

Strategic types in SME internationalisation – Evidence from a European Sample

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ABSTRACT

The construct of international strategy has received limited attention in international business studies, which have historically mostly focused on specific issues, such as the standardisation/adaption choices, the integration/responsiveness alternatives, the selection of foreign location and entry modes. Reviews in the field (Ricart et al. 2004; Melin, 1992) emphasize the lack of research into strategic foundations regarding both conceptual and empirical work. In the same vein, Bell et al. (2004) note a general absence of “strategy” research in the SME sector. This paper responds to the call about developing studies in the field of SMEs “generic” international strategy building on the construct of strategic orientation that influences both the process of strategy formation as well as the content of strategy. Furthermore, it seems to suit well SMEs’ strategic behaviour that frequently might lack strategy formalization but does not necessarily equate to the “absence of strategizing” as Bell et al. (2004) note.

We provide a theoretical analysis of the topic followed by an empirical section, aimed at mapping “strategic typologies” in IB, with special attention to SMEs. The objective of the paper is twofold: first, by employing cluster analyses we try to map strategic orientations in SMEs across four European countries, namely Finland, Greece, Switzerland and Italy. Second, we aim to link the strategic profiles with the internationalisation behaviour of the identified groups. The emerging strategic clusters are described and a cross-country comparison is provided.

The findings permit to identify some strategic typologies, which are in part common to different countries, even though relevant country specificities have been found. In general the universe of international SMEs is not isomorphic from a strategic orientation point of view, neither necessarily “reactive” nor “opportunistic at best”.

Keywords:

SME strategic types, international strategy, SME internationalisation, strategic orientation

INTRODUCTION

There is a general gap as to the strategy – internationalisation linkage as has been highlighted in two reviews. Ricart et al. (2004) in a recent review of 84 papers published in JIBS from 1970 to 2003, identify only 11 that dealt somehow with overall strategic issues. Also the review by Melin (1992) in the field of international business studies emphasizes the missing link between internationalisation and strategy both on a conceptual and on a practical level. He also highlighted the deterministic and static nature in most contributions. Additionally, in almost all of the reviewed contributions the large multinational company is at the center of attention, while SMEs international strategy has been an even more neglected research field (Bell et al., 2004). At the beginning, SME internationalisation research has mainly concentrated on the exporting choice and determinants of export performance and has been described for it “autonomous and un-coordinated efforts” (for reviews see Zou & Stan, 1998; Miesenboeck, 1988; Aaby & Slater, 1989). Coviello and McAuley (1999) in their review note that the SME internationalisation literature is evolving and becoming increasingly integrative in nature. However, also the more process-oriented work has predominantly examined single dimensions of international strategy such as entry modes, the dimensions of speed and scope of internationalisation, entrepreneurial attributes, or the kind of internationalisation process.

The lack of research into “general” SME strategy might be partially explained by the fact, that SME behaviour has been described as essentially unplanned and reactive (Bilkey & Tesar, 1977) or at best opportunistic (Westhead et al., 2002). However, Bell et al. (2004) note that “the absence of an explicit and formal strategy does not equate to the lack of strategic vision, whether or not this involves a global focus.” In the same vein, Welch and Welch (1996) emphasize the “strategic foundations” of the firm (including knowledge, skills and experience etc.) and identify planned and unplanned routes to internationalisation. Also, the emerging international entrepreneurship literature goes in this direction: it postulates a proactive, innovative and risk-taking attitude of small firms towards foreign market opportunities and provides empirical evidence of their ability to elaborate and implement internationally oriented strategic choices. Although the change in internationalisation behaviour of SMEs has been widely recognized both on the academic but also on the political level, analyses on the *differentiated* strategic orientations of SMEs on international markets are missing.

Our contribution is aimed at mapping strategic types in internationally oriented SMEs in four European countries and linking them to internationalisation behaviour. It addresses a gap in literature in that it puts its primary focus on general strategic orientations and their driving

factors which are at the roots of decisions regarding responsiveness/integration, country and mode selection etc. It also partially addresses the issue of a process view of international behaviour, because some variables included in the empirical investigation are of dynamic nature (experience, sequences of countries, export ratios etc.). It fits with a generally intended RBV frame, inclusive of the impact of capabilities, experience and key human resources, which in SMEs tend to coincide with the entrepreneur (entrepreneurial team). Finally it provides insight into different country's internationalisation behaviour and thus contributes to cross-country SME internationalisation research.

The structure of the paper is as follows: first, we provide a literature review of extant research on key dimensions of the strategy construct, especially the strategic orientation dimension and its links with competitive and functional strategies. Secondly, the results of an empirical investigation into the strategic behaviour of SMEs in Italy, Finland, Greece, and Switzerland are presented. The paper concludes with a cross-country discussion and implications for further research.

LITERATURE REVIEW: THE CONSTRUCT OF STRATEGIC ORIENTATION AND ITS TYPOLOGIES

Much research effort has been dedicated to strategic orientations – understood as critical means for firms to survive and prosper in a competitive environment - but so far no definitive view on the ontology and conceptualisation of the strategic orientation constructs has been agreed upon.

Very broadly, Zhou et al. (2005), have defined strategic orientation as the business direction and objectives that the top management of a firm wants to achieve. Noble et al. (2002) see strategic orientations as representing the elements of the organizations' culture that guide interactions with the marketplace, both with customers and competitors. Their competitive culture approach is based on the “belief that there is a deep, culture-driven characteristic of an organization that influences both, the internal processes of that organization as related to marketing and strategic thinking and the strategies that emerge from that organisation” (Noble et al., 2002, p 27). The definition by Gatignon and Xuereb (1997, p 78) of “ strategic directions implemented by a firm to create the proper behaviours for the continuous superior performance of the business” is a more flexible and less culture-like view of strategic orientation and is adopted in this paper.

There is a large variety of strategic orientation constructs emerging from four distinct research streams, namely strategic management, strategic marketing, (international) entrepreneurship,

and export performance research each of which has a set of proper (and frequently overlapping) constructs. We will first define and review these existing constructs and then try to evidence similarities and common approaches.

The strategic management stream of research

This stream of research mainly follows the Miles and Snow (1978) typology. They have conceptualized strategic orientation in terms of reactors, defenders, analyzers, and prospectors. Whereas reactors lack a consistent strategy, defenders adopt a conservative view of strategy and hold a secure market position often in stable and narrow product or market domains with particular customer groups and established structure. Prospectors, in contrast, emphasize innovation and change and strive to compete mainly by exploring new market opportunities, emerging trends, and technology. They typically maintain an aggressive competitive position and tend to be industry pioneers. Defenders and prospectors thus constitute two ends of a continuum of strategic proactiveness. Analyzers, being the combination of prospector and defender orientation fall in the middle of this continuum. They share elements of defender and prospector firms by maintaining both, a secure position in a core market while seeking new market positions.

The strategic marketing stream of research

Most of the existing literature emerges from the market orientation research, originally developed by Kohli and Jaworski (1990) and Narver and Slater (1990), and further refined by many scholars (ie Gatignon & Xuereb, 1997; Noble et al., 2002). Strategic orientations investigated in this line of research include market orientation (customer and competitor orientation), technological or innovation orientation, entrepreneurial orientation, learning orientation, production orientation and selling orientation. There is an impressive body of research on market orientation. Also technology and entrepreneurial orientation have gained much research attention in this arena, whereas the remaining constructs, such as production and selling orientation have received little research interest.

The (international) entrepreneurship stream of research

Most of the extant body of research in this stream originates from the studies on entrepreneurial posture introduced by Covin and Slevin (1990, 1991) and Lumpkin and Dess (1996). The construct has received much interest relative to its international dimension with the emergence of the so-called international new ventures or born globals and the

international entrepreneurship research. Consequently, this stream, contrary to the above mentioned ones, has a relatively well developed body of findings in the international context (eg. Oviatt & McDougall, 1994; Zucchella & Scabini, 2007; for a review see Rialp et al., 2005). The construct of entrepreneurial posture mainly used in research is built on three key dimensions, that is innovativeness, proactiveness and risk-taking. Recent works by Nummela et al. (2005) and Jantunen et al. (2008) introduce the concept of international growth orientation.

The “export performance” stream of research

With the increasing international integration and the involvement of small and medium-sized enterprises on international markets, the international dimension of firm performance has gained much interest in the export performance research. This is reflected in a large body of literature that tried to identify antecedents and drivers of export performance. In this context, mainly the dichotomy of proactiveness or reactivity, and managerial characteristics and their performance consequences have been stressed. “Orientation” as a term has been used rarely but is implicitly present in almost all of the research approaches, when assuming that orientation can be interchangeably used with the propensity/willingness/motivation to internationalize or the commitment to foreign market expansion. However, this stream has failed to conceptualize and test a comprehensive theoretical construct of strategic orientation (with the exception of Dichtl’s et al. 1990 “international orientation” that concentrated on the psychological aspects of the orientation construct).

From the above listed streams of research results a typology of firm strategic orientations: market orientation, innovation (technology) orientation, entrepreneurial orientation, production orientation and selling orientation, and “international orientation”. In the following section we shall shortly describe their main characteristics, according to the literature contributions.

The customer/market orientation concept can be traced to the 1950s when Drucker (1954) argued that customers should be the foundation of an organization and the reason for its existence. Researchers in marketing have extended on this idea creating what is known as the market orientation concept and the belief that customer orientation is an essential part of it. Researcher in this field of *market orientation (MO)* suggest it is a set of specific behaviours and activities (Kohli & Jaworski, 1990), a resource (Hunt & Morgan, 1996), a basis for decision making (Shapiro, 1988), a mechanism of choice and resource allocation (Ruekert, 1992) or an aspect of organizational culture (Day, 1994; Deshpandè et al., 1993; Slater &

Narver, 1995). It places the highest priority on the superior customer value creation and delivery that lead to continuous superior performance for the business (Narver & Slater, 1990). MO includes two major subdimensions: customer and competitor orientation. Market orientation thus is distinguished primarily by attitudes towards customers and competition.

Innovation (sometimes labeled technology) orientation (IO) is present when organizations implement new ideas, products or processes (Hult & Ketchen, 2001). It is associated with investments in technological leadership and with high quality products (Fritz, 1996; Gatignon & Xuereb, 1997). Innovation affects positively the firm's long-term success as it enhances organizational flexibility, willingness to change, and the introduction of new products while decreasing organizational inertia (Hult et al., 2004; Gatignon & Xuereb, 1997). An innovation or technology orientation suggests that consumers prefer technologically advanced products and services.

Scholars have agreed that *entrepreneurial orientation (EO)* is a combination of three dimensions, that is innovativeness, proactiveness, and risk-taking (eg. Lumpkin & Dess, 1996). Miller (1983, 771) summarizes the characteristics of an entrepreneurial firm as a business that “engages in product market innovation, undertakes somewhat risky ventures, and is first to come up with “proactive” innovations, beating competitors to the punch.” Entrepreneurial orientation thus promotes the renewal of existing practices and the pursuit of new opportunities.

In a somewhat fragmented body of literature alternative strategic orientations have been investigated or anecdotally reported. Keith (1960) in an early effort describes a firm's evolution from production, sales to marketing orientation, Pelham compares market and sales orientation (2000), Noble et al. (2002) and Zhou and Li (2007) anecdotally describe production and sales orientation as additional viable options that firms can employ.

Product orientation (PO) is based on the pursuit of production and other operating efficiencies that will produce widely available and relatively inexpensive products and services, thus attracting consumers (Kotler, 2000). With this kind of orientation firms aim at improving their production efficiency, minimize costs, and develop mass distribution to establish competitive advantages (Fritz, 1996; Noble et al., 2002). The tradeoff inherent in this orientation is obvious. Internal operational efficiency and productivity focus may reduce a firms' innovation ability and may not permit to enhance product quality or exploit customer satisfaction (Kotler, 2002). A production orientation in terms of delivering reasonable quality at the lowest price however might be highly effective in some contexts eg in emerging markets such as China, as is suggested by Zhou and Li (2007).

A *selling orientation* is characterized by aggressive sales and marketing to achieve fast returns and maximize market share (Noble et al., 2002). Firms exhibiting such an orientation pursue market share expansion and short-term sales maximization when contemporaneously investing heavily in promotion and distribution (Zhou & Li, 2007). In contrast to the market (customer) orientation that puts the customer in the first place and aims at maximising long-term relationships, the selling orientation aims at fast returns through hard-sell tactics, at the possible expense of long-term relationship building. Such an orientation might hurt customer loyalty and repeat business and in the end long term success (Kotler, 2002). Noble et al. (2002) report success of this orientation in the US for the retail industry, and similarly do Zhou and Li (2007) with examples from China, again suggesting that this orientation in specific contexts presents a viable option.

The increasing importance of export performance to business performance in general has led to a substantial body of findings regarding “*international orientation*” in export performance research, but has not supplied an underlying unifying theoretical framework. However, it adds interesting insight regarding the international dimension that the previously described key constructs in general have neglected. Early research centered on the firm’s propensity/willingness/ motivation to export (Cavusgil & Nevin, 1981; Dicht et al., 1990; see Aaby & Slater, 1989, for a review). Studies report that motivation to exporting expressed by either proactiveness or reactiveness is a consistent predictor of good export performance (Dean et al., 2000). Johnston and Czinkota (1982) find the proactive exporter performing better in terms of sales volume, following more coherent export marketing strategies and to be more market oriented than are reactive firms. This is in line with findings of June and Collins-Dodd (2000) who report proactive approaches the most successful. Researchers thus have used this categorization to discern the strategic – international – orientation of the firm.

The different typologies of strategic orientation may have some common traits and the distinctions among them are not always clear-cut. Frequently for example, innovation has been considered part of market orientation. Jaworski and Kohli (1996, p 56) eg suggested that “a market orientation essentially involves doing something new or different in response to market conditions, it may be viewed as a form of innovative behaviour” and thus propose MO being an antecedent to innovation. Slater (1997, p 16) advances the idea that “successful innovation is the product of a market-oriented culture coupled with entrepreneurial values” and thus includes entrepreneurship in market orientation. Synergetic effects between alternative orientations have been found also empirically. Firms that scored high on MO frequently were characterized as also more entrepreneurial, and firms that adopted both MO

and EO achieved superior performance (Atuahene-Gima & Ko, 2001; Luo et al., 2005; Miles & Arnold, 1991). MO and IO have shown that they positively combine to product innovation and performance. Han et al. (1998) find that innovation mediates the relationship between MO and performance.

We thus draw the conclusion that the concepts share many similarities one of them being also to lack clear boundaries and combining complementary approaches.

THE LINK BETWEEN STRATEGIC ORIENTATION AND STRATEGIC BEHAVIOUR

Notwithstanding the fact that strategic orientations have been identified in all research streams as an important theoretical construct, there has been limited research work on the relationship with both the generic competitive and the functional strategies pursued by firms. Slater and Narver (1996, p 59) for example propose that “understanding the link between market orientation and strategies....is important to our comprehensive appreciation of market orientation’s contribution to organizational effectiveness”. Morgan and Strong (1998) suggest that market oriented activities must be articulated by the firm in a way that allow leverage of performance and that this can be achieved by strategic means. We propose that these views hold for any strategic orientation. Hurley and Hult (1998) argue that orientation can be manifest at various levels in an organization, ie the firm’s strategy, processes, and behaviours. If we are working on the assumption that strategic orientations influence organizational behaviour, those behaviours might become manifest in strategies leading to competitive advantage that ultimately influences performance. Peng (2001) eg states that competitive advantages originate from innovative and proactive orientation. And finally, Mintzberg and Water’s (1985) view of strategy formation and its different notions such as eg the entrepreneurial, deliberate and emergent seem to combine well with the idea of a strategic orientation that influences both the process of strategy formation as well as the content of strategy. Strategy under this view is the vehicle through which orientations become visible.

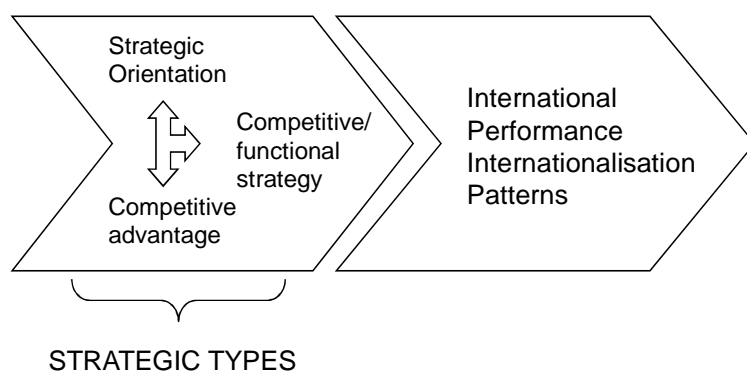
As is clear from the above, different strategic orientations assume firms (that is managers/teams) to anticipate and to react to internal and external factors in various ways and this affects the way in which opportunity identification (recognition) and exploitation takes place. A differentiation strategy that requires thorough understanding of customer needs and competitors positioning to achieve differentiation advantages thus suggests a customer and competitor orientation as well as innovation. Homburg et al. (2004) in line with Narver and Slater (1990) argue that market orientation has a strong link with differentiation, Pelham and

Wilson (1996) confirm this view for the SME. The focus strategy is a viable option when the firm is “able to serve its narrow strategic target more effectively or efficiently than competitors who are competing more broadly” (Porter, 1980, p 38). These firms must understand thoroughly the needs of their target customers, thus it is likely to be associated with customer orientation. Since the niche offers protection from competition, competitor orientation might be of less importance (Frambach et al., 2003; Campbell-Hunt, 2000). Also, Luostarinen and Gabrielsson (2002) find focus strategy and customer orientation to be key in Born Global strategies. Innovation orientation has been found to be involved to a lesser extent by Zahra (1993) and to no extent by Campbell-Hunt (2000) in focus strategies. As regards functional strategies, entrepreneurial and market-oriented companies for example could be expected to put more emphasis on marketing in general and promotion in particular (Hambrick, 1983; Miles & Snow, 1978; 1986, Buzzel & Gale, 1987) as compared to product-oriented businesses.

Different strategic orientations consequently can be expected to vary in their extent of valuing different competitive and functional strategies and to be facilitated by their different competitive advantages. Just as we expect that businesses with different strategic orientations vary in their strategies, we also expect that they view marketing elements differently.

An approach that is able to investigate synergies and complementary mechanisms among these various aspects might help to find some further insight on SMEs’ way to strategizing. We thus decided to follow a holistic approach in order to uncover strategic SME types and to integrate simultaneously strategic orientations, strategy, and competitive advantage. into our conceptual framework.

Figure 1: Conceptual framework



Therefore the final framework useful for empirical identification of strategic types out from data is defined as a set of variables regarding:

- *strategic orientation*, operationalized with key items relative to dimensions of alternative strategic orientations, motivations for internationalisation, and management attitudes and characteristics;
- *sources of competitiveness/competitive advantages* expressed by product/technology/price and/or marketing advantages;
- the *firm's competitive and functional strategy*, operationalizing the niche/differentiation/cost-leadership strategy and the degree of standardisation/adaptation in major markets.

RESEARCH DESIGN

We are reporting cross-country findings related to the strategic profiles and their potential association with internationalisation behaviour of SMEs in four European countries, namely Italy, Finland, Greece and Switzerland. These countries were chosen because they represent a variety of European realities with different levels of economic characteristics and degrees of firm internationalisation. The research has been carried out on data gathered through a structured questionnaire with closed questions. It was pretested locally and translated into the respective country languages in order to increase understanding and enhance response rates. Representative samples of international small and medium-sized firms were drawn from national company registers. The target respondent was the CEO or the most knowledgeable manager regarding international activities. The mail surveys took place in the period from late 2006/early 2007 in the case of Finland, Italy and Greece to early 2008 in Switzerland, respectively. Response rates varied from 18 to 33 % across the countries and can be considered acceptable (Harzing, 2000 a). No significant differences were found between respondents and non-respondents based on criteria including size and international activities of the firms.

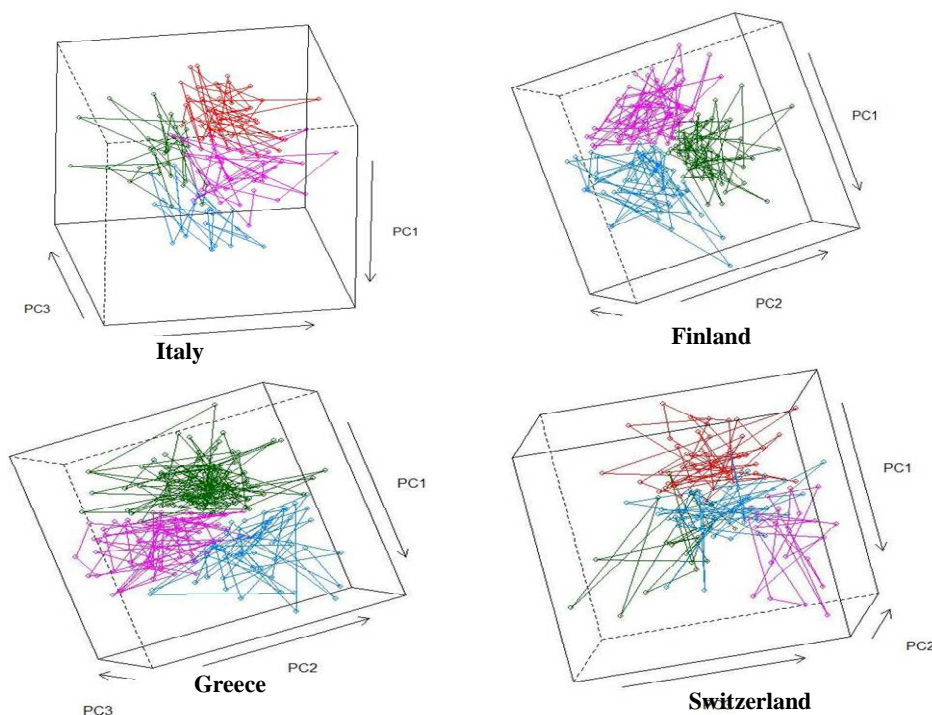
Multi-item, 5-point-Likert scales (for a total of 72 variables) were used to operationalize the constructs of strategic orientations (see Appendix for examples), competitive/functional strategy, and competitive advantage (see Appendix for examples).

Cluster analysis, being a structure-discovering analytical method, has been employed in order to detect *homogenous strategic groups*. It is a commonly used statistical technique in a variety of disciplines when classification of subjects (such as firms) is the objective. Clustering has been used in order to develop taxonomies in strategy research by Dess et al. (1993), Zahra and Covin (1993), Slater and Olson (2001), Kabanoff et al. (2008) among others. In an international context it was applied for example by Morrison and Roth (1992) who used the

technique to detect business strategies in global industries, and Harzing (2000 b) who used it to empirically test and extend the Bartlett and Ghoshal typology of MNCs.

Cluster analysis has played a key role in research because it allows for the inclusion of multiple variables as sources of configuration definition and therefore enables potentially rich descriptions (Ketchen & Shook, 1996). Despite this strength, cluster analysis has been criticized for its reliance on researchers' decisions or for cluster results that may not reflect any real conditions but instead may simply be statistical artifacts (Thomas & Venkatamaran, 1998). As with any technique, however, the results obtained are only as good as its implementation and the theoretical rationale behind it. Therefore, in applying the technique we have strictly followed the recommendations of methodologists (Ketchen & Shook, 1996; Punj & Stewart, 1983). We applied a two-stage procedure by means of a non-hierarchical cluster and k-means cluster. The former, based on the Euclidean distance and on the Ward method, allowed us to hypothesize the suitable number of clusters since no a priori information was available. The latter approach searches for the best configuration of the predefined groups allocating the more similar observations into each cluster. From the several applications of the above explained procedure we came up with three to four consistent and statistically significant groups* (see figure 2 below). In all cases analyses followed the recommended cluster solutions indicated by SPSS and R respectively.

Figure 2: Cluster representations – Italy, Finland, Greece, Switzerland



- ** The cluster representations were obtained using 3 principal components.
- * Even with a high number of variables with regard to observations, we obtain clusters which interpretation is reasonable and consistent

The identified clusters in all countries are posited as representing distinct strategic orientations, in that they stand for “sets of entities sufficiently similar to each other and sufficiently different from entities in other such sets that they are separately delimited and named” (Chrisman, Boulton & Hofer, 1988, p 415).

EMPIRICAL ANALYSIS

In the following, we will briefly present the four countries’ cluster analyses and the identified strategic SME profiles. Strategic types will be associated with data regarding the internationalisation characteristics of the single clusters in order to detect potential differences. Finally, a cross-country comparison will be provided.

Italy

The first cluster is the *customer-oriented* group of firms, that follows a *niche strategy* and is somewhat naturally international. A niche strategy necessitates and enables small firm internationalisation in a large number of target markets (Zucchella & Palamara, 2007; Calori et al., 2000; Balgic & Leeuw, 1994). The cluster ranks highest on items that define a niche strategy such as “our products serve a specialized need”, “customers perceive our product as a more specialized product” and “our markets are small but we have many target markets”.

Descriptive statistics support the niche-interpretation (see table 1 below): the group is characterized by the highest export ratio across all groups and is consequently largely dependent on internationalisation. Hand in hand with its strategy goes its considerable number of export markets that is still being expanded. The niche is built on the key assets of a strong customer orientation, in terms of customer (and competitor) knowledge, satisfaction and experience.

In line with research regarding the niche strategy and related standardisation/adaptation practice, cluster 1 firms’ offering is standardized, serving a large number of homogeneous global segments. Neither brand, nor packaging and design, nor product features in general are adapted.

The drive towards internationalisation comes from managerial capabilities: within the cluster, international orientation, experience, mindset and commitment ranks highest. As is posited by the strategic management/resource based view, the fit between strategy and capabilities (Day,

1994) leads to competitive advantage: in this group of firms, managerial capabilities and customer knowledge, together with the targeting of highly specialized niche markets and a greater propensity to use networks suggest that these firms have a superior fit between capabilities and strategy than their counterparts in the other clusters.

The second strategic cluster could be described as being “stuck in the middle”. In this group no definite strategic profile is emerging, no clear picture of strengths and weaknesses, no definition of competitive competences and assets. The firms seem to look and/or wait for a vocation or – right from the beginning – for motivation. The *absence of a definite strategic orientation* already starts with absence of motivation: neither reactive nor proactive motivations for internationalisation are considered relevant to the companies in this group (this group’s orientation might be primarily domestic, as number of markets and export ratio are suggesting; see table 1 below).

Along with this lack of a clear “reason-why” or commitment to internationalisation, management competences seem to constrain the strategy definition: Not a single item operationalizing managements’ drive and competence to internationalisation is ranked high within this cluster. Putting these factors and their comparatively low export ratio and the limited number of export markets together, this might be the group of opportunistic exporters with no clear objectives and consequently no clear strategy formulation and resource allocation.

Cluster 3 firms are best described as being the *entrepreneurial-growth oriented* group of firms. This cluster’s orientation is being reflected in high cluster rankings on all performance- and growth-oriented items across all investigated areas. Performance data from the clusters’ demographic profiles below (see table 1) confirm this view, showing a high and the most quickly growing export ratio across all clusters.

Cluster rankings also show high satisfaction with competitive advantage/positioning. Businesses in this group seem to enjoy both, successful definition and exploitation of competitive advantage. This advantage lies in *innovation and quality-orientation* (most strongly emphasized development of new products and services, new production technology as well as quality orientation, customer satisfaction) again expressing superior internal capabilities and key assets (e.g. Calori et al., 2000; Bell et al., 2004).

The entrepreneurial dimension of these firms is explained also with consistently superior values on management characteristics indicating an *entrepreneurial attitude* but also with the fact that growth topics can be related to *opportunity seeking and risk-taking* (number of countries/expansion to new markets) and the drive towards innovation as described above

(e.g. Knight, 2000; Zucchella & Scabini, 2007). Thus, this group is best described with an overall proactive attitude more than with an adaptive approach.

As is the case in cluster 1, these companies due to the fit between capabilities and strategy realize a competitive advantage that leads to outperform their competitors in their foreign markets and differentiate them from their counterparts in cluster 2 and 4.

Cluster 4 companies are characterized by a strong *product-orientation*.

They show consistently the lowest values along the dimensions investigated. The firms however are relatively intensive internationalisers with consistent growth rates.

Looking at within-cluster values, the topic of communication with all its sub-items and distribution policy is ranked unimportant. Putting together these factors with those ranked highest - quality of service/product and in-time delivery and a certain emphasis on manufacturing - one might suggest an orientation based on efficient production towards a limited number of customers or a narrow line of specialty. In this cluster an inward looking strategic attitude goes together with a high specialization in terms of specific production and service skills, leading to industry reputation for quality.

Table 1: Italy - Clusters' demographic/internationalisation characteristics

		Cluster 1 – customer orientation	Cluster 2 – lack of strategic orientation	Cluster 3 – entrepren./ growth orientation	Cluster 4 – product/ inward orientation	Italy total
Number of cluster firms	number	30	53	43	22	148
	%	20	36	29	15	100
Demographic characteristics						
Age*	average	36	38	35	33	36
Family owned firms	%	67%	60%	53%	86%	63%
Independent firms	%	83%	87%	81%	91%	85%
Total nr of employees (2005)	average	53	48	58	40	
Internationalization characteristics						
Experience in internationalisation	Average years	20	17	17	18	19
Nr of market (average)	2000	17	7	20	11	13
	2005	20	11	27	15	17
	2008 expected	22	12	27	17	19
export intensity 2000	average	42	26	35	28	33
export intensity 2005	average	53	27	49	33	41
export intensity 2008 expected	average	61	36	59	41	48

Time from foundation to 1st export	average	12	16	16	14	15
country portfolio		France, Germany, UK, US	Germany, Switzerland, France, Spain	Germany, France, US, UK,	Germany, France	France, Germany, Switzerland

* after correction for outliers

Finland

Many of the three clusters' high and low end criteria are common to all of the three clusters identified. We therefore suggest a general "country orientation" building the baseline for the subsequent cluster interpretation. This country orientation could be best described with a general emphasis put on international expansion. The importance Finnish businesses assign to internationalisation is reflected in 10 out of the 15 items ranked most important that put international expansion, performance and growth at the top. Therefore, it seems that most of the Finnish firms conceive internationalisation as an opportunity and a necessity for firm growth. Such an interpretation is underlined by a general low ranking of all reactive motivations to go international. Similarly, in a longitudinal study of some 500 Finnish firms over the period 1983-1990, 84 % of the firms saw globalisation as having positive or very positive effects, with small firms indicating a slightly stronger growth than medium-sized firms following globalisation (OECD, 1997).

Among the three clusters, **cluster 3** is the **growth oriented/entrepreneurial** cluster. Firms in this group show the strongest international orientation and put the highest emphasis on international growth, supported by a well educated and internationally experienced management team. The cluster firms are following a niche strategy: they exhibit consistently the highest rankings from "small domestic market" to "niche market but many target markets" to "products satisfy a particular need" etc. between the clusters. Whereas the niche strategy in the Italian case is built on a customer orientation, in Finland the strategy seems to be related to a technology advantage and product/service uniqueness. Also, these firms put emphasis on networking and the use of internet what we could consider indicative of a technology-based sector that is closely interconnected internationally. In line with the global segment the businesses serve, this group does not adapt its marketing mix.

Cluster 1 is the **customer/market oriented** group of firms. Their high scoring between-cluster values such as "customer/competitor knowledge", "customer satisfaction" and "proximity to customers" express their underlying strategic orientation and realized competitive assets. Firms in this cluster also seem to be highly competitive in terms of their marketing strategy (all items rank highest) supported by this cluster's adaptation practice in major markets.

For *cluster 2* firms *no clear strategic profile* is emerging. Between-cluster values are – with a few exceptions – the lowest among the 3 groups.

Descriptive statistics regarding internationalisation behaviour are coherent with cluster interpretations: the *entrepreneurial/growth oriented cluster* is by far the fastest and the most intensive internationalizing group and it is the broadest in scope. In line with its strategic profile, these firms show the highest growth rates regarding both number of markets and export ratio. Also the *customer/market-oriented firms* are intensive internationalisers with consistent growth rates and development of number of markets. Cluster 2 firms are lagging behind regarding intensity, however, coherently with the general Finnish importance given to internationalisation, also this group realizes growth abroad. The Finnish results therefore seem to support the general hypothesis that strategic profiles are impacting internationalisation trajectories.

Table 2: Finland - Clusters' demographic/internationalisation characteristics

		Cluster 1 – customer- (market) - orientation	Cluster 2 – no strategic orientation	Cluster 3 – entrepreneurial/ growth orientation	Finland total
Number of cluster firms	number	64	82	57	203
	%	32%	40%	28%	100%
Demographic characteristics					
Age	average	22	21	18	21
Family owned firms	%	44%	52%	32%	43%
Independent firms	%	64%	66%	65%	65%
Total number of employees (2005)	average	62	55	57	58
Internationalization characteristics					
Experience in internationalisation	Average years	16	14	15	15
Number of market (average)	2000	11	7	17	11
	2005	14	9	23	14
	2008 expectd	17	11	27	17
export intensity 2000	average	50%	32%	58%	45%
export intensity 2005	average	54%	38%	67%	51%
export intensity 2008 expected	average	58%	45%	74%	57%
Time from foundation to 1st export	Average years	7	6	3	4

Greece

Cluster 1 companies seem to be characterized by a “*selling (price) orientation*”. They rank items such as “pricing strategy”, “payment conditions”, “special price and discounts” and

“target profit” highest. Within cluster values support this interpretation: all marketing instruments except pricing issues are totally standardized, but all issues related to price show a high level of adaptation and importance. In addition, the general low profile of this cluster does not hold for management skills, competencies and commitment to internationalisation (“level of education level of the management”, “strong desire for internationalization on behalf of the management”, “level of management commitment” are ranked important).

As descriptive data shows (see table 3) the firms are relatively intensive internationalisers with high growth rates: therefore, their orientation is supported by a well prepared management; in this cluster, orientation and managerial competency are successfully combined and permit firms to expand internationally.

In general, **cluster 2** shows the highest values along all the dimensions considered. This group is best described by a strong “*growth - entrepreneurial orientation*”: all items concerning international growth and performance rank highest both, between clusters and within the cluster. The profile is complemented by a strongly motivated and well educated management with international skills and a strong desire to internationalize: all variables expressing the international orientation of the management exhibit top values. The entrepreneurial orientation is also reflected in high rankings on items such as development of new product/service, and new production technology.

Cluster 3 has *no clear strategic profile*. Most evident is their passive attitude towards internationalisation. They do not assign any importance to variables operationalising international expansion, growth and performance. This is reflected in a management profile that seems to lack competencies and experience relevant to internationalisation (“level of international orientation of management”, “education and management commitment” ranks lowest between the clusters). Interestingly, items related to the competitiveness of the firms express advantages that obviously are not exploited internationally (such as competitiveness in terms of product technology, quality etc.) We therefore conclude that in this cluster management seems to limit international expansion and that the firms’ orientation is mainly domestic.

Descriptive statistics confirm the orientation of the 3 clusters. Consistent with their growth/entrepreneurial orientation, Cluster 2 firms show the highest export intensity/growth and the number of export markets has been developed constantly since 2000. Internationalisation in cluster 3 seems to be considered neither an opportunity nor a necessity as has been illustrated above. In line with this “domestic/passive orientation” export ratios and geographic scope in this group of firms are stable. Finally, the “selling-oriented” firms

combine internal strengths with international opportunities that results in considerable export intensity and international growth rates. This cluster, due to its “selling orientation” and managerial drive realizes international expansion notwithstanding its (very) limited competitiveness profile as is indicated in cluster values. At the contrary, cluster 3 firms seem to possess a competitive offering and unique selling propositions but they lack strategic orientation and international drive and therefore limit their international growth.

Table 3: Greece - Clusters’ demographic/internationalisation characteristics

		Cluster 1 - selling (price) oriented	Cluster 2 – entrepreneurial/ growth oriented	Cluster 3 - no strategic profile	Greece total
Nr of cluster firms	number	86	137	34	257
	%	33%	53%	14%	100%
Demographic characteristics					
Age	average	24	24	35	26
Family owned firms	%	71%	51%	61%	59%
Independent firms	%	88%	84%	91%	86%
Total nr of employees (2005)	average	43	57	42	50
Internationalization characteristics					
Experience in internationalization	Average years	13	12	10	12
Nr of markets (average)	2000	5	6	4	5
	2005	6	9	4	7
	2008 expected	9	11	6	9
export intensity 2000	average	29%	32%	11%	29%
export intensity 2005	average	35%	39%	11%	34%
export intensity 2008 expected	average	39%	44%	17%	39%
Time from foundation to 1st export	average	11	12	26	14
country portfolio		Germany, Cyprus,Bulgaria	Germany,Italy, Cyprus	Germany, Cyprus, Albania	Germany, Cyprus, Bulgaria

Switzerland

Cluster 2 firms share a technology advantage: they indicate a product/service that is unique in terms of technology and serving a particular need of their customers; additionally, this uniqueness as well as unsolicited orders are indicated the major motivations for

internationalisation. In fact, management does not seem to proactively pursue internationalisation as all items related to management's international orientation, experience and commitment are ranked low in this group. Also, all variables operationalising importance of international performance and growth are judged modest.

Whereas all management competencies relevant to internationalisation are ranked low, the level of education instead is indicated to be very high. This again could be indicative of a technology orientation, together with a general low profile in terms of marketing competitiveness. However, the current technology advantage does not seem to be developed for the future, as all items regarding innovation (such as new product development/new production technology) are low-level. We therefore propose this group of firms to be characterized as *product/inward oriented*.

Cluster 3 firms report comparably high values regarding reactive internationalisation motivations (eg "economy of scale", "overcapacity", "competitive pressure"). In addition, they show a poor competitiveness profile and seem to lack any competitive advantage as low rankings across all items suggest. The only strength of these businesses as evidenced by between-cluster values lies in their "distribution"-related activities such as excellent intermediary relations, competitiveness regarding distribution and adaptation of distribution channels in main export markets. Similarly to Cluster 2, management is not driving international expansion: almost all items regarding international performance and growth are ranked lowest across the clusters. Additionally, a comparably low level of management competences seem to limit internationalisation. In this case, firms seem to delegate internationalisation to their intermediaries what might explain the *lack of strategic orientation*.

Cluster 4 is the *entrepreneurial-growth oriented cluster*. All items operationalizing international orientation, growth and performance rank highest across clusters. Also, an experienced, committed and well-educated management team with a global mindset is driving internationalisation. This group of businesses builds on high product/service quality and innovation (new product/service development, development of new prod technology is ranked highest). These firms seem to move in the most global environment among all clusters that pushes and pulls them (internationalisation of customers and success of competition on foreign markets) towards internationalisation. Firm internal resources relevant to internationalisation therefore are corresponding well to the overall international market conditions and might be reinforced and constantly developed by facing international competition as the overall very positive competitiveness-profile suggests.

Cluster 1 absolute values at a first glance do not permit identification of a clear strategic profile, since they reveal too few characterizing high/low end variables between clusters. However, when looking at highest values in general, the cluster exhibits consistently top rankings for all market oriented items, such as customer/competitor knowledge as well as customer satisfaction. Also, cluster firms assign much importance to international growth and performance and indicate their management to be internationally oriented, experienced and committed. We therefore suggest this cluster to be characterized as being *customer oriented*. Descriptive statistics as reported in the table attached confirm the general hypothesis that firm strategic orientation is impacting internationalisation behaviour and performance. Both the market-oriented and the entrepreneurial-growth oriented group are intensive internationalisers that are broad in scope, whereas their counterparts are lagging extremely behind. The passive/inward-oriented groups realize an export ratio of about 30 %, whereas the former groups of businesses double this ratio. Further, they also serve more markets and more geographically and culturally distant markets than their counterparts. However, cluster statistics describe Cluster 2 firms to be the youngest and relatively quick as regards their “time to 1st export market”. Further, they are somewhat penalized in terms of size. In this case we have to further investigate into within-cluster firm differences in order to verify patterns of precocity, speed and scope of internationalisation in order to confirm a predominant “product/inward orientation” or a high-tech born global pattern.

Table 4: Switzerland - Clusters’ demographic/internationalisation characteristics

		Cluster 1 – customer oriented	Cluster 2 – product/in- ward oriented	Cluster 3 – lack of strategic orientation	Cluster 4 – entrepren./ growth orientation	Switzerland total
Number of cluster firms	number	48	17	20	60	145
	%	33%	12%	14%	41%	100%
Demographic characteristics						
Age	average*	34	19	36	35	33
Family owned firms	%	77%	47%	70%	65%	67%
Independent firms	%	81%	94%	85%	78%	82%
Total number of employees (2005)	average	55	22	37	61	52%
Internationalization characteristics						
Experience in internationalisation	average years	32	12	14	26	25
Number of markets **	2008 (expected)	17	4	9	23	13
Export intensity 2008 expected**	average	55%	30%	27%	62%	51%
Time from foundation to 1st	average	10	8	12	8	9

exportation						
country portfolio		Germany, Austria, Belgium	Germany, Austria	Germany, Austria	Germany, France, Austria	Germany, Austria, France

* after statistical correction for outliers

** 2000 and 2005 figures are not available; the Swiss (short) version of the questionnaire did not include the questions on 2000-2005 internationalisation data

DISCUSSION

Cross-country analysis shows common strategic profiles as well as some country-specific traits as illustrated in table 5 below. In particular, two strategic types are present in all the countries under investigation, i.e. the entrepreneurial/growth oriented type and the cluster of firms without a clear strategic orientation and behaviour. Not surprisingly, these two typologies represent two extremes of the strategic profiles: the former have a very clear and proactive orientation towards capturing market opportunities and possess/develop resources to have corresponding results, while the latter constitute the “low end” of the SMEs world, characterised by a reactive/passive attitude and lack of strategic awareness. Regarding the other strategic types, we find evidence of product/inward oriented firms in Italy and in Switzerland. Customer orientation is found in all countries apart Greece, but on the other hand we found a selling orientation characterizing one group of Greek firms, which is not present in the other three countries.

Table 5: Presence of strategic types across countries

	Italy	Finland	Greece	Switzerland
Entrepreneurial/growth orientation	Yes	Yes	Yes	Yes
Customer orientation	Yes	Yes	No	Yes
Product/inward orientation	Yes	No	No	Yes
Selling orientation	No	No	Yes	No
Lack of strategic orientation	Yes	Yes	Yes	Yes

Similar to extant research (Miles & Snow, 1986; Noble et al 2002; Zhou et al 2005, 2007), our findings describe a number of viable strategic orientations for SME to prosper and survive in their competitive *international* environment. It also highlights kind of a baseline strategic continuum that in earlier export performance research has been described with proactivity and reactivity (Dean et al., 2000; Johnston & Czinkota, 1982; June & Collins Dodd, 2000) and that in our context could be extended and called “international (growth) orientation”, following the line of thought of Nummela et al. (2005).

In line with earlier findings in a domestic context, groups with clear strategic profiles in general perform better than their less “strategic counterparts” (Miles & Snow, 1978; Conant et al., 1990; Pelham 1996) and they are pursuing more actively international opportunities.

The entrepreneurial/growth oriented cluster is across all countries - although on different levels - the most intensive internationaliser with the highest growth rate. These groups of firms are also the fastest to realize first exports. Further, their international market selection seems to break the psychic distance patterns (eg. Oviatt & McDougall, 1994). Also the customer oriented groups, consistent with their strategic profile, are exploiting international expansion intensively and realize growth at superior rates. In both cases psychic distance obviously becomes less relevant with firms emphasizing customer proximity and orientation, networking, innovation and growth opportunities. Additionally these two clusters show different features also with regard to the scope of international activities: as is indicated in table 1-4 the customer-oriented group of companies and the growth-oriented/entrepreneurial cluster show the highest number of export markets, that might be explained with a global customer segment and a growth and opportunity seeking strategic orientation (Zucchella & Palamara, 2007; Calori et al., 2000)

The remaining groups showing clear strategic profiles such as the “product/inward” and the “selling oriented “ groups are lagging behind regarding all dimensions of internationalisation. Whereas the entrepreneurial and customer/market oriented strategic types in our study are always characterized by high levels of proactiveness and international orientation, these remaining types are internationally successful only when their strategic types combine with “international orientation”. These groups show international performance when their orientation combines with managerial drive and commitment to internationalisation,.

Not surprisingly, the groups lacking strategic direction are the slowest and the less intensive internationalisers, with a tendentially limited country portfolio that tends to follow a psychic distance pattern.

These findings complement extant research on strategic orientations that has showed positive results as to the orientation-performance relationship in domestic contexts and large firms (eg Snow & Hrebiniak, 1980; McKee et al., 1998; Conant et al., 1990; Cano et al., 2004; Shoham et al., 2005). It also confirms earlier international entrepreneurship studies that put entrepreneurial/growth orientation at the core of superior performance and accelerated internationalisation patterns that challenged traditional ways to international expansion (eg Oviatt & McDougall, 1994). The findings also give evidence of the fact that SMEs are neither

only “reactive” or “opportunistic” at best, as has been posited in much of the SME internationalisation literature.

Further, these differentials in internationalisation profiles suggest influence of strategic orientation on internationalisation patterns and performance.

CONCLUSIONS

The aim of our research was to deepen the knowledge of SMEs strategic profiles and behaviour. We propose cluster analysis, an explorative statistical technique that allows structure-discovering analysis out of data, in order to uncover strategic types across 4 European samples of international SMEs

The findings support the idea the world of international SMEs is not isomorphic with reference to the strategic profiles of firms: in all the countries some strategic typologies emerge and they are well distinguished. The findings also support the idea that in a well integrated area from the economic and commercial point of view like continental Europe, it is possible to find out both similarities and significant differences in the strategic typologies of international SMEs.

From the cluster analysis five strategic types emerge: two of them are present across all the countries investigated, while the presence of the other three is more scattered. The first cluster is represented by the entrepreneurial-growth oriented firms, which combine strong international commitment and importance of international expansion and performance with a highly skilled and committed management. The second common cluster is the one of SMEs lacking of clear vision, orientation and commitment towards foreign markets. In the Swiss and the Italian case the groups seem to be mainly domestically oriented firms, assigning little importance to internationalisation. Also, across all four countries this group seems to be limited by management competences and drive. In general it is the group with the lowest performance profile regarding all internationalisation dimensions, namely export intensity, scope and speed.

The customer oriented firms are well represented (all countries apart Greece), and base their competitive advantage on strong customer orientation, satisfaction and knowledge. Both entrepreneurial and customer oriented strategic profiles are associated with superior export ratios, growth rates and development of markets. This confirms to some extent the idea that being customer/market oriented may be part (or close to the) entrepreneurial type (Atuahene-Gima & Ko, 2001; Luo et al., 2005; Miles & Arnold, 1991).

The remaining types, the Greek “selling orientation” and the “product/inward” oriented clusters are best characterized with exploiting a specific or intrinsic competitive advantage, based on the capacity to combine internal strength with a skillful management that puts emphasis on international expansion.

In every strategic cluster it is possible to identify strengths and weaknesses of the approach followed by the firms. The outcomes of the clusters analysis therefore are of relevance for managers and entrepreneurs because they permit to position a company in one of these groups and to compare their firm’s vision and orientation with other clusters. The research is also relevant for policy makers because it reveals that small firms are not isomorphic from the viewpoint of strategic orientation and behaviour and need to be approached with differentiated policies, according to the potential risks and weaknesses underlying each cluster profile.

This research has also limitations: the research methodology chosen is subject to criticism in that it cannot completely separate strategic profiles which remain somewhat overlapping in some dimensions. This is evident also in business reality, where our strategic types represent a simplification of the reality itself, helpful to classify firms and understand their international behavior, but with a number of grey areas among clusters. In addition to this our analysis cannot capture the evolution of firms from one typology to another, a process which is likely to occur continuously –at least in the medium-long term- in the life of firms. Therefore, future research might try to confirm and fine-tune the strategic types we found across the four countries. Also, a longitudinal study of firm strategic clusters might yield interesting insight in long-term internationalisation behaviour and development and related performance consequences.

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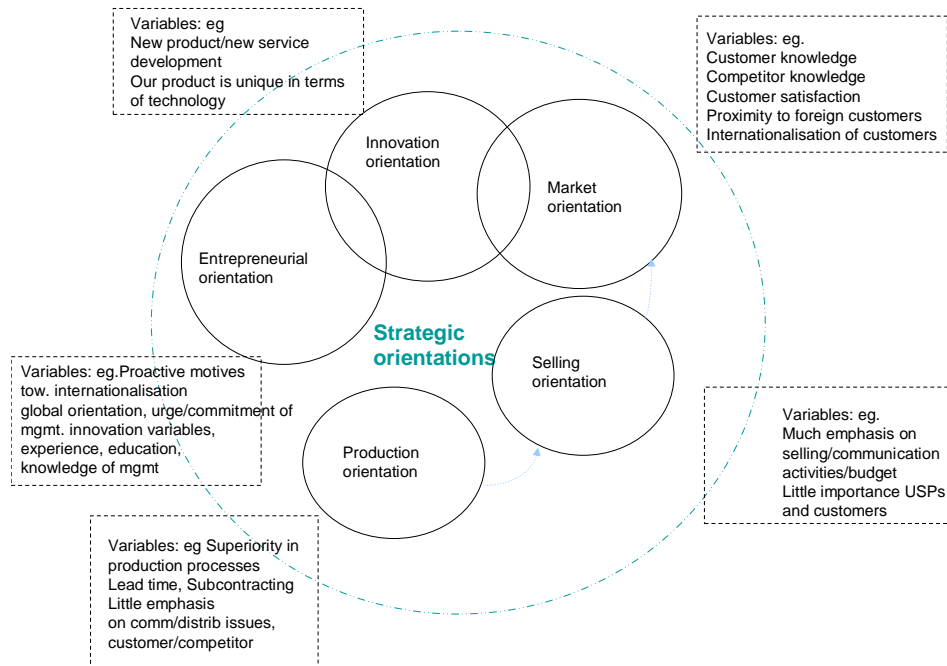
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Appendix:

Operationalization examples of the strategic orientation constructs



Examples of strategy operationalization

Estimate how well the following statements are describing your company (from 1 describes very poorly to 5 describes very well)

- Our product is serving a specialized need that is not easily satisfied with competitors products
- The markets of our products are small in each country, but there is a lot of target countries
- Our customers are thinking our product more as a specialized product that as a standard product.
- Our customers regard our product of higher quality than our competitors product
- Our product is unique in terms of technology

Examples of management characteristics operationalization

Please, rate your view of the following management-related issues in your company (from 1 very low to 5 very high)

- International orientation of management
- International experience of management
- Managements level of education
- Managements level of knowledge in languages
- Managements commitment to the foreign business