijayan@gmail.com

Copyright and License

Published by the Centre for Strategic and International Entrepreneurship – Krakow, Poland

Entrepreneurial Business and Economics Review

2015, Vol. 3, No. 2

DOI: 10.15678/EBER.2015.030209

Factors Stimulating Internationalisation of Firms: An Attempted Holistic Synthesis

Magdalena Belniak

A B S T R A C T

Objective: The main goal of this paper is the critical and synthetic analysis of internationalisation process factors, with reference to business management. It presents a systematic review of the most important relational ideas in regard to factors of firm-level internationalisation.

Research Design & Methods: The text includes the synthesis of previous academic studies and results of empirical researches on internationalisation factors.

Findings: The motives for going international are explained in reference to external and internal factors. Different definitions of understanding external factors of internationalisation of firms are discussed, among them (i) framework factors (market, cost, governmental, competitive and additional factors), (ii) conditioning factors (factor and demand conditions, related and supporting industries, firm strategy, structure and rivalry) as well as (iii) general environment factors (economic environment, demographic environment, political and legal environment, technological, natural and socio-cultural environment).

Implications & Recommendations: Internal factors of internationalisation are mostly rooted in the resource-based view. Motives for going international mainly depend on top management team, international resources and firms specifics.

Contribution & Value Added: The paper underlines that there are numerous factors, both external and internal, which influence international activities of firms. Despite the fact that the decision to internationalize is focused on specific motives and goals, the role of managers is crucial.

Article type:	original literature review
Keywords:	Internationalisation; internationalisation factors; international triggers; international incentives, motives for going international
JEL codes:	D21, F23, L21, L26, M16

Received: 31 January 2015 Revised: 27 April 2015 Accepted: 22 May 2015

Suggested citation:

Belniak, M. (2015). Factors Stimulating Internationalisation of Firms: An Attempted Holistic Synthesis. *Entrepreneurial Business and Economics Review, 3*(2), 125-140. doi: 10.15678/EBER.2015.030209

INTRODUCTION

Existing literature reveals that there are large disparities between opinions concerning factors of internationalisation and their significance for businesses. The factors of the internationalisation with reference to business management are quite differently perceived in the literature. Such notions or categories as factors, motives, triggers, change agents, conditions or determinants are treated rather superficially, sometimes even interchangeably (Wach, 2012, p. 69; Daszkiewicz & Wach, 2013, pp. 36-37). The main reason for this is the fact that these categories are more difficult to quantify than others. Thus, a short systematic review of the relational ideas with reference to factors of firm-level internationalisation is indeed worth performing.

The objective of this study is the synthesis and grouping of previous theoretical studies, as well as the results of empirical researches on internationalisation factors. This study is based on the review and analysis of the academic literature, source materials and research evidence's examination concerning factors of internationalisation process of firms, recognized under different approaches and mainstreams (from classical school of management to the latest school of international entrepreneurship).

MATERIAL AND METHODS

The study is based on extensive literature review and analysis of the academic studies, as well as source materials. It synthesizes examination of research evidence concerning factors of internationalisation process of firms, recognized under different approaches and mainstreams. In its main objective, the article focuses on identifying the most important factors that stimulate international activity of firms.

LITERATURE REVIEW AND THEORY DEVELOPMENT

The Nature and Demarcation of Internationalisation Factors

Chomątowski (1986, p. 12) stresses that both conditions (determinants) as well as factors share a number of common features, although there are differences between them. The influence of conditions "is less direct and bears a potential character," and their use leads to development, otherwise we deal with unused conditions. Then, "the factors - these are the ones among conditions, which as a result of economic decisions, have been engaged (…) and in a measurable manner affect in a given time", which means that "factors are a sub-set of a set of conditions", although "we may find opinions that conditions are a sub-set of a set of factors" (Chomątowski, 1986, p. 13). Chomątowski also states that conditions "generally have a static character," and "from the point of view of their dimension as economic size they are mostly resources", while factors "have more dynamic nature and usually have dimensions of streams". Summing up, we may assume that "the factors are sometimes understood as the known elements or forces, whose action is possible, if the appropriate conditions are met. The conditions are those circumstances which support and enable occurrence of factors as well as affect given factors" (Chomątowski, 1986, p. 14).

In the literature the broadest concept is the category of factors, which with reference to internationalisation, may take the nature of motives, incentives or conditions. In this context, factors can be treated as determinants, i.e. conditioning factors, however, the direction of their influence as well as strength with which they act (Łach, 2012, p. 186) should be defined in details, although, as Łach observes, determinants are understood in the literature in two ways, whereas their second meaning refers to the criteria for selection of certain alternatives. Similarly, Bieńkowski (2008, p. 8) treats factors as determinants (presenting them alternatively in brackets), adding that they may act passively (neutrally) or actively (positively or negatively).

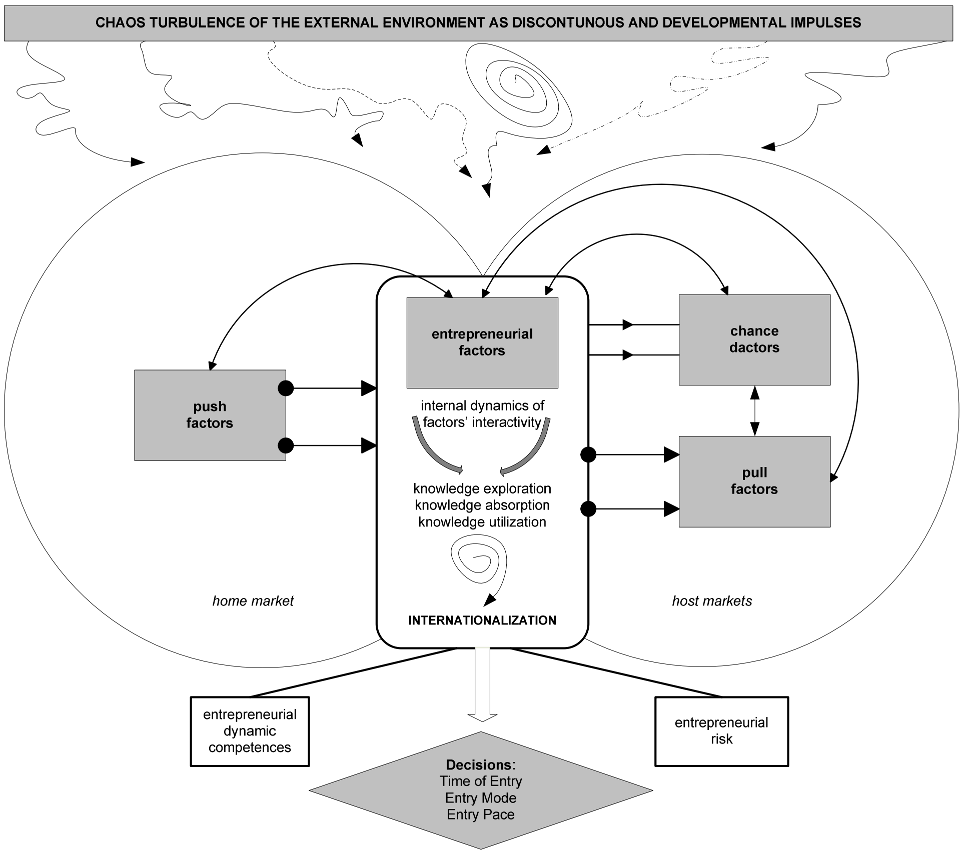

Figure 1. Internationalisation factors configuration according to Wach
Source: Wach (2012, p. 75).

The distinction between proactive (pull) factors and reactive (push) factors of internationalisation are rooted in international marketing studies. This classification was prepared by Albaum (2002). Later on, this concept was developed into a very popular 4-element typology (Daszkiewicz & Wach, 2014): push factors, pull factors, chance factors, entrepreneurial factors (Figure 1). The group of stimulating push factors that force firms to make a decision about internationalisation occurs when a home market is saturated, but in particular when there is overproduction and an increased competitive game. The group of pull factors characterizes firms which strongly focus on profits and actively search for a potential market abroad: make use of the economy of scale, or take up any challenges of internationalisation. The chance factors takes place when a firm makes use of an accidental situation (e.g. international order), while entrepreneurial factors are based on a continuous improvement and the growth theory of the firm, where the latest step is the international growth (Wach, 2012, p. 74).

Hollensen (2007, p. 298) distinguishes 16 factors of internationalisation dividing them into four groups and classifying them differently. These factors (Figure 2) may influence the process of internationalisation, acting either in a positive or a negative way, and simultaneously proposes his own model of entry modes choice (Daszkiewicz & Wach, 2013, p. 46). The model of Hollensen is very interesting as it stems from the management science and the theory of organisation, with the noticeable addendum of economics theory (among other the transaction costs), and is based on four main decisive factors: (i) internal factors, (ii) desired mode characteristics, (iii) transaction-specific factors, and finally (iv) external factors (Hollensen, 2007, p. 298).

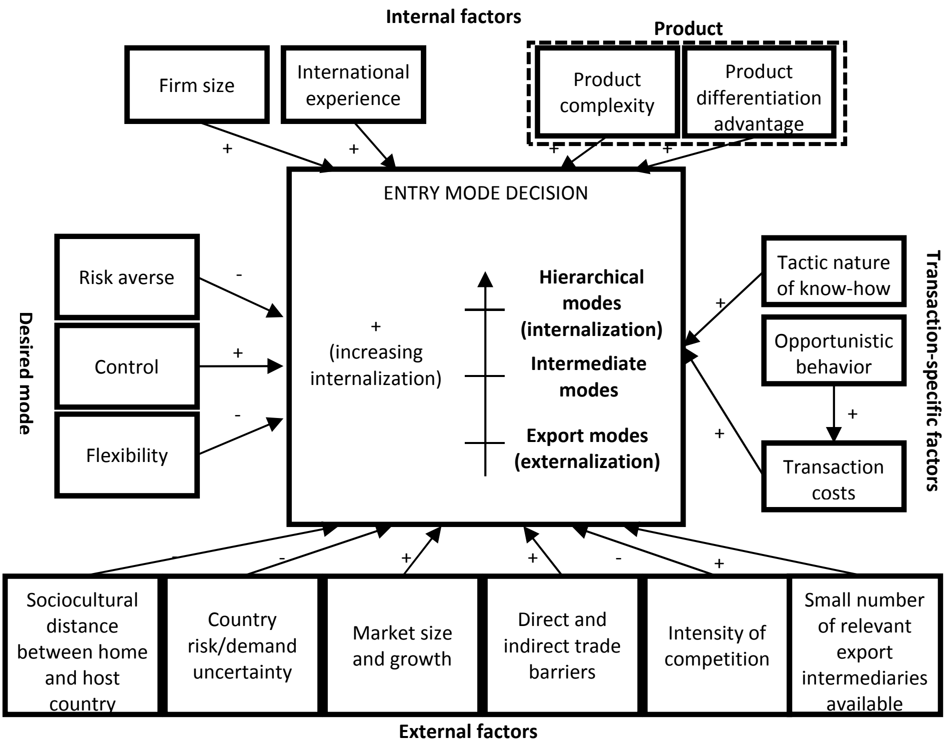

Figure 2. Internationalisation factors according to Hollensen
Source: Hollensen (2007, p. 298).

Alternatively, Rymarczyk (2012, p. 180) proposes a 5-element division of internationalisation factors into supply, cost, market, political and strategic motives. And so, the supply motives are characteristic for firms from countries without their own natural resources, both mineral and agricultural, and their extraction is often accompanied by processing. This is due to the fact that the transportation costs are lower when semi-fabricates and partially processed products are imported as well as due to the environmental protection in the home country during the process of partial processing (Rymarczyk, 2004, pp. 65-68).

Another equally important supply motive from the firm perspective, especially in the case of high cost of wages in the home market, is the desire to gain non-qualified or low-qualified labour force. This motive is directly connected with the the cost motive, i.e. lowering the costs of production and, thus, increasing the profits of a firm. In some countries, apart from lower labour costs, there are also lower costs of raw materials, lands, environmental protection expenses, lower taxes and economies of scale, reductions as well as custom allowances in relation to import. The cost benefits may be achieved with the aid of cheaper loans and easy access to financial recourses.

The market motives which stimulate international activities of businesses include: stagnation in the home market and dynamic growth and development of foreign markets, unused production capacity, diminished or disappearing demand for a given product (Rymarczyk, 2004, pp. 60-62). In the home market, the motives can include increased competition or intention to gain competitive advantages over competitors, tough import restrictions in the current markets as well as durable deviations of the exchange rate and intention to reduce the risk.

The political motives are usually divided into two groups regarding a policy pursued by the home country and a policy of a host country in which the foreign expansion is planned.

Daszkiewicz and Wach (2013, pp. 36-37), sorting the terminology issues out, define the term of internationalisation factors very broadly, they understand this term as "motives of internationalisation defined in the literature as incentives *(triggers, motives*) and conditions of internationalisation, including internal conditions (organisational) as well as external conditions (these of domestic and international environments), naturally from the perspective of management sciences, especially regarding strategic management, and this approach to the undertaken theme has been developed since the 1960s. Their **integrated perspective** (in accordance to holistic approach) is understood as not only a few selected factors, but the whole spectrum of internationalisation factors. Therefore, the factors were structured into different categories and analysed against number of criteria (Table 1). The internationalisation factors can be categorised as:

a) **internal factors**, in accordance with the theory of organisation and management science, in particular resource-based and competences view as well international entrepreneurship approach,
b) **external factors**, in accordance with the strategic management approach:
   - home-market factors (domestic environment),
   - host-market factors)international environment), divided into three dimensions:
     - **macroenvironment** (general environment),
     - **mesoenvironment** (regional environment and/or industrial environment),
     - **microenvironment** (competitive environment, task environment), including also the network approach.

Table 1. The identification of basic factors for business internationalisation

Factors – its identification and grouping	**Management concept** – theoretical basis of distinction
External factors	
Domestic environment factors – including regional factors	**International marketing** approach
International environment factors	**International marketing** approach
Intermediate factors	
Industry-related factors	**Strategic** approach
The role of formal and informal networks in the internationalisation process	**Networking** approach
Internal factors	
Enterprises specifics	**Demographic** approach in management **Biographic** approach in management **Ethnographic** approach in management
Firm resources and competences: – resources *sensu stricto* – innovation potential –competences and capabilities	R**esource-based and competences** approach
Organizational structure and changes to it	**Structural** approach
Internationalisation’s strategy and its content on particular levels	**Strategic** approach
Attitude and skills of the entrepreneur/ manager	**International entrepreneurship** approach

Source: own study.

Firms are learning and gaining new knowledge on international markets and the global environment, which decreases risk and increases commitment to the new market, as a result of expanding knowledge and experience (Wach, 2014b). According to the resource-based view, both knowledge and learning processes are the most important factors in building the competitive advantage (Doryń & Stachera, 2008, p. 101). As Doryń and Stachera (2008) discuss increasing internationalisation involvement causes that benefits related to internationalisation begin to appear, and the increase of them is greater than the increase of costs. An opposite concept assumes that at low levels of internationalisation, increased international engagement means improved economic conditions for firms, despite the initial costs associated with the lack of knowledge on the new market (Wach, 2014b).

External Factors of the Internationalisation Process

Łoboda (2007, pp. 34-42) notes that the increasing globalisation of the economy is a driver of business international activities. It influences small and medium-sized enterprises very positively, those usually operating only on a local scale, as it creates the possibility of the rapid internationalisation and increased pace of development of their competencies. Global standards serve as tools for improving competitiveness, they increase the efficiency of global economy, determine social and ecological dimensions of international trade, shaping new forms of global management of the world economy (Nadvie & Waltring, 2004, p. 53).

A firm location is also one of the most commonly considered elements of competitive advantage. It is especially important for the functioning of firms in clusters (Porter, 1998). Obłój (2002, pp. 97-123) includes the location as the important natural sources of competitive advantage, with particular attention to the location of production and sales, and access to resources, understood as raw material production. Many businesses choose to move their production facilities to countries where the labour costs are cheap (or highly specialized), so as to, in the context of creating a competitive advantage, use two sources at the same time – the location and the access to resources, which naturally result in a competitive advantage. The very access to productive resources depends not only on the location of production, but often also on relationships with the environment. These relationships can have a very significant impact on the competitive advantage of a firm, especially in situations where results of the firm largely depend on these relationships, for example: functioning in a particular industry and gaining confidence or the issue of informal dependencies (Śliwiński, 2011, p. 39).

According to Gorynia (2007, p. 50) "(…) the external factors have the original meaning and, in a sense, primary importance (…)". In order to illustrate the importance of external factors Gorynia used Porter's models – related to a broadly understood competition - as well as Yip's model – stemming from the industry specific conditions of a business strategy. According to Yip's model the firm's choice of strategy is based on main characteristic attributable to the immediate environment of an organisation. Gorynia (2007, p. 50) distinguishes the following groups of factors that stimulate a firm to go international (so called the framework factors):

- market factors (GDP, life style, consumers preferences, broadly understood globalization of lifestyle, development of advertisement, media, etc.),
- cost factors (technological progress, economy of scale, development of international shipping, shorter product lifecycle, R&D costs increase, newly industrialized countries),
- governmental factors (removing of tariff barriers and non-tariff barriers, development of a world trade institution, establishing of several economic institutions, privatization and denationalization of many industries, implementation of a free market system, new vibrant and buoyant economies),
- competitive factors (global alliances, increase of global structures of international interdependence, appearance of born global's, increase of the number of countries on a competitive market, constant increase of turnover in the world trade and participation of foreign entities in the ownership structure), as well as,
- additional factors (revolutionized IT and telecommunications market), facilities referring to business travels, globalization of financial markets),
- Rymarczyk (2012, pp. 268-269) discusses that the direct situation in foreign market has the most significant impact on decisions concerning whether go international or not. Export is worth undertaking in case of a small geographical distance (Wach, 2015), potential low entry barriers as well as import supported by a country of destination. However, indirect export or licensing ought to be taken into consideration in case of a significant culture distance (Wach, 2015b), risk of political activity, economic stagnation of the country of destination, or simply in case of a low potential of the foreign market. In contrast, in a foreign market such factors as:

favourable economic conditions, weak currency, low production costs, small competition and the great potential of the market, favourable political conditions, i.e. stability, support of direct foreign investments, low political risk as well as a large geographical distance (Wach, 2015a), and connected with it high costs of delivery, will encourage a firm to make decision on foreign direct investments.

Gorynia and Jankowska (2011), in their research, faced issues related to benefits and risks associated with Polish accession to the euro zone. And so, the spectrum of benefits and risks for Polish businesses, resulting from Poland's adoption of the euro is quite broad, but with a predominance of benefits, as joining the monetary union (EMU), will raise the level of competitiveness of firms. Polish accession to the monetary union shall decisively change the conditions in which Polish firms operate, and consequently also change their competitive strategies. Gorynia *et al.* (2011) emphasize that internationalisation involves the problem of perception of Polish businesses in the international arena, and Poland’s accession to the euro zone should positively affect the image of Polish trade partners and intensify international trade cooperation.

Porter (1990) distinguishes four groups of conditions, which altogether provide an incentive for a business to go international, especially into a given foreign market. These are (i) factor conditions, (ii) demand conditions, as well as (iii) related and supporting industries, and (iv) firm strategy, structure and rivalry (Daszkiewicz & Olczyk, 2014, pp. 36-37). Additionally, Porter (1994) distinguished two other elements which have influence on a decision referring to the location of the business activity in another country, i.e. chance factors (e.g. risk, terrorist attack) as well as governmental factors (supporting policies). All these factors constitute “Porter’s diamond model for competitive advantages of nations”. Lisiński (2004, p. 74) underlines that functioning of a business is a result of interaction of the nation’s general features, which are very important for the international context of each business. Such national features, forming the external business environment, build a certain context in which businesses are established and compete with each other, and the context facilitates or obstructs them to gain a competitive advantage in international markets.

For firm-level internationalisation, it is crucial to analyse the international external environment and to monitor changes, as these determinants to choose a proper strategy and entry modes (Duliniec, 2005, pp. 86-87).

The business external environment might be classified differently. One of the most popular typologies distinguishes three layers, namely the general environment (sometimes known as the macroenvironment), the task environment (sometimes known as the microenvironment) as well as a mesoenvironment (Wach, 2008, pp. 29-36) - as a kind of the intermediate environment between the macroenvironment and the microenvironment – usually identified with the regional environment from the perspective of management theory[1]. Duliniec (2005, p. 87) advices to pay special

[1] According to Wach (2012, p. 117), meso-analysis may be considered dualistically - sectorally (it applies to sectors, branches, or industry markets) or regionally (on the level of economic regions and very often administration sub-regions). It is worth mentioning that the meso-level, from the point of view of economy, should be interpreted differently than in the management. In the management sciences the sector factors are

attention to such conditions as differences concerning a level of economic development, participation of a given country in the interstate economic contracts, technological differences, infrastructural differences, differences concerning a level of urbanization as well as social, cultural, language and other differences connected with communication and ethical standards in the international business. This concept is based on the PEST/PESTLE analysis. Wach (2014a, pp. 18-20) points out two main dimensions of external factors stimulating internationalisation, namely (i) general environment – from both home (domestic) market and host (international market (markets) perspectives as well as (ii) industry-related factors.

Wach (2014a, pp. 18-19) analyses external general business environment from local to truly global level taking into consideration different aspects from the perspective of the PLESCET analysis (Figure 2).

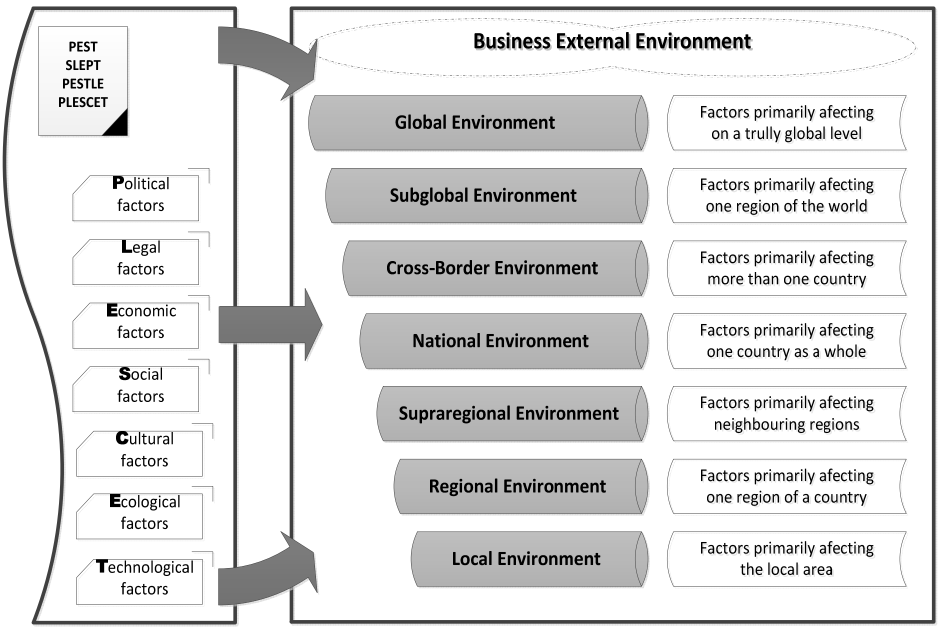

Figure 3. External general environment factors for internationalisation according to Wach
Source: (Wach, 2014a, p. 18).

According to Doryń (2011, p. 100), the macroeconomic factors (the **economic environment**), which have influence on internationalisation of firms, include two groups of variables – demand (exchange rate, external demand) and costs variables (prices, salaries and wages, interest rates). Such indices as terms of trade, real export transaction prices, import transaction prices as well as real effective exchange rates are of extremely important meaning for firm internationalisation (Doryń, 2011, p. 102).

identical with Porter's micro- environment concept, whereas regional conditions with mesoenvironment concept.

The **demographic environment** plays also an important role in the process of internationalisation (Wiktor, Oczkowska & Żbikowska, 2008, p. 53-54). The **political and legal environment**, in particular durability of a political and legal conditions, should be considered an important stimulus for going international (Wiktor *et al.*, 2008). A significant emphasis should be placed on the extent to which the governments can control or limit actions of the foreign investors as well as entice or even discourage entry into a given market by foreign ownership companies. Czinkota & Ronakainen (2004, p. 144) state the level of political risk is inversely proportional to the level of economic development of the individual countries.

The **technological environment** is also a significant element of the international environment. It involves such factors as transport infrastructure, possibilities of transmitting and processing information (ICT), level of development of a banking system and financial institutions, development of some service sectors, the mass media (Duliniec, 2004, pp. 79-83). Currently, the fastest changes in the business external environment are made due to the technology progress, thus the low level of technological progress of a country may become a restriction for foreign businesses to expand in. The general possibilities and costs of international activities are determined also by the **natural environment** (Wiktor *et al.*, 2008, pp. 61-62) which affects the choice of a type of activity on the individual markets. The elements of a natural environment, which can be significant while making a decision whether go or not international, include the set of climactic and geographical factors characteristic for a given region (e.g. climate, natural topography, availability of raw resources). These elements may have a significant influence on distribution of goods as well as restrict development of its network and even prevent it.

A major challenge in the process of firm-level internationalisation is determined also by the **socio-cultural environment**, because every culture influences consumer behaviour in the market, and its essence, the specific nature and numerous, complex practical implications are often difficult to grasp for foreigners. Businesses in the international markets are influenced by such cultural elements as language, religion, habits of good consumption, a sense of aesthetics as well as attitudes to foreign products (Wiktor *et al.,* 2008 p. 63).

Internal Factors of the Internationalisation Process

There are many internal variables that determine international activities of firms. Wach (2014a, p. 21) states that internal internationalisation factors are rooted in resource-based view and points out three basic groups of factors such as (i) internal resources, (ii) capabilities and competences and (iii) entrepreneurial knowledge and experience. The latter are rooted in international entrepreneurship theory (Wach & Whermann, 2014; Wach, 2014b). Internal determinants conditioning effectiveness of companies in international markets involve, *inter alia*, decisions made by the firm at various management levels, especially those which are accompanied by strategies for their use in practice (Kraśnicka, Głód & Głód, 2008, p. 47). Particular emphasis is placed on specific assets possessed by the firm because they enable smooth functioning among competitors

Zahra and George (2002, pp. 271-273) undertook research on internal determinants of international entrepreneurship, and presented a set of three factors with the greatest impact on firm-level internationalisation based on the resource-based view, namely:

– **top management team**, in particular, experience of working abroad, origins of the founders and foreign education and a vision of global development of the organization,
– **internal resources**, especially those unique, expenditure incurred on research and development activities, ability to work in a network and reputation of the company,
– **specifics of the firm**, such as the size and age of the firm, location, legal form, testing business environment, financial strength and pro-development orientation.

Entrepreneurial Attitude and Global Orientation of Entrepreneurs

Among the internal factors, undoubtedly the most important one, contributing to accelerating the process of internationalisation is the human factor (top management team) - the owner, the founder, the entrepreneur. The path of internationalisation is determined by human beings, as they select the place and the right time for the international expansion. They have specific characteristics that determine the possibility of rapid international expansion; ability to innovate, acceptanc of a high level of risk, often having international experience and global business vision, and identifying corporate growth opportunities outside the home country (McDougall & Oviat, 2000, p. 903). Knight & Cavusgil (2004, p. 14) believe that any global vision of an entrepreneur can be explained by the influence of their education and international experience, therefore, earlier work experience is important, along with market expertise, the ability to recognize business opportunities, as well as the level and type of education, knowledge of foreign languages and the ability to select appropriate managers.

Other internal determinants of internationalisation include: unique knowledge, especially experimental learning acquired directly in the course of business run overseas (Wach, 2014b), as the knowledge that is available to the firm is one of the factors that does not only facilitate and accelerate foreign expansion, but also conditions successful operations on foreign markets (Johanson & Vahlne, 2003, p. 22).

The attitude of top management team is an important variable determining internal activities of companies in international markets. Managers who want to effectively manage internationalized firms should be able to solve complex problems related to their functioning and also have the right attitude and certain personality traits that make up their international orientations defining strategic objectives of foreign actions and decisions regarding the allocation of resources in international markets (Johanson & Vahlne, 2003, p. 105).

According to Perlmutter (Wach & Wojciechowski, 2014) international orientation of managers can be represented by three personality types, which are ethnocentric, polycentric, regiocentric and geocentric orientations (the EPRG path).

The basics of ethnocentric orientation imply that practice and experience of the domestic market, as well as national standards of conduct, are of universal importance. The home country is the most important, home experts are more trustworthy and, with little international experience of executives, the so-called self-reference criterion is often used to make decisions based on domestic enterprise culture (Duliniec, 2004, p. 24). In this case, subsequent entry into foreign markets follows due to the strategy of focusing on domestic market activity - sequential expansion strategy (Karasiewicz, 2013, p. 106).

The polycentric orientation is represented by managers which have already reached further levels of internationalisation, have greater international experience and know that every new market requires a different approach. Firms operating in different markets best fitted to local characteristics become priorities, foreign branches are treated as separate business units, with a high autonomy of operation (Wiktor *et al.*, 2008, p. 148). Due to that, the polycentric orientation is associated with early entry to a foreign market and adapting entry strategies to external conditions.

In contrast, the geocentric orientation is a of a synthesis of both of the above discussed orientations. Top management team treats foreign markets as a common global market, while at the same time, they can notice similarities between markets and differences that make up the specificity of operation on the markets.

Internal Resources and Competences

Resources and competencies of firms are usually divided into tangible and intangible resources (Dess, Lumpkin & Taylor, 2003, p. 9). The first category usually includes financial resources (financial flows, ability to raise capitals and credit capacity), physical resources (modern technology park or an advantageous location of production), technological resources (new forms of organization of production, patents, copyright, trade mark) and organization resources (effective process planning strategy, as well as visible development and control system). Whereas, intangible resources of a firm include human resources; experience and abilities of employees, trust, managerial skills, specific practices and procedures, and creativity, innovation corporate reputation and its perception by both suppliers and customers, and finally, organizational skills or input-output skills of employees, the ability to connect tangible and intangible resources using organizational processes in order to achieve the planned effect, and finally, remaining competencies of companies (Kraśnicka *et al.*, 2008, pp. 48-49).

In recent years, the role of enterprise resources and sources of competitive advantage has changed. A particular attention is paid to the intangible resources, as in the era of information society, they have become the essential ones for fast-growing companies that build competitive advantage, in particular, on such resources as knowledge, skills and experience.

Thus, intellectual capital becomes a driver stimulating international activity of firms. It consists of human capital, organizational capital, market capital and innovation capital, i.e. the sum of intangible assets of a business (Ross & Ross, 1997). Innovative activity is closely related to intellectual capital, because innovation is the result of a creative process which is the result of creative thinking of a human being. Potential of people is, thus, a foundation of effective functioning of firms, and a human being in an organization has become a prerequisite and a foundation of innovative and indispensable source of innovation.

Resources and skills are the base for the construction of core competencies and distinctive capacity of firms, and these are a great driver of international activity, they provide a competitive advantage in the market. Both competences and expertise lead to most of the variables most important to the results of businesses, such as quality, price-performance ratio, or the ability to sell (Śliwiński, 2011, p. 45).

Obłój (2007, p. 127) believes that core competencies are those skills, that are decisive in competition in the market, and unlike other competencies, it is not only difficult to acquire them, but also to replace them, or even imitate. They form the basis for companies' foreign expansion and acquiring new markets (Śliwiński, 2011, p. 46). Within international management, they are associated with acquiring special skills that are necessary for the company to achieve success in foreign markets.

The power to adjust competencies to strategy, strengthen competitiveness by minimizing costs and quality increase and by raising utility value, play a huge role in stimulating international business activity, along with the perception of key competences as strategic elements of companies' activities (Hamel & Prahald, 1999, p. 190), as well as defining them in terms of international competitive advantage. Key competences are, however, dynamic, they change over time, so companies must strive to create the most appropriate response strategy in reaction to changing operating conditions and development (Tubielewicz, 2004, p. 186).

CONCLUSIONS

In conclusion, we can say that there are many factors, both external and those existing within the organisation, which stimulate international activities of fir. Not only the very process of internationalisation, but its pace or scope, including decisions on the choice of entry modes (Wach, 2014a). Specific methods of internationalisation (entry modes) differ in many respects, and can, at the same time, also be a selection criteria, e.g. extent of capital involvement, extent of management involvement, scope of provided control, scope risks involved and range of potential profits (Daszkiewicz & Wach, 2013). However, the basis for a decision to internationalize is always focused on specific motives and goals. The first being a psychological category and relating to human behaviours in the organization. These may be economic reasons, as managers striving to increase income and job security, or intangible motives; as desire to achieve prestige, power, self-realization, adventure, traveling abroad (Rymarczyk, 2012, p. 266). Thus, when resources and business external environment are the background factors determining strategic decisions on internationalisation, the role of managers is crucial as decisions made in firms are largely dependent on the managers themselves and their willingness to take the risk associated with international markets (Kraśnicka *et al.*, 2008, p. 51).

REFERENCES

Albaum, G., Strandskov, J., & Duerr, E. (2002). *International Marketing and Export Management*. 2nd ed. Harlow: Addison-Wesley Longman Publishing.

Ansoff, H.J. (1985). *Zarządzanie strategiczne*. Warszawa: PWE.

Bieńkowski, W. (2008) Konkurencyjność gospodarki kraju: próba rewizji determinant i miar; przyczyny zmian znaczenia czynników konkurencyjności (chapter 1). In W. Bieńkowski & M. Weresa (Eds.), *Czynniki i miary międzynarodowej konkurencyjności gospodarek w kontekście globalizacji – wstępne wyniki badań* (Working Papers No. 284). Warszawa: Instytut Gospodarki Światowej Szkoły Głównej Handlowej.

Chomątowski, S. (1986). *Rozwój przemysłu w świecie*. Kraków: Akademia Ekonomiczna.

Czinkota, M.R., & Ronkainen, I.A. (2004). *International Marketing*. Mason: Thomson-South-Western.

Daszkiewicz, N., & Olczyk, M. (2014). Competitiveness of the Visegrad Countries – Paths for Competitiveness Growth (chapter 2). In D. Kiendl-Wendner & K. Wach. (Eds.), *International Competitiveness in Visegrad Countries: Macro and Micro Perspective* (pp. 33-52). Graz: Fachhochschule Joanneum.

Daszkiewicz, N., & Wach, K. (2013). *Małe i średnie przedsiębiorstwa na rynkach międzynarodowych*. Kraków: Wydawnictwo Uniwersytetu Ekonomicznego.

Daszkiewicz, N., & Wach, K. (2014). Motives for Going International and Entry Modes of Family Firms in Poland. *Journal of Intercultural Management,* 6(2), 5-18.

Dess, G.G., Lumpkin, G.T., & Taylor, M.L. (2003). *Strategic Management. Creating Competetive Advantage*. New York: McGraw-Hill.

Doryń, W. (2011). *Wpływ internacjonalizacji na wyniki ekonomiczne polskich przedsiębiorstw przemysłowych*. Łódź: Wydawnictwo Uniwersytetu Łódzkiego.

Doryń, W., & Stachera, D. (2008). Wpływ internacjonalizacji na wyniki ekonomiczne największych polskich przedsiębiorstw przemysłowych. *Gospodarka Narodowa*. 11-12, 95-115.

Duliniec, E. (2004). *Marketing międzynarodowy*. Warszawa: PWE.

Gomes, L., & Ramaswamy, K. (1999). An empirical examination of the form of the relationship between multinationality and performance. *Journal of International Business Studies*, 30(1), 173-187.

Gorynia, M. (2007). *Strategie zagranicznej ekspansji przedsiębiorstw*. Warszawa: PWE.

Hamel, G., & Prahald, C.K. (1999). *Przewaga konkurencyjna jutra. Strategie przejmowania kontroli nad branżą i tworzenie rynków przyszłości*. Warszawa: Business Press.

Hollensen, S. (2007). *Global Marketing: A Decision-Oriented Approach*. 4th Edition. Harlow: Pearson Education.

Johanson, J., & Vahlne, J.E. (2003) Business Relationship Learning and Commitment in the Internationalisation Process. *Journal of International Entrepreneurship,* 1(1), 83-101.

Johnson, J.E. (2004). Factors Influencing the Early Internationalisation of High Technology Starts-ups: US and UK Evidence. *Journal of International Entrepreneurship,* 2(1-2), 139-154.

Karasiewicz, G. (2013). *Marketingowe strategie internacjonalizacji polskich przedsiębiorstw. Podejście holistyczne*. Warszawa: Wolters Kluwer Polska.

Knight, G.A., & Cavusgil, S.T. (2004). Innovation, Organizational Capabilities and Born Global Firm. *Journal of International Business Studies*, 35(2), 124-141.

Kraśnicka, T., Głód, G., & Głód, W. (2008). *Przedsiębiorczość międzynarodowa. Aspekty teoretyczne i praktyczne*, T. Kraśnicka (Ed.). Katowice: Akademia Ekonomiczna w Katowicach.

Krupski, R. (2009). O szkole zasobów zarządzania strategicznego inaczej. *Przegląd Organizacji*. 3.

Lisiński, M. (2004). *Metody planowania strategicznego*. Warszawa: PWE

Łach, K. (2012). Kierunki badań nad determinantami struktury kapitału przedsiębiorstw w Polsce. *Zeszyty Naukowe PTE*. 12.

Łoboda, M. (2007). Lokalne przedsiębiorstwa na rynkach globalnych. In A. Sitko-Lutek (Ed.), *Polskie firmy wobec globalizacji. Luka kompetencyjna*. Warszawa: PWN.

McDougall, P.P., & Oviat, B.M. (2000). International Entrepreneurship: The Intersection of Two Research Paths. *Academy of Management Journal*. 43(5), 902-906.

Nadvie, K., Waltring, F. (2004). Making Sense of Global Standards. In: H. Schmitz, & E. Elgar (Eds.). *Local Enterprises in the Global Economy*. Chaltenham-Northampton.

Obłój, K. (2007). *Strategia organizacji*. Warszawa: PWE.

Obłój, K. (2002). *Tworzywo skutecznych strategii*. Warszawa: PWE.

Porter, M.E. (1990). *Competitive Advantage of Nations.* Hampshire-London: Macmillan Press.

Porter, M.E. (1994). *Strategia konkurencji. Metody analizy sektorów i konkurentów*. Warszawa: PWE.

Porter, M.E. (1998). Clusters and the New Economics of Competition. *Harvard Business Review*. November-December.

Przybylska, K. (2013). *Born global – Nowa generacja małych przedsiębiorstw*. Kraków: Fundacja Uniwersytetu Ekonomicznego w Krakowie.

Ross, G., & Ross J. (1997). Measuring your Company's Intellectual Performance. *Long Range Planning*.

Rymarczyk, J. (2004). *Internacjonalizacja i globalizacja przedsiębiorstwa*. Warszawa: PWE.

Rymarczyk, J. (2012). *Biznes międzynarodowy*. Warszawa: Polskie Wydawnictwo Ekonomiczne.

Śliwiński, R. (2011). *Kluczowe czynniki międzynarodowej konkurencyjności przedsiębiorstw*. Poznań: Wydawnictwo Uniwersytetu Ekonomicznego.

Tubielewicz, A. (2004). *Zarządzanie strategiczne w biznesie międzynarodowym.* Warszawa: Wydawnictwo Naukowo-Techniczne.

Wach, K. (2008). *Regionalne otoczenie małych i średnich przedsiębiorstw*. Kraków: Wydawnictwo Uniwersytetu Ekonomicznego.

Wach, K. (2012). *Europeizacja małych i średnich przedsiębiorstw: rozwój przez umiędzynarodowienie.* Warszawa: Wydawnictwo Naukowe PWN.

Wach, K. (2014a). Theoretical Framework of the Firm-Level Internationalisation in Business Studies (chapter 1). In A. Duréndez & K. Wach (Eds.). *Patterns of Business Internationalisation in Visegrad Countries – In Search for Regional Specifics* (pp. 13-32). Cartagena: Universidad Politécnica.

Wach, K. (2014b). The Role of Knowledge in the Internationalisation Process: An Empirical Investigation among Polish Businesses (chapter 7). In D. Kiendl-Wendner & K. Wach (eds), *International Competitiveness in Visegrad Countries: Macro and Micro Perspectives* (pp. 143-158). Graz: Fachhochschule Joanneum.

Wach, K. (2015a). Entrepreneurship without Borders: Do Borders Matter for International Entrepreneurship? *Problemy Zarządzania*, 13(2[2]), 82-92.

Wach, K. (2015b). Impact of Cultural and Social Norms on Entrepreneurship in the EU: Cross-Country Evidence based on GEM Survey Results. *Zarządzanie w Kulturze, 16*(1), 15-29. doi: 10.4467/20843976ZK.15.002.3037

Wach, K., & Wehrmann, C. (2014). Entrepreneurship in International Business: International Entrepreneurship as the Intersection of Two Fields (chapter 1). In A.S. Gubik & K. Wach (Eds.). *International Entrepreneurship and Corporate Growth in Visegrad Countries*. Miskolc: University of Miskolc.

Wach, K., & Wojciechowski, L. (2014). The Size and the Strategic International Orientation: The Use of EPRG Model among Polish Family and Non-Family Firms. *Przedsiębiorczość i Zarządzanie*, XV(7[1]), 143-156.

Wiktor, J., Oczkowska R., & Żbikowska A. (2008). *Marketing międzynarodowy. Zarys problematyki*. Warszawa: PWE.

Wołodkiewicz-Donimirski, Z., & Marczewski, K. (2007). *Kondycja ekonomiczna polskich eksporterów. Wyniki badań sprawozdań finansowych*. Warszawa: Instytut Koniunktur i Cen Handlu Zagranicznego.

Zahra, S.A., & George, G. (2002). International Entrepreneurship: The Current Status of the Field and Future Research Agenda. In M.A. Hitt, R.D. Ireland, S.M. Camp & D.L. Sexton (Eds.), *Strategic Entrepreneurship: Creating a New Mindset*. Oxford: Blackwell Publishing.

Author

Magdalena Belniak

Assistant Professor at the Department of Entrepreneurship and Innovation at the Faculty of Economics and International Relations of the Cracow University of Economics (Poland). Her research interests include international management, internationalisation of firms and human capital.

Correspondence to:

Magdalena Belniak, PhD
Cracow University of Economics
Faculty of Economics and International Relations
Department of Entrepreneurship and Innovation
31-510 Kraków, ul. Rakowicka 27
magda.belniak@gmail.com

Acknowledgements and Financial Disclosure

The article came into being within the statutory research project no. 121/WE-KPI/03/2014/S/4317 entitled "Entrepreneurial and Innovation Processes as Catalyst and Stabilizers of Business Internationalisation" coordinated by K. Wach and financed by the Ministry of Science and Higher Education of the Republic of Poland with the funds allocated to development of research potential of the Faculty of Economics and International Relations of the Cracow University of Economics.

Copyright and License

Published by the Centre for Strategic and International Entrepreneurship – Krakow, Poland

Entrepreneurial Business and Economics Review

2015, Vol. 3, No. 2

DOI: 10.15678/EBER.2015.030210

OPEN ACCESS

Assessment of a Country's Regional Economic Development on the Basis of Estimation of a Single Process (ESP) Method

Romualdas Ginevičius, Dainora Gedvilaitė, Šarūnas Bruzgė

A B S T R A C T

Objective: The objective of this article is to demonstrate an option of quantitative assessment of the status of an isolated complex target object.

Research Design & Methods: Review of scientific literature, an analysis of statistical data and methods applied in the theory of multiple criteria have been used for the purpose of this research.

Findings: The calculations have revealed that the proposed methodology is suitable for addressing real tasks. This methodology allowed the identification of unused potential of economic development in each region.

Implications & Recommendations: The proposed methodology can be applied to determine the current situation of regional economic development of a country. This could help plan the investment for country regional development .

Contribution & Value Added: Up to now the goal of multi-criteria valuation was to determine the priority of analysed variants. In order to determine the economic development of separate regions during the period in question, a different method of normalisation of values was employed than the one normally used in multi-criteria valuations. The originality of this work lies in the assessment of the status of an isolated process at a given moment of time.

Article type: research article

Keywords: multi-criteria valuation; regions; regional development; indicators; assessment; Lithuania

JEL codes: Q01

Received: 11 January 2015 | Revised: 1 June 2015 | Accepted: 11 June 2015

Suggested citation:

Ginevičius, R., Gedvilaitė, D., & Bruzgė, Š. (2015). Assessment of a Country's Regional Economic Development on the Basis of Estimation of a Single Process (ESP) Method. *Entrepreneurial Business and Economics Review, 3*(2), 141-153. doi: 10.15678/EBER.2015.030210

INTRODUCTION

Up till now the goal of multi-criteria valuation was to determine the priority of analysed variants. In economic sciences it is much more difficult to determine the quantitative status of separate socio-economic systems. This task is being analysed on the basis of economic development of regions. For this purpose the hierarchically structured indicator system has been created. Based on this system the values and significance of the indicators have been determined. In order to determine the economic development of separate regions during the period in question the method of normalisation of values used was different than the one normally used in multi-criteria valuations. This allowed the determination of unused potential of economic development in each region.

Therefore the purpose of this article is to demonstrate an option of quantitative assessment of the status of an isolated complex target object. All the more that so far in practice not a single assessment has been completed on the basis of this method.

This article applies such research methods as (i) review of scientific literature, (ii) analysis of statistical data and (iii) the methods applied in the theory of multiple criteria.

LITERATURE REVIEW

The sustainability of a country's regional development like of any other social-economic system (SES) is usually analysed in terms of three aspects: economic, social and environmental (Rutkauskas *et al.,* 2014; Čiegis *et al*., 2014; Dudzevičiūtė *et al.,* 2014; Radosavljevic, 2014; Hay *et al.,* 2014; Stankevičienė *et al.,* 2014*;* Tvaronavičienė *et al.,* 2014; Tabara & Chabay, 2013; Dagiliūtė, 2012; Shneidewind & Augenstein, 2012; Kocmanova *et al.,* 2012; Bell & Morse, 2008). Each of these aspects can only be defined by multiple indicators since each aspect constitutes a complex and integrated process which in practice manifests multiple characteristics, features, etc.

The intensity of development of the above aspects differs, which has implications on the sustainability of regional development as a whole. There are two major issues. First, quantitative assessment of the development degree of individual regional aspects and, second, assessment of sustainability of the regional development as a whole.

Given that each of these aspects can only be reflected through multiple indicators, a successful assessment of the effective degree of development is based on multi-criteria methods which are multifunctional by nature, i.e. they can be used for the purposes of quantitative assessment of any complex process defined by multiple indicators (Ginevičius & Podvezko, 2012; Ginevičius *et al.,* 2011b,c; Ginevičius & Podvezko, 2008; Andriušaitienė *et al.,* 2008).

The adaptability of multi-criteria methods also results from the ability to sum up both maximising (where the growing value of an indicator refers to improvement of a situation) and minimising (where the growing value of an indicator refers to deterioration of a situation) indicators in a single generalising value. Summing up of all the indicators is made possible by normalisation which makes them dimensionless, i.e. comparable with each other.

Multi-criteria assessment theory and its mathematic apparatus were developed and revised with a single purpose – to prioritise the variables being analysed (Ginevičius &

Podvezko, 2012; Andriušaitienė *et al.,* 2008). The main facet that lies at the heart of this idea is the normalisation of multi-dimensional indicators. It means that for comparison purposes of the variables, the normalised value of the isolated indicator for a variable j derives from general context, i.e. this value is influenced by the values of the counterpart indicators of other variants. This can be seen from the formula which reflects the essence of such normalisation irrespective of its proposed variations (Ginevičius & Podvezko, 2012; Andriušaitienė *et al.,* 2008):

$$\tilde{q}_{ij} = \frac{q_{ij}}{\sum_{i=1}^{n} q_{ij}} \tag{1}$$

where:

$\tilde{q}_{ij}$ - the normalised value of the indicator i for the option j,
q_{ij} - the value of the indicator i for the option j,
n - the number of the indicators $(i = \overline{1, n})$.

The formula (1) shows that the normalised value of the indicator *i* for variable *j* is derived by dividing its value from the sum of indicator *j* values from all variables. This normalisation approach is of course logical where the purpose of multi-criteria assessment is, as it has been mentioned, prioritisation of the variables.

The tasks of the kind are relevant for solving all types of different problems: prioritising alternative options for construction projects, insulation of buildings, walls, other construction elements, rating higher education schools by quality of performance, regions of the country by their economic-social development, countries by their development degree (Andriušaitienė *et al.,* 2008; Ginevičius *et al.,* 2005; Brauers & Ginevičius, 2009; Ginevičius & Podvezko, 2009; Ginevičius *et al.,* 2008).

These and similar tasks can be assigned to a single class or a group of multi-criteria assessment tasks. In recent years, researchers have identified another class – quantitative assessment of an isolated object or the status of an isolated social-economic system (Ginevičius, 2008). While in the first case, the purpose of multi-criteria assessment was building a framework to support decision making function, i. e. to "help" the decision-maker chose the most suitable variables from a number of possible options, in the second case the multi-criteria assessment aims at building an efficient analysed phenomenon (AP) management tool. Why is it so? Constructive management of a system is possible only provided that there is a possibility of quantitative assessment of its status at a given point in time. Only when we know a system and we know its changes per respective period we can conclude to what extent management, organisational and other decisions have been efficient, i.e. whether positive changes of the situation matched the money invested into the improvement.

With this purpose in mind, i.e. a quantitative assessment of an isolated variant of AP on the basis of multi-criteria methods, it is clear that the existing methods for normalisation of the values of indicators are not suitable. Not suitable because in this case each of the indicators of the variable j expressed in different dimensions has to be converted into dimensionless indicators than have no links to the values of the counterpart indicators of other variables. To convert a number expressed in a certain dimension into a dimensionless value, it has to be divided from the number expressed in the same dimension. Since our purpose is to derive a normalised dimensionless value of the indicator *i*, this value cannot be bigger than 1. It means that the sought value has to be a number equal or bigger than the maximum possible value of the indicator *i* (Ginevičius, 2008). The most suitable method to identify this value is expert interviews. Another solution is possible as well, for instance, where the maximum value of the indicator is taken (e. g. the maximum value of the indicator achieved in all regions of the country). This method has been called as ESP (Estimation of a Single Process) (Ginevičius *et al.,* 2011a). Therefore the purpose of this article is to demonstrate an option of quantitative assessment of the status of an isolated complex target object. Up till now not a single assessment has been completed on the basis of this method.

MATERIAL AND METHODS

A suitable means for evaluation and illustration of suitability of a method is the complex assessment of a region's economic development, the most essential feature of this development. As a general rule, the assessment has to be based on a framework of indicators defining regional economic development of a country. The analysis of reference sources reveals that there are different suggested options for what it should look like. The choice in each case is limited by three indicators which are generalising in themselves. These indicators are: regional gross domestic product (GDP) *per capita*, regional foreign direct investments (FDI) *per capita* and regional unemployment level (Čiegis *et al.*, 2010).

GDP *per capita* is considered a reliable indicator of a country's success and wealth reflecting the level of its economic development; FDI facilitate more rapid technological development and are an important source for building of fixed capital; unemployment level reflects participation of the people.

Table 1. Matrix for building the framework of economic development indicators of a region

Activities Aspects	1	2	3	...	i	...	n
1	r_{11}	r_{12}	r_{13}	...	r_{1i}	...	r_{1n}
2	r_{21}	r_{22}	r_{23}	...	r_{2i}	...	r_{2n}
3	r_{31}	r_{23}	r_{33}	...	r_{3i}	...	r_{3n}
⋮	⋮	⋮	⋮	...	⋮	...	⋮
j	r_{j1}	r_{j2}	r_{j3}	...	r_{ji}	...	r_{jn}
⋮	⋮	⋮	⋮	...	⋮	...	⋮
m	r_{m1}	r_{m2}	r_{m3}	...	r_{mi}	...	r_{mn}

Source: own elaboration.

A question is, whether these three indicators adequately reflect economic development of a country's region. The analysis of their dynamics has revealed that both FDI and the unemployment level are closely linked with GDP. This means that GDP in itself integrates both rapid technological progress of a region and positive impact on the economic development exerted by the fixed capital built with the help of foreign direct investments. In the same vein, GDP integrates the situation on the labour market – high indicator mirrors high participation of the people.

Consequently, the economic development of a region can be defined by generalising indicators only if in addition to GDP there are other, unrelated indicators. If there are no such indicators, a framework of primary and undividable indicators as its elements has to be built (Ginevičius *et al.*, 2014).

The information of the country's economic-social development has prompted a conclusion that there are two possible approaches towards building of a framework of indicators: first, based on development aspects and their defining indicators, and, second, based on activities (Table 1, Figure 1).

In the regions, economic activity reveal itself as development of its separate activities therefore further calculations will be based specifically on this type of a framework of indicators.

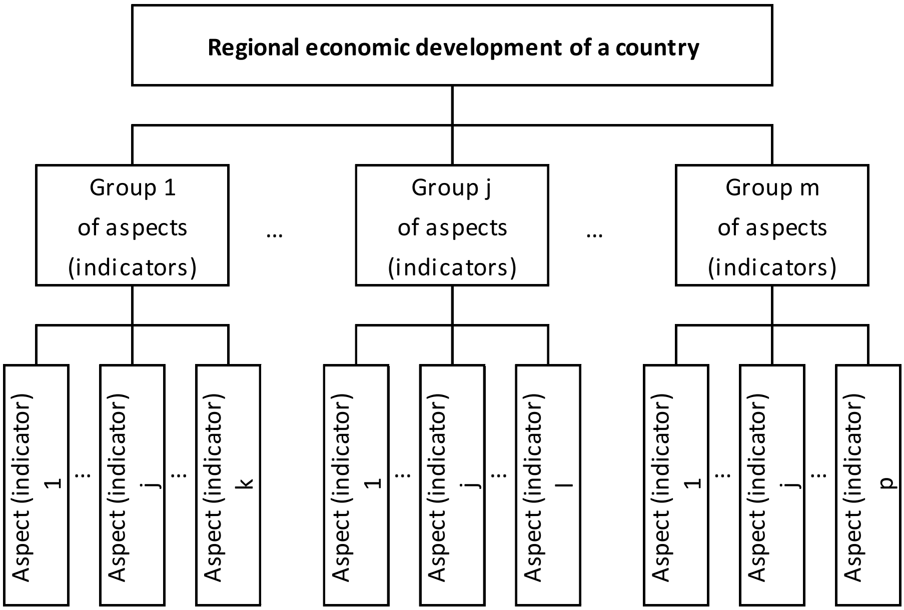

Figure 1. Hierarchic structured framework of economic development indicators of a country's region
Source: own elaboration.

RESULTS AND DISCUSSION

Referring to the basic publication of *Statistics Lithuania* on the regional development of the country (Lietuvos apskritys 2010, 2011, 2012) the following framework of economic development indicators of the regions has been built (Figure 2).

In the context of building this framework of indicators a question emerged as to what criterion should determine whether a specific activity is a part of economic development. The activities which produce material products have been categorised as economic activities. On that basis for example foreign and domestic trade has been excluded realising products resulting from economic activities.

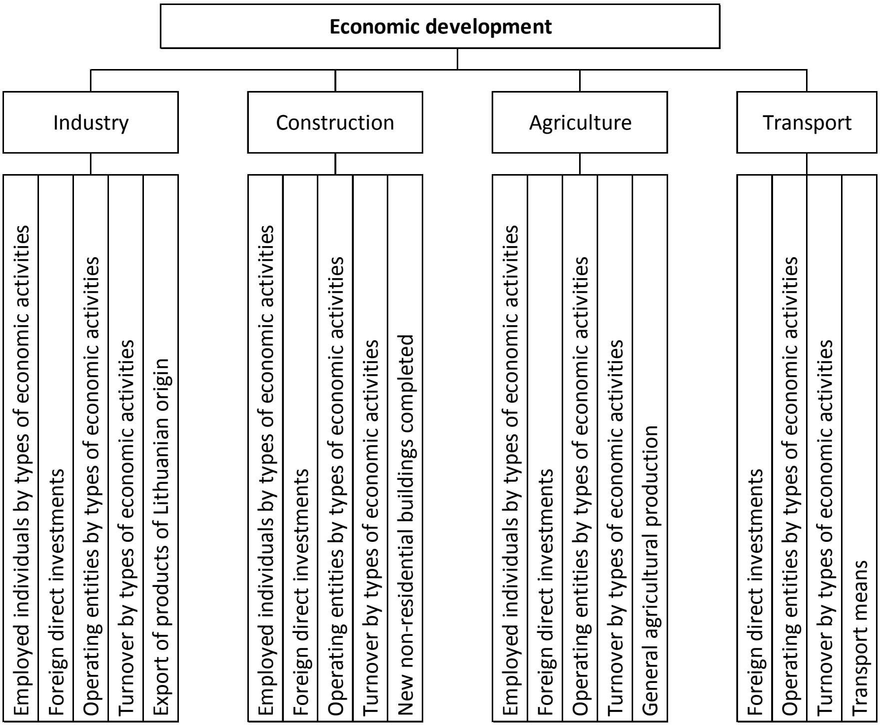

Figure 2. A framework of economic development indicators of Lithuanian regions
Source: own elaboration.

Multi-criteria assessment of any complex process shall be performed in certain phases: building of a framework of indicators; normalisation of the values; identification of the values and weights of the indicators; deciding on a method to be used for multi-criteria assessment of the indicators; multi-criteria assessment and deployment of its results for improvement purposes.

Multi-criteria assessment of the regional economic development of the country is based on Figure 2 showing hierarchic framework of indicators. This means that first of all, the quantitative assessment of all four activities, namely industry, construction, agriculture and transport, has to be conducted. It can be achieved by using the Simple Additive Weighting SAW multi-criteria assessment method (Hwang & Yoon, 1981):

$$K_j = \sum_{i=1}^{n} w_{ij}\tilde{q}_{ij} \tag{2}$$

where:

K_j - value of the activity j assessed on the basis of SAW multi-criteria assessment method,

w_{ij} - the weight of the indicator i for the activity j; number of the indicator i for the activity j,

$\tilde{q}_{ij}$ - the normalised value of the indicator i for the activity j,

n- number of the indicators i ($i = \overline{1,n}$).

Once K_j values are identified similar method can be used to establish the degree of economic development as a whole:

$$K_k = \sum_{j=1}^{m} w_j K_j \tag{3}$$

where:

K_k - the value of economic development of the region k based on SAW multi-criteria assessment method,

w_j - the weight of the activity j,

K_j - value of the activity j assessed on the basis of SAW multi-criteria assessment method,

m - number of the activities ($j = \overline{1, m}$).

According to the framework of indicators indicated in Figure 1, the values of the indicators for all regions of Lithuania have been retrieved from the *Statistical Yearbook of Lithuania* (2012) (Table 2). It appears that all the indicators are maximising, i.e. in all instances the increase of their values reflects improvement of the situation therefore there is no need for reorganisation of the initial data.

Another phase of a multi-criteria assessment is the normalisation of the values of the indicators. Following the given task, integrated assessment of the economic development of an isolated region, to derive a dimensionless value of an isolated indicator a value higher than or equal to the maximum existing value of the particular indicator has to be chosen for each indicator. Here the normalisation will be as follows:

$$\tilde{\tilde{q}}_i = \frac{q_i}{q_{max\,i}} \tag{4}$$

where:

$\tilde{\tilde{q}}_i$ - the normalised value of the indicator *i*,

q_i- the value of the indicator *i*,

$q_{max\,i}$ - the maximum value of the indicator i.

In our case, the maximum value chosen among all regions of the country being analysed in the reference period should be taken as the reference value. These values are given in Table 2. The normalisation of the values of the indicators was based on formula 4.

To be able to perform multi-criteria assessment of the regional economic development, weights of the indicators have to be established (Table 3). These have been identified by the experts. The expert opinions as shown by the compatibility analysis were rather unanimous.

Table 2. Maximum values of economic development indicators of Lithuanian regions

Type of economic activity	Indicators							
	Employed persons by economic activity (% of the region's population)	Foreign direct investment (LTL mill. per 1000 individuals of the region's population)	Economic entities in operation by economic activity (units per 1000 individuals of the region's population)	Turnover by economic activity (LTL thousands per 100 individuals of the region's population)	Exports of goods of Lithuanian origin (LTL mill. per 10 000 individuals of the region's population)	New non-residential buildings completed (thousands m^2 per 1000 individuals of the region's population)	Gross agricultural production (LTL thousands per 1000 individuals of the region's population)	Number of road vehicles (units, per 1000 individuals of the region's population)
Industry	25.5	24.77	3.01	14815.8	1196.14	-	-	-
Construction	11.7	1.23	3.12	5621.13	-	0.38	-	-
Agriculture, forestry and fishery	30.5	0.62	0.94	952.87	-	-	7141.43	-
Transport	-	2.02	3.49	15273.1	-	-	-	77.31

Source: own study.

Table 3. Weights of the regional economic development indicators of the country

Activity	Indicators								
	Employed persons by economic activity	Foreign direct investment	Economic entities in operation by economic activity	Turnover by economic activity	Exports of goods of Lithuanian origin	New non-residential buildings completed	Gross agricultural production	Number of road vehicles	Total
Industry	0.40	0.06	0.26	0.08	0.20	-	-	-	1.0
Construction	0.53	0.07	0.10	0.09	-	0.21	-	-	1.0
Agriculture	0.29	0.18	0.18	0.09	-	-	0.26	-	1.0
Transport	-	0.36	0.34	0.20	-	-	-	0.10	1.0

Source: own study.

The multi-criteria assessment of the economic development of Lithuanian regions was based on formula 2 and 3. The calculation results are presented in Table 4.

There is a question to what extent the economic development potential of the individual regions has been tapped. To this end, the potential rate of development in addition to the actual rate has to be known.

Table 4. Results of the multi-criteria assessment of the economic development of the country's regions

Seq. No.	Regions	2010		2011		2012	
		Value	Location	Value	Location	Value	Location
1	Vilnius	0.3733	4	0.4244	9	0.3844	4
2	Kaunas	0.3013	6	0.4384	7	0.3589	5
3	Klaipėda	0.4396	2	0.5709	2	0.4794	1
4	Alytus	0.2716	10	0.4447	5	0.3118	9
5	Marijampolė	0.4542	1	0.4125	10	0.3369	7
6	Panevėžys	0.2756	9	0.4437	6	0.3310	8
7	Šiauliai	0.3530	5	0.4852	3	0.4417	3
8	Telšiai	0.3855	3	0.5865	1	0.4658	2
9	Utena	0.2895	7	0.4481	4	0.2952	10
10	Tauragė	0.2838	8	0.4292	8	0.3423	6

Source: own study.

The normalisation of the values of the indicators based on formula 4 has revealed that the maximum value for each indicator in each activity is 1.0. Consequently, a variant can be shaped for each activity where all the indicators will have the value 1.0. As a result:

$$K_j^p = 1.0 \qquad (5)$$

where:

K_j^p - is the maximum possible value of the activity *j*.

We can derive the value of $K_k^p = 1.0$ in a similar way.

The untapped economic development potential of a region will be reflected by the difference between K_k^p and the actual development (Figure 3).

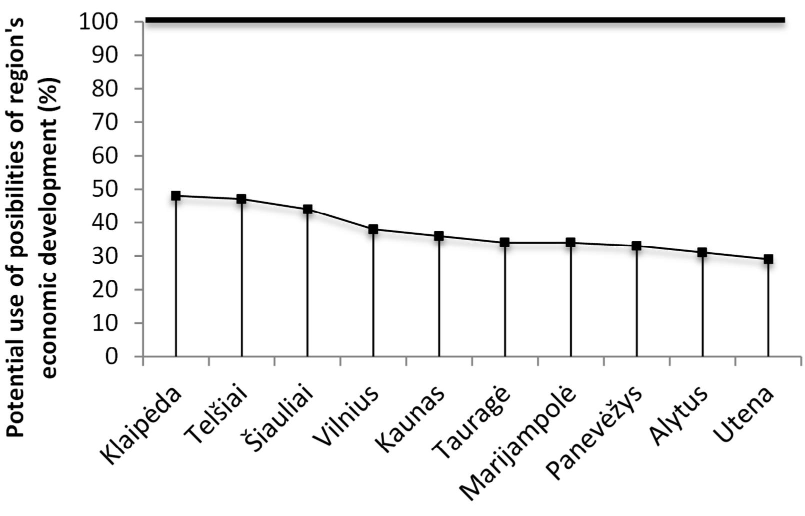

Figure 3. Tapping of the potential regional economic development capacities in Lithuania

Source: own study.

As can be seen from Figure 3, the development of Klaipėda region, which demonstrates the most rapid economic development rate, is by 1.62 times larger compared to the region with the slowest development rate. Moreover, the untapped capacities in Klaipėda constitute more than 50%, while in Utena this figure is as high as 70%.

CONCLUSIONS

There are two multi-criteria assessment lines: first – the prioritisation of the variables of a target process, second – the assessment of the status of an isolated process at a given moment of time.

The method for normalisation of the values of indicators differs depending on the task set for the multi-criteria assessment. In the first case the normalised value of the indicator will derive from the value of other indicators of the same variable; in the second case the normalisation of the values of indicators will be sought in isolation from the values of other indicators of the same variable.

Such normalisation of the values of indicators enables to identify the maximum value of the target process in the target situation, which is 1. Its comparison with the actual assessed value discloses the scope of unrealised potential.

The calculations have revealed that the proposed methodology is suitable for addressing real life problems.

REFERENCES

Andriušaitienė, D., Ginevičienė, V. B., & Šileika, A. (2008). Multicriteria model for evaluating quality management of professional training. *Business: Theory and Practice,* 9(2), 88-96. doi: 10.3846/1648-0627.2008.9.88-96.

Brauers, W. K. M., & Ginevičius, R. (2009). Robustness in regional development studies. The case of Lithuania. *Journal of Business Economics and Management,* 10(2), 121-140. doi: 10.3846/1611-1699.2009.10.121-140.

Bell, S., & Morse, S. (2008). *Sustainability Indicators – Measuring the Immeasurable?* London: Earthscan.

Čiegis, R., Dilius, A., & Mikalauskienė, A. (2014). Darnaus vystymosi sričių dinamikos vertinimas Lietuvoje. *Regional formation and development studies,* 1(11), 45-59.

Čiegis, R., Ramanauskienė, J., & Šimanskienė, L. (2010). *Lietuvos regionų darnaus vystymosi vertinimas*. Klaipėda: Klaipėdos universiteto leidykla.

Dudzevičiūtė, G., Mačiulis, A., & Tvaronavičienė, M. (2014). Structural changes of economies: Lithuania in the global context. *Technological and Economic Development of Economy*, 20(2), 353-370. doi: 10.3846/20294913.2014.915597.

Dagiliūtė, R. (2012). Sustainability of Lithuanian regions: Application of composite index. *Regional Formation and Development Studies*, 3(8), 65-73.

Ginevičius, R., Hogeforster, M., &, Gedvilaitė, D. (2014). The formation of the system of indicators of development of the country's regions, *The 8th international scientific conference "Business and Management 2014" : selected papers.* Vilnius: Technika. Retrieved on October 10, 2014 from < http://www.bm.vgtu.lt/index.php/bm/bm_2014/paper/viewFile/331/524>.

Ginevičius, R., & Podvezko, A. (2012). Features of applying decision-making methods to evaluation of financial stability of commercial banks. *Business: Theory and Practice*, 13(4), 314-323. doi: 10.3846/btp.2012.33.

Ginevičius, R., Podvezko, V., & Podvezko, A. (2011a). A new approach for evaluating of socio-economical processes by muti-criteria decision methods, The 7th international scientific conference „Business and Management 2012": elected papers. Vilnius: Technika. Retrieved on October 10, 2014 from < http://leidykla.vgtu.lt/conferences/BM_2012/enterprise_management/1083_1089_Ginevicius.pdf>.

Ginevičius, T., Kaklauskas, A., & Kazokaitis, P. (2011b). Knowledge model for integrated construction project management. *Business: Theory and Practice,* 12(2), 162-174. doi:10.3846/btp.2011.17

Ginevičius, T., Kaklauskas, A., Kazokaitis, P., & Alchimovienė, J. (2011c). Recommender system for real estate management. *Business: Theory and Practice,* 12(3), 258-267. doi: 10.3846/btp.2011.26

Ginevičius, R., & Podvezko, V. (2009). Evaluating the changes in economic and social development of Lithuanian counties by multiple criteria methods. *Technological and Economic Development of Economy - Baltic Journal on Sustainability,* 15(3), 418-436. doi: 10.3846/1202-8619.2009.15.418-436

Ginevičius, R. (2008). Normalization of quantities of variuos dimensions. *Journal of Business Economics and Management,* 9(1), 79-86.

Ginevičius, R., & Podvezko, V. (2008). A feasibility study of multicriteria methods' application to quantitative evaluation of social phenomena. *Business: Theory and Practice,* 9(2), 81-87. doi: 10.3846/1648-0627.2008.9.81-87

Ginevičius, R., Podvezko, V., & Raslanas, S. (2008). Evaluating the alternative solutions of wall insulation by multicriteria methods. *Journal of Civil Engineering and Management,* 14(4), 217-226. doi: 10.3846/1392-3730.2008.14.20

Ginevičius, R., Butkevičius, A., & Podvezko, V. (2005). Multicriteria evaluation of economic development of new EU member-states. *Business: Theory and Practice*, 6(2), 85-93.

Hay, l., Duffy, A., & Whitefield, R. I. (2014). The sustainability cycle and loop: models for a more unified understanding of sustainability. *Journal of Environmental Management,* 133, 232-257.

Hwang, C. L., & Yoon, K. (1981). *Multiple attribute decision making: methods and applications: a state of the art survey.* New York: Springer-Verlag.

Lietuvos statistikos departamentas (2012). Lietuvos apskritys. Retrieved on October 10, 2014 from <http://osp.stat.gov.lt/services-portlet/pub-edition-file?id=15047>.

Lietuvos statistikos departamentas (2011). Lietuvos apskritys. Retrieved on October 10, 2014 from <http://osp.stat.gov.lt/services-portlet/pub-edition-file?id=2068>.

Lietuvos statistikos departamentas (2010). Lietuvos apskritys. Retrieved on October 10, 2014 from <http://osp.stat.gov.lt/services-portlet/pub-edition-file?id=14761>.

Kocmanova, A., Karpišek, Z., & Klimkova, M. (2012). The constuction of environmental indicators for determination of performance of Esg indicators to support decision-making of investors. *Business: Theory and Practice,* 13(4), 333-342. doi: 10.3846/btp.2012.35

Radosavljevic, M. (2014). Assessment of process management maturity in developing countries based on SAW method. *Journal of Business Economics and Management,* 15(4), 599-614.

Rutkauskas, A. V., Levickaitė, R., & Maknickienė, N. (2014). Creative economy: search for universally sustainable development possibilities in the context of Lithuanian creative and cultural industries. *Asian Journal of Business and Management,* 2(4), 246-257.

Stankevičienė, J., Sviderskė, J., & Miečinskienė, A. (2014). Comparison of country risk, sustainability and economic safety indices. *Business: Theory and Practice*, 15(1), 1-10. doi: 10.3846/btp.2014.01

Shneidewind, U., & Augenstein, K. (2012). Analyzing a transition to a sustainability-oriented science system in Germany. *Environmental and Social Transition,* 3, 16-28.

Statistical Yearbook of Lithuania (2012). Vilnius: Statistics Lithuania.

Tabara, J. D., & Chabay, I. (2013). Coupling human information and knowledge systems with social-ecological systems change: reframing research, education, and policy for sustainability. *Environmental Science & Policy,* 28, 71-81.

Tvaronavičienė, M., Šimelytė, A., & Lace, N. (2014). Sustainable development facets: exporting industrial sectors from inside. *Journal of Security and Sustainability Issues*, 3(4), 37-44, doi: 10.9770/jssi.2014.3.4

Authors

Romualdas Ginevičius

Professor, habilitated doctor and the head of the Department of Enterprise Economics and Management, Vilnius Gediminas Technical University VGTU (Lithuania), construction engineer and economist. The author of more than 350 research papers and over 20 scientific books; Editor-in-Chief of the *Journal of Business Economics and Management* (located in ISI Thomson Reuters database „Web of Science") and the journal *Business: Theory and Practice* (indexed in SCOPUS). His research interests include organization theory, complex, quantitative evaluation of social processes and phenomena.

Dainora Gedvilaitė

Lecturer at the Department of Enterprise Economics and Management, Vilnius Gediminas Technical University VGTU (Lithuania). Master of Business, specialization - Investment Management, VGTU (2013). Her research interests include sustainable development, regional development sustainability.

Šarūnas Bruzgė

Professor, PhD (Techn.) and the head of the Department of Work Environment and Safety, Faculty of Economics, Tallinn University of Technology TTU (Estonia). The Head of the Laboratory of Ergonomics in the Institute of Business Administration TTU. Associate professor at the Department of Enterprise Economics and Management VGTU (Lithuania). So far he has had 3 defended doctoral students in the field of occupational safety and health OHS (2009-2014). Over 200 scientific papers, 10 books. Advanced training in the Nordic Institute of Occupational Health. The author of more than 10 research papers. Šarūnas Bruzgė has 12 years of experience in the field of European Union (EU) investment projects. As an expert he is constantly working with public institutions responsible for administration of EU support, participates in the preparation and evaluation of projects, financed with the EU funds. He is a financial economist. His main interests include environmental, work and emergency risk assessment methods, cost-effective analysis of safety measures, health disturbances of office and industrial workers, preventive measures.

Correspondence to:

Prof. habil. dr. Romualdas Ginevičius
Vilnius Gediminas Technical University
Faculty of Business Management
Department of Economics and Management of Enterprises
Saulėtekio al. 11, LT-10223 Vilnius, Lithuania
romualdas.ginevicius@vgtu.lt

Copyright and License

Published by the Centre for Strategic and International Entrepreneurship – Krakow, Poland

EBER in Focus

Entrepreneurial Business and Economics Review (EBER) was established in 2013 as a peer review scientific journal published quarterly by the Cracow University of Economics (Poland).

Aim and Scope

'Entrepreneurial Business and Economics Review' (EBER), as multi-disciplinary and multi-contextual journal, is dedicated to serve as a broad and unified platform for revealing and spreading economics and management research focused on entrepreneurship, individual entrepreneurs as well as particular entrepreneurial aspects of business. It attempts to link theory and practice in different sections of economics and management by publishing various types of articles, including research papers, conceptual papers and literature reviews.

The Journal accepts the articles from the following fields:

- **Entrepreneurship and Human Capital** (in particular entrepreneurship and innovation, strategic entrepreneurship, corporate entrepreneurship, entrepreneurship methodology, new trends in HRM and HRD as well as organisational behaviour),
- **Management and Business Studies** (in particular entrepreneurial management, entrepreneurial business, management methodology, modern trends in business studies and organisation theory),
- **International Business and International Economics** (especially international entrepreneurship, European business, and new trends in international economics including the economics of the European Union and emerging markets, as well as Europeanisation),
- **Applied Economics and Statistics** (in particular the role of entrepreneurship and the entrepreneur in economics – microeconomics and macroeconomics, new trends in economics, economics methodology, current research in statistics and demography),
- **Public Policies and Business Education** (in particular policies promoting entrepreneurship, innovation, R&D and SMEs, education for entrepreneurship, new trends in social sciences).

Call for Papers

Guidelines for Authors

We accept articles proposals if they fit the aim and scope of our journal and the call for papers for thematic issues. We release current calls for papers on our website in the 'announcement' section.

The articles must be between 20 000 and 40 000 characters (including spaces as well as all necessary tables, figures, graphs and illustrations, the list of used references and any appendixes if needed).

The articles must be prepared **with accordance to our technical requirements** and taking our academic ethics code into account. **The articles must be prepared in our template**. We will reject submissions not prepared according to our requirements.

Before submitting your article, please read and apply the following rules:

- **EASE Guidelines for Authors of Scientific Articles to be Published in English** (version of June 2014) explaining in details how to compose a scientific article according to international standards.
- **APA Style Manual** (6th edition of June 2009) explaining in details how to use and cite references and how to apply linguistic rules while writing in English.

For very detailed submission instructions, including *guidelines for authors,* and all other information visit our website at: www.eber.uek.krakow.pl - please read there the following documents very carefully before your submission:

- Guidelines for Authors (*.pdf)
- **Template for Articles** (*.docx, *.dotx, *.rtf, *.pdf)
- Internal Review Form – Checklist of the Article (*.docx)
- Copyright Transfer (*.docx)

Submission of the Manuscripts

We do prefer to use the OJS system for submissions, however we also accept traditional e-mails. All submissions should be sent either to the issue editor / the guest editor (e-mail is provided in the call for papers to all thematic and/or special issues) or to the editorial board at eber@uek.krakow.pl

For each issue we accept submissions not later than 6 months before the particular issue releasing. The deadlines for submissions are as follows:

- By the end of September for the March Issue (no. 1)
- By the end of December for the June Issue (no. 2)
- By the end of March for the September Issue (no. 3)
- By the end of June for the December Issue (no. 4)

Reviewing Policy and Procedures

1. The editor-in-chief or another member of the editorial team will make a preliminary decision to either accept the paper for further review or reject the paper (desk's rejection) if the submitted article doesn't meet our editorial requirements or is out of our aim and scope. The author will be notified of the decision as soon as possible. In certain situations, this decision will be made following consultation with a member of the editorial council specializing in a given area of research.
2. The reviews are prepared by at least 2 independent reviewers indicated by the editorial board. The independent reviewers are not associated with the author's parent institution (external reviewers to the author).
3. Reviews are prepared using a double-blind peer review. This process is based on the rule that the reviewer does not know the identity of the author and vice versa.
4. Each review is issued in written form (later revealed to the Author) and ends with a recommendation for or against publication.
5. In addition to the recommendations made by reviewers, the Author may receive additional editorial suggestions from:
   - **the editor-in-chief**, only in urgent cases
   - **an issue editor** as the executive editor responsible for the issue
   - **an associate editor** or **a guest editor** if there is a special need
   - **a layout editor** for technical and editorial comments,
   - **a statistics editor** if the paper contains statistics.
6. The author must reply to all comments and suggestions (a special form is required to be filled in and to be sent back).
7. The editor-in-chief provides the final opinion based on a very detailed process.
8. Before submitting your article, please make familiar with the following forms and evaluation criteria, which must be applied by Authors (files are available at our website for downloading after logging in):
   - **Internal Review Form – Checklist of the Article** (*.docx)
   - **External Review Form** (*.docx)
   - **Statistical Review Form** (*.docx)
   - **Technical Review Form** (*.docx)
   - **Author's Statement after the Reviews** (must be attached to the revised article)
   - **Copyright Transfer** (must be signed before publishing)
9. Before publishing each article is proofread by a language editor (a native speaker or a bi-lingual speaker). Authors are obliged to apply all necessary changes, however they can negotiate special terminology use.
10. Prior to publishing, the Corresponding Author must sign and submit the *Copyright Transfer*, otherwise we will not be able to publish the given article.
11. Each Author must follow the principles of transparency and best practices in scholarly publishing (see our website for details). Editors and the Publisher will be documenting all forms of scientific misconduct and malpractice, particularly violations of ethics and violations of science principles. Any such cases will be reported to the employer of the author and to the relevant public and state institutions.

Publication History

So far we have published the following thematic issues of EBER:

2013

Vol. 1, No. 1 Global Opportunities and Local Businesses

Vol. 1, No. 2 Modern Challenges for International Business in Europe

Vol. 1, No. 3 Contemporary Issues in International Economics

Vol. 1, No. 4 Modern Challenges for Business and Economy in CEE Countries

2014

Vol. 2, No. 1 Global Entrepreneurship from the European Perspective

Vol. 2, No. 2 Globalisation of Economies and Industries

Vol. 2, No. 3 FDI in Central Europe

Vol. 2, No. 4 New Developments in International Business and Economics in CEECs

2015

Vol. 3, No. 1 Social Entrepreneurship and Socio-Economic Development

Vol. 3, No. 2 International Entrepreneurial Orientation: Theoretical Perspective

Visit us at **www.eber.uek.krakow.pl**

EBER

Entrepreneurial Business and Economics Review

CRACOW UNIVERSITY OF ECONOMICS

1925

ISSN 2353-883X

9 772353 883005 20152

eISSN 2353-8821

978-83-65262-00-4