

EIBA Tallinn 2008

Internationalization Processes and International Entrepreneurship

Competitive Paper

**A Behavioural-based Analysis of the Changes of Structure, Systems and Culture in
the Internationalisation Processes Over Time**

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ABSTRACT

This article addresses the changes in firms' structure, systems and culture depending on their internationalisation processes over time. Conceptually, the establishment chain and country dimension form a primary level, and structure, systems and culture a secondary level of the framework. Managers of family-owned firms were asked about these five dimensions in terms of their situation today and ten years ago. The aim is to analyse various perceived structural, systemic and cultural changes in relation to (1) past developments based on the country and/or mode dimensions, (2) incremental developments in these two dimensions, and (3) selected crucial decisions (e.g. establishment of the first foreign production subsidiary) in a holistic way. The results show that internationalisation processes cause changes in systems in particular, followed by structural and cultural changes, even when reductions take place. The study provides insights for managers into structural, systemic and cultural changes when future internationalisation steps are planned.

KEYWORDS

Behavioural-based Analysis, Internationalisation Processes, Establishment Chain, Country Expansion, Reduction/Divestment, Structure, Systems, Culture, Small- and-Medium-Sized Enterprises (SMEs), Primary Data

INTRODUCTION

Internationalisation of a firm is, by its very nature, a dynamic process and still one of the most critical challenges, particularly for SMEs (Ruzzier, Antoncic and Hisrich, 2007). Dynamic internationalisation over time is addressed by a wide body of research, spanning various theoretical, conceptual and empirical studies (see reviews by Leonidou and Katsikeas, 1996; Ruzzier, Hisrich and Antoncic, 2006). Some studies focus on incremental and/or revolutionary perspectives, several dimensions (such as resources, commitment, establishment chain), or determining factors. Structural, systemic and culture changes are seldom addressed (for example, see the contingency analysis of environment, organisation, strategy and managers within different groups of exporters by Macharzina and Engelhard, 1991).

The present study addresses this research gap. From a holistic perspective, the development of firms in the establishment chain and/or countries is linked to the changes in internal structure, systems and culture. Thus, the main focus lies on forming a holistic picture of the overall development, as underlined by the aims mentioned in the abstract, and not on the relationships between individual variables. Conceptually, the establishment chain and country dimensions form a primary level, and structure, systems and culture a secondary level of the framework. Its practical relevance results from the assumption that it would be a tremendous advantage for managers to be able to initiate early impulses in the shaping of internal structure, systems, or even culture in line with future internationalisation steps.

Based on the present research on internationalisation processes along the establishment chain and the country dimension, or both of these in combination, their impact on structure, systems and culture are conceptualized. Generally formulated basic hypotheses address the relationship between the primary and the secondary level, as well as addressing the strength of the structural, systemic and cultural changes in isolation. Based on measurements of the relevant constructs, a large sample size questioning managers of mostly family-owned firms about their situation today and ten years ago, the results from part of an empirical study are discussed, then leading to overall conclusions.

CONCEPTUAL FRAMEWORK AND HYPOTHESIS

Conceptualisation of the Primary Level: Establishment Chain and Country Dimension

Behavioural-based process models that describe internationalisation as a self-strengthening, cyclical, and predominantly incremental process (Johanson and Vahlne, 1977, 2003; Steen and Liesch, 2007) are well known. They are limited in terms of their original explanatory horizon (Johanson and Vahlne, 2006; Elango and Pattniak, 2007), as well as being criticised for their lack of measurability (Andersen, 1993; Sousa and Bradley, 2006; Brewer, 2007). Nevertheless, some basic assumptions have been supported by empirical studies (e.g. Barkema, Bell and Pennings, 1996; Chetty and Eriksson, 2002), while other studies provide contrary results (Sullivan and Bauerschmidt, 1990; Benito and Gripsrud, 1992). In particular, born global research challenges the assumption of incremental internationalisation both conceptually (Knight and Cavusgil, 1996; McNaughton, 2003; Rialp, Rialp and Knight, 2005) and empirically (Knight and Cavusgil, 2004; Freeman and Cavusgil, 2007). Further approaches integrate other aspects, such as internationalisation in terms of evolution (incremental, internal process), episodes (decision-based, larger steps) and epochs (fundamental changes) by Kutschker, Bäurle and Schmidt (1997).

For the present study, the question of incremental and/or revolutionary development is not crucial. It focuses explicitly on primarily relevant dimensions of internationalisation. Since the traditional use of foreign sales volumes as a predictor of internationalisation in early export stage models can be criticized as well, the following conceptualisation of the resulting dimensions is based on the patterns of internationalisation mentioned by way of example in behavioural-based process models:

- (1) The "establishment chain", with its known incremental progression of (operation) modes, no regular export activities, export via an independent agent, sales subsidiaries and production subsidiaries abroad.
- (2) The sequence in which international markets are entered, based on the geographical/cultural assumption.

Clearly, internationalisation is not restricted to these two macro dimensions only. The authors argue, however, that a combination of two dimensions and the resulting matrix – integrating developments on the establishment chain and the country axis – allow analysis of specific development options (understood as specific paths) within a period of time:

- Country market expansion, i.e. developing exclusively along the country dimension
- Penetration, i.e. developing exclusively along the establishment chain
- Two-dimensional expansion, i.e. developing in combination along both dimensions
- Unchanged, which could be understood as a phase of stagnation or consolidation
- Reductions/divestments in one or in both dimensions.

Conceptualisation of the Secondary Level: Structure, Systems, and Culture

In both behavioural-based and born global research there seems to be a gap relating to firms' internal structure, systems, and culture. Possible theoretical backgrounds for their conceptualisation are widespread.

Integrating concepts may be found in configurational and contingency approaches (Galbraith, 1977; Miller and Friesen, 1984; Vorhies and Morgan, 2003), or in the international gestalt approach (Macharzina and Engelhard, 1991). The latter, for example, consider strategies, structure and processes that have to be balanced to suit the external environment: Lawrence and Lorsch (1967) argued that building up effective organisations involves a well-balanced package of strategy, structure, processes, and management ideology, while Ouchi (1979) examined market, bureaucratic and informal/social dimensions.

For the present study, the assumption of "fit" is not central. The authors try to enhance such a traditional dialectic process theory view (of unfreezing, moving and refreezing), arguing in the sense of teleological or evolutionary theories (with continuous processes of variation, selection and retention), as well as self-organisational theories (Van de Ven and Poole, 1995). Structure, systems and culture are considered separately in the following and can be subject to variations, modifications or alterations over time. This is based partly on arguments (e.g. by Hult et al., 2007) looking at global firms as an integrative set of organisational dimensions and the relationships between soft dimensions (strategy, leadership, and culture), structure and planning. Of course, the main focus here lies on family-owned firms, and in addition to structure and systems, culture should also be considered as a dimension of (internal) dynamics (Kogut and Singh, 1988; Leung et al., 2005). These are now conceptualised, while related empirical studies are discussed in the next section.

Conceptually, the *primary (organisational) structure* is reviewed in terms of structural changes, i.e. the visible structure of the firm (Mintzberg, 1979; Fredrickson, 1986). Westney and Zaheer (2005) conceptualize primary structure. In addition, *centralisation*, formalisation and specialisation are discussed (e.g. Ruekert, Walker and Roering, 1985; Ghoshal and Nohria, 1993 or even Mintzberg, 1979). Centralisation refers to the extent to which a firm is controlled centrally by its top management. Formalisation relates to formal rules and standards applying to the organisational structure (e.g. Bartlett and Ghoshal, 2002). Specialisation refers to the degree of functional specialisation. In view of the increasing complexity in the internationalisation process of SMEs, it would be reasonable to extend these formal aspects by adding a *secondary organisation* or informal instruments, such as international project teams or cross-national work groups (Edström and Galbraith, 1977).

Conceptually, firms can be considered as *systems* in which information is processed (Galbraith 1977). Important elements here are the reporting system and controlling (Chenhall, 2003; Mukheri et al., 2004). Since internationalisation processes by SMEs are also characterised by limited knowledge of internationalisation, it can be concluded that instrumental controlling or market research processes should be a part of the *information system*. The importance of strategic *planning systems* increases as the environment becomes more dynamic within the internationalisation process (Li, Li, and Dalgic, 2004). In literature and in the following, various aspects of information and planning systems are analysed, such as importance and intensity of use, formalisation, centralisation, and network compatibility (Papadakis, Lioukas, and Chambers, 1998; Mukheri et al., 2004).

Conceptually, *firm's culture* is a multi-layer construct that is anchored in international management, but is not clearly defined (see Leung et al., 2005; Johnson, Lenartowicz, and Apud, 2006 on cross-cultural competence). Schell and Solomon (1997) generally consider culture to be the "glue" that holds firms together. In international firms, influence is both national and international (Tung, 2008; Makino, Isobe, and Chan, 2004). In the present context, the authors model not only the *general culture* of the firm and *cultural transfer*, but also (*managerial*) *leadership characteristics* (Acedo and Jones, 2007) – because these are relevant in SMEs – with such aspects as risk and growth orientation (Macharzina and Engelhard, 1991; Acedo and Jones, 2007), as well as managerial attitudes/commitments and perceived cultural-psychic distance (Sousa and Bradley, 2006).

Conceptual Framework

Having provided a brief review of the literature and description of the authors' understanding of the constructs used, this section concludes by setting forth a conceptual framework and the general hypotheses (see Figure 1).

--Figure 1--

For the purpose of maintaining the focus of the present analysis, the following considerations are preliminarily based on the primary level, although the authors are well aware that internationalisation takes place in interdependency of both levels. Here, the authors can draw upon the studies mentioned that deal with development along the establishment chain and the country axis. The combination of both dimensions and thus, two-dimensional expansion and also consolidation/stagnation are conceptualised in the framework. While the latter has barely been considered in detail in literature so far, reductions have been considered, for example, by Benito (2005). Based on these considerations, the authors argue:

H1: Firms develop over time along the establishment chain and the country dimension, but also in a combination of both, or demonstrate consolidation/stagnation or reduction.

To maintain the purpose of the present analysis, the first exploratory hypothesis is not the primary focus, but it is vital for the overall context. The same can be argued for the second hypothesis. The conceptual framework makes it possible to analyse firms that have developed more or less on the country dimension and/or the establishment chain. This can be compared with assumptions from behavioural-based models and with the simultaneous evaluation of mode increases and reductions conducted by Calof and Beamish (1995). Based on this, the following can be formulated:

H2a: The mode change and H2b: the change in the country dimension over time take place not only in incremental steps, but also in the form of multiple-steps, and in reductions.

The observation relates to analysis on the secondary level and its link to the primary level. An investigation in isolation on the secondary level forms the basis of many empirical studies on organisational *structure*. The connection between strategy and structure is raised by Wolf and Egelhoff (2002), for example, or by Barth (2003) or Xu, and by Cavusgil and White (2006) on performance and environment. Other studies focus on the link between various organisational dimensions and performance (Meijaard, Brand

and Mosselman, 2005) or between centralisation, formalisation and entrepreneurship (Caruana, Morris and Vella, 1998).

Studies on *information and planning systems* deal with the relevance of market research, for example, and with more intensive (market-related) information processes for the internationalisation process (Yip, Biscarri and Monti, 2000). Furthermore, the connection between strategy formation and strategic planning is analysed (Andersen, 2004; Upton, Teal and Felan, 2001) or related to firm's success (Xu, Cavusgil and White, 2006). The same applies for formalisation and standardisation (Chae and Hill, 1997; Dibrell, Down and Bull, 2007). While planning processes are rather not formalised or standardised to a large extent in the initial internationalisation steps, this increases as internationalisation progresses. Obviously, the question of periodicity (the planning period related to international activities) can be assessed in a similar way.

Studies focusing on firms' *culture* discuss (global) leadership culture (Hmieleski and Ensley, 2007), cultural transfers (Brock et al., 2008), risk orientation and growth orientation of entrepreneurs (Weber and Hse, 1998; Acedo and Jones, 2007), and their attitudes towards foreign markets (Gripsrud, 1990). The situation is similar when looking at cultural-psychic distance (Brewer, 2007). However this relates to psychological processes, where it is assumed that changes to these processes take place over a longer period. The following hypothesis deals with the relation between the three dimensions over time:

H3: Internal international changes over time take place primarily in the firms' systems, followed by firms' structure, and least so in firms' culture.

Forming relations between the primary and secondary level is more difficult. Basically, firms develop continuously in their structure, systems and culture (see Mintzberg and Westley, 1992), even in the event of consolidation/stagnation (similar to Hadjikhani, 1997, who speaks of intangible commitment). Based on the behavioural-based models, the following can be hypothesised:

H4a: Firms that develop strongly/less strongly along the country dimension over time,

H4b: and those that develop strongly/less strongly along the establishment chain over time demonstrate differing extents of changes in structure, systems, and culture.

It is more problematical to provide evidence of the effects of the five paths on primary level of the

conceptual framework. Even if consolidation/stagnation and reduction are factored out, argumentation must be done carefully. It can be assumed that exclusive country expansion evokes lower changes in structure, systems or culture than two-dimensional expansion. The changes based on penetration could be located somewhere in between, but on the other hand, cultural aspects are related more strongly to country expansion. In this respect, the following hypothesis is formulated:

H5a: Firms that only develop by countries have smaller changes in structure, systems and culture than those that develop along the establishment chain.

H5b: Firms that only develop through the establishment chain have smaller changes in structure, systems and culture than those with two-dimensional expansion.

METHODOLOGY

Measurement of the Primary Level

The establishment chain was measured according to Calof and Beamish (1995), Chang and Rosenzweig (2001), and Manolova et al. (2002), and the country dimension according to Ruzzier, Antoncic, and Hisrich (2007). Here, managers were asked to state which modes and country groups they used or served today and ten years ago (see Figure 2).

--Figure 2--

Measurement of the Structural, Systemic and Cultural Dimensions

Many measurements of structural, systemic and cultural dimensions are not related to SMEs (see Meijaard, Brand and Mosselman, 2005). Nevertheless, the authors tried to apply approved measurements and scales/items adapted by face-to-face interviews and used as pre-tests. Cronbach's Alpha (each > 0.6) and explorative factor analyses were calculated for constructs measured with more than one item. In order to be able to compare constructs measured on the basis of individual items (see Bergquist and Rossiter, 2007, for example, on the acceptance of this procedure) with the factor-based constructs, arithmetical index values were formed for the latter (by summing the extent to which each activity was reported as being important and then dividing the summarised score by the total number of items). This approach

seems reasonable for behavioural-based analyses and reflective scales.

Organisational structure (Westney and Zaheer, 2005), centralisation and secondary structure were measured as conceptualised (Edström and Galbraith, 1977; Swoboda/Anderer, 2008) (see Figure 3). Formalisation was only measured in the context of the systems. Specialisation was neglected because the assumption of explicitly functionally differentiated systems does not really apply to SMEs.

Information gathering including reporting/controlling systems (Yip, Biscarri and Monti 2000; Mukheri et al., 2004), and the planning dimensions (Kellermanns and Eddleston, 2006) are systemic aspects. In the planning system (Wally and Baum, 1994; Upton, Teal and Felan, 2001), five aspects were measured (see Figure 4 and Swoboda/Anderer, 2008). The general culture, cultural transfer, and leadership characteristics were measured as conceptualised (see Figure 5).

--Figures 3 to 5--

Empirical Study Design and Sample

The empirical study uses a behavioural and retrospective design. This was a fundamental decision because the authors had access neither to detailed secondary data on SMEs, nor to panel-based options (with time and cost problems, panel availability, mortality, attrition; see Van de Ven and Huber, 1990; Solga, 2001). In spite of the shortcomings connected with the measurement of perceptions over time, this method is widespread in internationalisation research (Acedo and Jones, 2007; Freeman and Cavusgil, 2007). Basic knowledge of the situation ten years ago could be obtained by interviewing firms' owners, who are part of the top management and who have also lived through the firm's development in the long run. Possible recall errors in content or lack of detail in statements (Solga, 2001) were taken into account.

The authors contacted every fifth firm from a German address database and selected those where it was possible to identify the firm as being family-run or having had stable management over a longer period of time. Over two thousand questionnaires were sent out (after initial contact and ex-post phone calls), resulting in 261 questionnaires available (244 with information for both points in time measured, including 50 face-to-face interviews). A further 46 (belonging to a group) and 39 (national activities only or unstable management) had to be excluded from the study. Since this was a step-by-step process of

ten weeks without real time lag between sending out the questionnaires and their return, non-response bias should not be a critical issue. Nevertheless, key variables were compared between early to latest responding firms, and also tests between responding and non-responding firms (industry and if available number of employees and total sales) show insignificant ($p < 0.05$) differences (Armstrong and Overton, 1977).

The firms in the sample come from highly internationalised German industries, particularly mechanical engineering (35.2%), chemicals (24.1%), textiles/clothing (23.9%), polymer processing (10.0%), and miscellaneous (7.6%). The firms' size, measured in terms of current sales, was in 67.8% of cases under and in 32.2% of cases over 50 million Euros. 212 firms specified their foreign sales: 35.2% with a foreign sales ratio under 30%, 31.1% with a foreign sales ratio between 30% and 50%, and 33.7% over 50%.

HYPOTHESES TESTING AND DISCUSSION

Combined Patterns of Internationalization: Development Paths

The combination of developments over mode and country dimension was tested with the full sample (see Table 1). Of the 244 firms involved, the majority achieved positive international development, while 28 firms suffered a reduction of countries or modes.

The result in Table 2 goes beyond this. 22 firms reduced the number of regions, 19 restricted the modes. 123 firms demonstrated no changes in modes, 112 firms no changes in countries/regions. In 67 firms, both dimensions remained unchanged. This lends support to many results indicating that development is not only incremental, even if this is only the initial solution for subsequent tests.

--Tables 1 and 2--

Changes in Structure, Systems and Culture

Table 3 permits a holistic view, where the patterns are of interest in horizontal and vertical comparison, but less so looking at each individual value (which is why the F-values were only shown in addition).

The organisational structure changes least in the case of reductions, following by consolidation. The latter possibly indicates that there is a substantial proportion of internationally "stagnating" firms

in this group. Structural changes resulting from country expansion are in the middle. This is particularly connected to changes in the primary structure and in centralisation. The results obtained when comparing penetration and two-dimensional expansion are surprising because they contradict expectations. Structural changes are higher in penetration, with the exception of centralisation. The correlations between the three dimensions should be mentioned here because they amount to approximately ± 0.50 , which implies that there is remarkable interdependency between the changes in structural aspects.

--Table 3--

The effects in the systems are more linear (correlations between the partial systemic dimensions amount to more than 0.60, and for centralisation of planning more than 0.30). In the information system, all changes increase successively from reduction to two-dimensional expansion. The differences between penetration and two-dimensional expansion are marginal. The relative change in market research in the path of country expansion, where its main application should lie, is relatively low. Intensity of controlling increases most in penetration. The findings on planning system are similarly clear. The changes in intensity, periodicity and centralisation (the latter with increasingly lower intensities) are strongest in the last path, while changes in formalisation and standardisation are strongest in the second last path.

The results for culture are also largely according to expectations (correlations between the partial cultural dimensions mostly more than ± 0.30). General culture and cultural transfer changed more or less continuously – from the first to the third and fourth path, respectively. Change in leadership characteristics took place at a low level.

From the vertical-holistic viewpoint, the changes in systems are a little stronger than for structure. Cultural changes, particularly changes in leadership characteristics, are very slight, which supports the hypothesis formulated.

Specific Analysis of the Establishment Chain and of the Country Dimension

The changes in structure, systems and culture linked to change along the establishment change are shown in Table 4. The right-hand columns show initial set-up of a production subsidiary – with substantial changes to structure, information system and planning intensity – compared to initial adoption of other

modes (sub-groups of the overall sample form the basis here).

In change of modes, there are distinct changes in virtually all structural, systemic and cultural dimensions. The strongest (successive) changes are found in the information system, particularly in the relevance and intensity of market research and in use of controlling key figures. In planning system, some discontinuous changes are found, for example extent of formalisation and periodicity. In the structural dimension, successive change takes place depending on mode changes. In comparison, cultural-psychic distance decreases more in reduction of modes, i.e. change to a less direct mode with lower commitment obviously serves to bridge the cultural-psychic distance. Overall the effects are consistent (in stages), but with differing intensity for structure, systems and culture, respectively.

--Tables 4 and 5--

Changes in the country dimensions are shown in Table 5. Once again, the right-hand columns contrast selected crucial decisions, for example initial entry to an overseas market.

The results show the strongest changes in the information and planning systems. Surprisingly, changes in the structural and cultural dimensions are less strong in comparison. The differences in terms of cultural-psychic distance are not significant, although the opposite was expected here for the country dimension in particular. A glance at those firms with initial entry to an overseas market shows substantial differences, above all for change in structural and system dimensions. Centralisation, in particular, drops substantially, and aspects of secondary organisation gain importance. On the other hand, leadership characteristics barely change in comparison.

All in all, an incremental view of development in the country dimension shows largely consistent effects (in stages), but not quite as clearly as for the establishment chain.

DISCUSSION AND IMPLICATIONS

Key Results

The aim of the present paper was to analyse the perceived structural, systemic and cultural changes in relation to (1) development based on the country and/or establishment chain dimensions, (2) incremental developments in these two dimensions, and (3) selected crucial decisions, in a holistic way. Not surprisingly, Hypotheses 1, 2a and 2b are supported, as is Hypothesis 3. Hypotheses 4a and 4b, as well as 5a,

are slightly supported, and Hypothesis 5b must be rejected.

In detail, the results indicate – not particularly surprisingly – that firms developed internationally in different ways over time: phases of consolidation/stagnation, of country expansion or establishment chain penetration take place, as well as two-dimensional expansions or reductions. From a holistic "vertical" perspective, the data indicates that internationalisation processes result primarily in changes of systems and structure, while cultural changes take place rather slowly. The "horizontal" comparison of country expansion or establishment chain penetration shows stronger effects (on structure, systems and culture) caused by mode changes. In a comparison, the paths of country expansion and establishment chain penetration show similar results. The structural, systemic and cultural changes are not consistently stronger in the two-dimensional expansion path (compared to country expansion). Reductions and consolidation/stagnation (related to countries/regions and modes) also involve changes, which indicates an ongoing internationalisation process.

These holistic results, as well as the individual results, offer some initial implications for managers if they look at the change in sub-dimensions, such as centralisation and information system, or even question own behavioural or attitudinal aspects. Links to other studies can be suggested. Ghoshal's (1987) assumption that there is a greater degree of centralisation with increasing internationalisation cannot be verified, but the increasing importance of secondary organisation proposed by Caruana, Morris and Vella (1998) certainly can. Decreasing centralisation with increasing internationalisation supports the positive influence on knowledge generating and market penetration mentioned in Cummings (2004). In the distinct changes in information and planning systems the argumentation by Yip, Biscarri and Monti (2000) may also be reflected: The more systematically and advanced the internationalisation of firms, the more use is also made of systematic information and planning systems. In terms of culture, reference could be made to the changes in growth orientation and risk orientation, which have also been emphasized elsewhere (Harveston, Kedia and Davis 2000; Acedo and Jones, 2007).

Limitations and Further Research

Methodical limitations that were known before starting the study, but which could hardly be avoided, are related to the retrospective design based on managerial perceptions, as well as the use of less proven

scales that were checked in only a small number of interviews and by reliability analyses. Furthermore, possible biases from using single informants restrict the robustness and generalisability of our conclusions (see also Yip, Biscarri and Monti, 2000). In terms of content, limitation to family-owned firms and the unexplored effects of a change in management should be mentioned.

Nevertheless there are some interesting points of contact for further research. One example would be the inclusion of further dimensions on secondary level, such as changes in target systems and competitive or marketing strategy. A second example would be to consider internal and external determinants of development, which could provide a third level in the conceptual framework. This could relate to external and internal environmental variables according to Calof and Beamish (1995), as well as to success. A final example concerns the relation to the gestalt approach, which would imply a different conceptualisation of the primary level in the present framework. Modelling of individual stages (integrating modes and countries) in combination with the firm's success in each stage would help answer the question of internationally successful structure, systems and culture in a dynamic and integrative view.

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FIGURE 1: Conceptual Framework

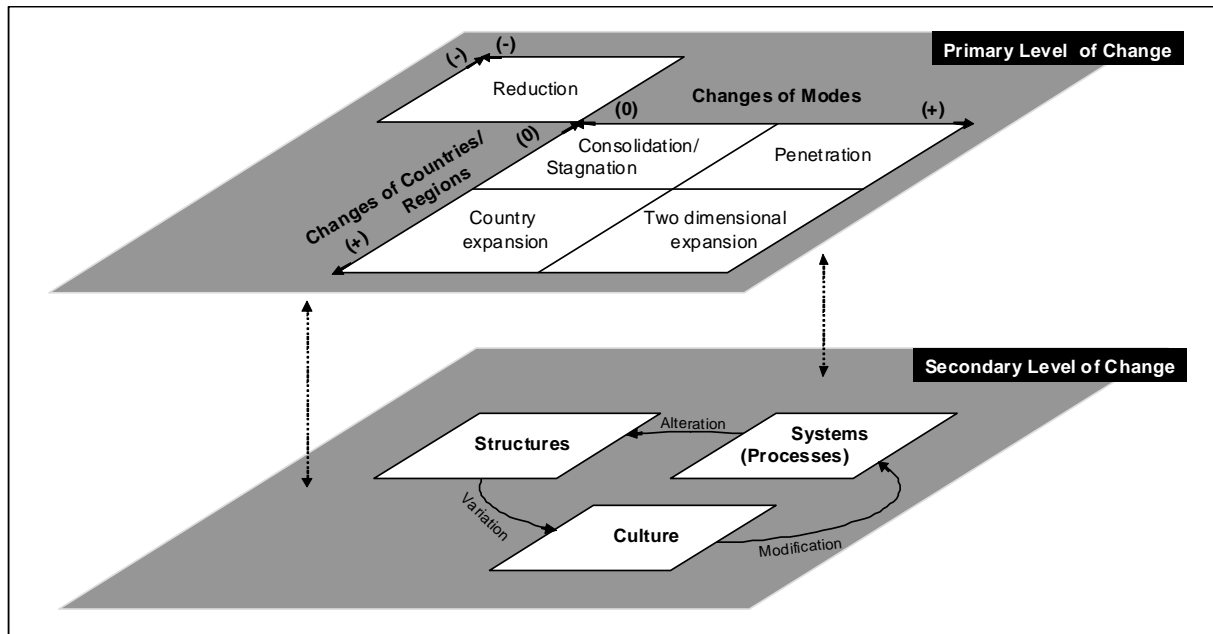


FIGURE 2: Measurement of the Primary Dimensions – Today and Ten Years Ago

Construct	Items
Establishment chain¹ - Dichotomous question (yes–no)	- Domestic operations only - Indirect exports - Direct exports (without own presence) - Direct Exports (with own presence/office) - Sales subsidiary - Owned production subsidiary
Country dimension² - Dichotomous question (yes–no)	- Operating domestically only - Operating in German-speaking neighbouring countries - Operating in Western Europe - Operating in Eastern Europe - Operating in one overseas market/region (e.g. North America, Asia) - Operating all over the world (three continents)

¹ Additional questions: relevance of each mode based on seven-point likert-type scales (1=not important at all to 7=extremely important), dominating mode, use of direct investments, number of foreign production subsidiaries.

² Additional questions: dominating mode in a region, number of countries entered, existence of a dominating country.

FIGURE 3: Measurement of the Structural Dimension – Differences Between Today and Ten Years Ago

Construct	Items
Primary (organisational) structure¹ - Dichotomous question (yes–no)	- No/only marginal reporting - Direct reporting to the headquarter in home country - Responsible export manager in home country - Responsible export division in home country - Holding structure - Resort and/or regional structure - Combined structure (e.g. matrix)
Secondary structure² - Seven-point likert-type scales (1=not important at all to 7=extremely important)	- International project teams - Cross-national work groups - International groups for exchange of experiences - International workshops
Centralisation³ - Alternative question (central–decentral–jointly)	- Selection of country markets - Market entry strategy to country markets - Investment/financial decisions - Engagement of sales persons - Allocation of executive positions - Extension of customer services - Reorganisation of international activities

¹ Interpretation of the seven items as a vertical scale (1=no/only marginal reporting to 7=combined structure).

² Aggregation to an arithmetical index value, i.e. by summing the extent to which each activity was reported as being important and then dividing the summarised score by the total number of items.

³ Interpretation of the number of mentions of „central“ as a vertical scale (1=only marginal to 7=extremely centralized).

FIGURE 4: Measurement of the Systemic Dimension – Differences Between Today and Ten Years Ago

Construct	Items
Information system (seven-point likert-type scales; 1=not important at all to 7=extremely important)	
Relevance of market research Intensity of (foreign) market research ¹	<ul style="list-style-type: none"> - Systematic foreign market research - Analysis of political/economic environmental factors - Analysis of country markets - Analysis of market opportunities - Information about developments of customer industries - Analysis of local competitive strategies - Analysis of fit between product and target market
Relevance of controlling Relevance of country reports ¹	<ul style="list-style-type: none"> - General relevance of (international) controlling - Regularity of foreign country reports - Reports on market developments (e.g. customer needs)
Use of controlling key figures ¹	<ul style="list-style-type: none"> - Turnover - Key figures on profits - Personnel key figures
Planning system (seven-point likert-type scales; 1=not important at all to 7=extremely important)	
Intensity of (foreign) planning ¹	<ul style="list-style-type: none"> - Planning of turnover/profits - Financial planning - Personnel planning - Timing/scheduling - Strategic/prospective planning
Formalisation	<ul style="list-style-type: none"> - Formal/written fixing of planning
Periodicity	<ul style="list-style-type: none"> - Existence of medium-term plans for internationalisation
Standardisation	<ul style="list-style-type: none"> - Standardisation of market planning
Centralisation of planning	<ul style="list-style-type: none"> - Direction of planning processes "top down".

¹ Aggregation to an arithmetical index value (see the legend in Figure 3).

FIGURE 5: Measurement of the Cultural Dimension – Differences Between Today and Ten Years Ago

Construct	Items
Firms culture (seven-point likert-type scales; 1=not important at all to 7=extremely important)	
General culture ¹	<ul style="list-style-type: none"> - Private contacts of staff members - Encouragement of unconventional ideas - Priority of group decision making compared to individual decisions
Cultural transfer ¹	<ul style="list-style-type: none"> - Active communication beyond departmental borders - Use of culture as management instrument - Transfer of culture to foreign countries - Influence of foreign national cultures at headquarter
Leadership characteristics (seven-point likert-type scales; 1=not important at all to 7=extremely important)	
Risk orientation ¹	<ul style="list-style-type: none"> - Equality of chances/risks leads to acceptance of decisions - Anticipation of customer needs rather easy
Growth orientation ¹	<ul style="list-style-type: none"> - Readiness to assume risk compared to retention - Abstinence of acquisition or displacement threats - Consistent growth and profit orientation - Consistent trust in own strength
Attitudes ¹	<ul style="list-style-type: none"> - Influence of market globalisation on firm - Encouragement of international orientation - Future of the firm in international markets
Cultural-psychic distance ¹	<ul style="list-style-type: none"> - No intentional travels abroad to get to know cultures/countries - Foreignness of Asiatic/South American culture - Problem of geographic distance to overseas markets

¹ Aggregation to an arithmetical index value (see the legend in Figure 3).

TABLE 1: Total Development of the Firms in Last Ten Years

Change of countries/regions	Change of modes		
	Reduction 29	Unchanged	Enlarged
	Unchanged	Stagnation/consolidation 67	Penetration 38
	Enlarged	Country expansion 48	Two-dimensional expansion 62

TABLE 2: Partial Development of the Firms in Last Ten Years

		Change of modes					
		Reduction	Unchanged	One-step increase	Two-step increase	Multi-step increase ²	Total
Change of countries/regions	Reduction	12	8	1	--	1	22
	Unchanged	7	67	18	4	16	112
	One-step increase	--	28	10	6	7	51
	Two-step increase	--	11	8	6	3	28
	Multi-step increase ¹	--	9	6	7	9	31
	Total	19	123	43	23	36	244

¹ Including five and ²eleven firms with stronger than three step changes.

TABLE 3: Structural, Systemic and Cultural Dimensions in Analytical Paths

	Reduction(5)	Consolidation(1)	Expansion(2)	Penetration(3)	Combination(4)	F-Value	Sig
N ¹	29	67	48	38	62		
Structural dimension							
Primary structure	0.48	0.70	1.15	1.61	0.73	4.06	0.003
Secondary structure	0.88	1.07	0.71	1.89	1.50	6.72	0.000
Centralisation	-1.17	-0.81	-1.57	-2.20	-2.34	5.27	0.000
Systemic dimension							
Information system							
Relevance of market research	0.07	1.19	1.00	1.82	1.89	12.70	0.000
Intensity of market research	0.16	0.87	1.27	1.73	1.86	16.23	0.000
Relevance of controlling	0.17	0.91	1.47	2.05	1.92	13.13	0.000
Relevance of country reports	-1.93	0.85	1.51	2.32	2.00	9.19	0.000
Use of controlling key figures	0.07	0.57	0.84	1.32	1.43	9.67	0.000
Planning system							
Intensity of foreign planning	0.28	1.05	1.08	1.77	1.83	12.61	0.000
Formalisation	0.38	1.12	1.32	2.05	1.78	7.51	0.000
Periodicity	0.76	1.30	1.43	1.74	1.98	4.55	0.001
Standardisation	1.00	0.90	1.34	1.61	1.49	2.62	0.036
Centralisation of planning	-1.75	-1.31	-0.91	-0.95	-1.41	1.42	ns
Cultural dimension							
Firms culture							
General culture	0.66	0.70	1.03	1.11	1.00	2.00	0.095
Cultural transfer	0.59	0.45	0.64	0.83	0.86	2.06	0.087
Leadership characteristics							
Risk orientation	0.03	0.25	0.21	0.11	-0.05	0.75	ns
Growth orientation	-0.17	-0.21	-0.22	0.15	0.28	3.28	0.012
Attitudes	0.85	0.86	1.44	1.64	1.64	7.27	0.000
Cultural-psychic distance	-0.75	-0.45	-0.53	-1.16	-1.13	2.11	0.081

¹ Differences of assessments (today and ten years ago, seven-point likert-type scales); marginal variation of population.

TABLE 4: Change of Structural, Systemic and Cultural Dimensions in Relation to the Establishment Chain

	Steps de-crease	No change	One-step increase	Two-step increase	Multi-step in-crease	Sig ²	Other modes ³	Produc-tion sub-sidiary ³	Sig ²
N ¹	19	126	41	22	33		60	51	
Structural dimension									
Primary structure	0.84	0.83	1.14	1.05	1.27	ns	0.63	1.65	**
Secondary structure	1.18	0.90	1.37	1.56	2.02	*	1.05	2.14	**
Centralisation	-1.89	-1.06	-1.93	-2.36	-3.44	**	-1.45	3.24	**
Systemic dimension									
Information system									
Relevance of market research	-0.01	1.06	1.59	2.04	2.01	**	1.44	2.14	**
Intensity of market research	-0.01	0.98	1.59	1.91	2.02	**	1.58	1.94	**
Relevance of controlling	0.26	1.06	1.54	2.14	2.35	**	1.58	2.22	**
Relevance of country reports	0.16	0.56	1.78	2.09	2.53	**	1.77	2.33	**
Use of controlling key figures	0.01	0.64	1.04	1.02	2.00	**	0.91	1.75	**
Planning system									
Intensity of foreign planning	0.58	0.96	1.61	1.85	2.04	**	1.49	2.02	**
Formalisation	0.68	1.09	1.98	1.38	2.09	**	1.74	1.94	*
Periodicity	1.05	1.27	1.91	1.91	1.74	*	1.72	1.86	*
Standardisation	1.42	1.01	1.32	1.19	2.06	**	1.42	1.31	ns
Centralisation of planning	-2.58	-1.07	-1.05	-0.77	-1.59	**	-1.02	-1.35	*
Cultural dimension									
Firms culture									
General culture	1.01	0.78	0.95	0.86	1.22	ns	0.70	1.28	*
Cultural transfer	0.95	0.48	0.68	0.80	1.05	**	0.54	1.05	*
Leadership characteristics									
Risk orientation	-0.57	0.25	0.17	0.31	0.33	**	0.31	-0.17	*
Growth orientation	-0.13	-0.19	0.27	0.22	0.13	*	0.27	0.11	ns
Attitudes	1.27	1.06	1.50	1.77	1.70	**	1.72	1.50	ns
Cultural-psychic distance	-1.27	-0.42	-0.94	-1.00	-1.33	**	-1.07	-1.06	ns

¹ Differences of assessments (today and ten years ago, seven-point likert-type scales); marginal variation of population.

² *p ≤ 0.05; **p ≤ 0.01; ns=not significant; F-values.

³ Comparison of firms who established a new mode or a production subsidiary for the first time.

TABLE 5: Change of Structural, Systemic and Cultural Dimensions in Relation to the Country Dimension

	Steps de- crease	No change	One- step increase	Two- step increase	Multi- step in- crease	Sig ²	Europe ³	Over- seas ³	Sig ²
N ¹	22	112	51	25	24		48	66	
Structural dimension									
Primary structure	0.27	1.04	0.98	0.48	1.25	ns	0.33	1.32	**
Secondary structure	0.74	1.36	1.04	0.65	1.78	*	0.51	1.52	**
Centralisation	-1.68	-1.24	-0.67	-1.15	-2.19	*	-0.51	-2.92	**
Systemic dimension									
Information system									
Relevance of market research	-0.14	1.36	1.57	1.04	1.76	**	1.07	1.77	*
Intensity of market research	-0.03	1.15	1.62	1.14	2.13	**	1.33	1.83	*
Relevance of controlling	-0.14	1.30	1.75	1.36	2.08	**	1.46	1.92	*
Relevance of country reports	-2.81	1.34	1.65	1.60	2.28	**	1.39	2.07	*
Use of controlling key figures	0.15	0.80	1.16	0.80	1.54	**	0.98	1.30	ns
Planning system									
Intensity of foreign planning	0.07	1.32	1.42	1.06	1.88	**	1.10	1.68	*
Formalisation	0.18	1.42	1.62	1.56	1.46	**	1.33	1.71	ns
Periodicity	0.41	1.48	1.62	1.80	1.82	**	1.05	2.14	**
Standardisation	0.91	1.17	1.34	1.40	1.57	ns	0.90	1.75	*
Centralisation of planning	-1.00	-1.36	-1.20	-2.35	-3.07	**	-0.10	-1.89	**
Cultural dimension									
Firms culture									
General culture	0.52	0.86	0.79	1.22	1.27	*	0.64	1.27	*
Cultural transfer	0.38	0.64	0.57	0.72	1.06	ns	0.33	1.00	**
Leadership characteristics									
Risk orientation	0.33	0.15	0.01	0.64	-0.39	**	0.24	-0.05	ns
Growth orientation	-0.23	-0.03	-0.30	0.14	0.33	*	-0.52	0.30	**
Attitudes	0.64	1.13	1.67	1.67	1.56	**	1.44	1.76	ns
Cultural-psyhic distance	-0.79	-0.71	-0.99	-0.68	-0.56	ns	-0.71	-0.94	ns

¹ Differences of assessments (today and ten years ago, seven-point likert-type scales); marginal variation of population.

² *p ≤ 0.05; **p ≤ 0.01; ns=not significant; F-values.

³ Comparison of firms who entered European or overseas markets for the first time.